NOTTINGHAMSHIRE COUNTY COUNCIL
ANNUAL FINANCIAL REPORT 2011/12

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EXPLANATORY FOREWORD

1. The Council's Statement of Accounts for the year 2011/12 is set out on the following pages. It is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) and the Service Reporting Code of Practice (SeRCOP), both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The statements also comply with appropriate guidance notes issued by CIPFA covering International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretations of the Standing Interpretations Committee (SIC) and IFRS Interpretations Committee (IFRIC) as they apply to local authorities.

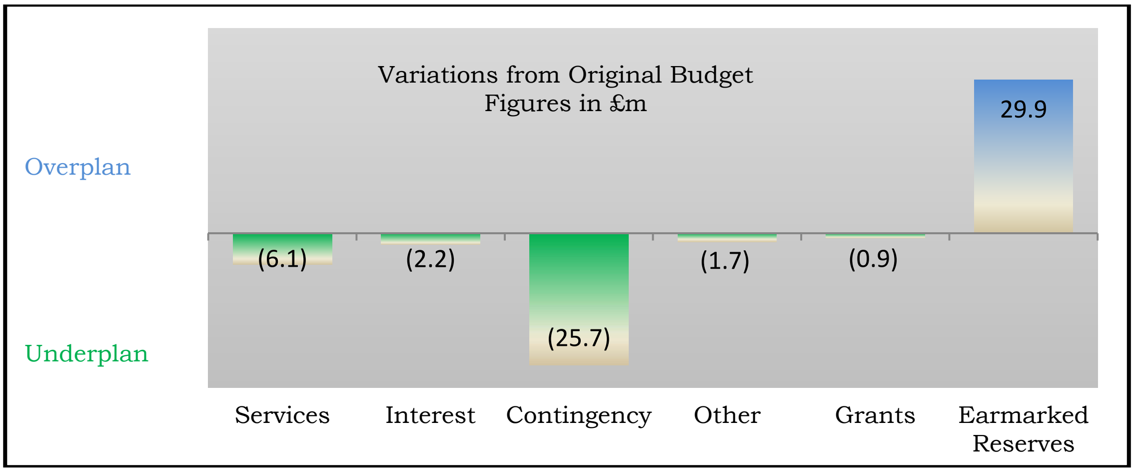
2. This foreword gives a brief summary of the Council's overall financial results for 2011/12. It also indicates the type of expenditure incurred and the ways in which money has been raised to pay for this.

Revenue Expenditure

3. The original budget estimated that there would be a £5.1 million use of General Fund balances. The final accounts show that there was an increase of £1.6 million in balances.

	Original Budget £m	Actual £m	Variance from Budget £m
INCOME			
Income raised from taxation:			
Precept Income (Council Tax)	307.9	307.9	-
Non Domestic Rate Income	151.8	151.8	-
Revenue Support Grant	46.9	46.9	-
	506.6	506.6	-
NET EXPENDITURE (inc appropriations)	**511.7**	**505.0**	**(6.7)**
Contribution (to)/from County Fund Balances	**5.1**	**(1.6)**	**(6.7)**

4. The main variations to net expenditure were:



In addition, Schools have increased the Schools Statutory Reserve by £7.4 million to fund future spending in excess of the Dedicated Schools Grant.

	£m	£m
Areas where non-schools expenditure was reduced:		
Underspending on services	(6.1)	
Interest	(2.2)	
Contingency	(25.7)	
Other	(1.7)	(35.7)
Areas where non-schools income increased:		
Grants	(0.9)	(0.9)
Movement on reserves created from items above:		
Capital Projects	12.0	
Improvement Programme	12.0	
Adult Social Care & Health	2.0	
Net Other	3.9	29.9
Overall decrease in net expenditure compared with budget		**(6.7)**

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

	1/4/11 £m	Movement during year £m	31/3/12 £m
County Fund Balances	28.1	1.6	29.7
Insurance reserve	20.6	(13.0)	7.6
Reserves:			
Bassetlaw Schools PFI	2.8	(1.5)	1.3
Capital Projects	4.3	23.3	27.6
Corporate Redundancy Reserve	3.1	0.0	3.1
Earmarked Reserves	0.0	1.7	1.7
Earmarked for Services	30.4	0.8	31.2
East Leake Schools PFI	2.8	0.3	3.1
Improvement Programme	8.6	9.4	18.0
Lifecycle Maintenance	3.7	0.0	3.7
Pay Review Reserve	2.0	0.0	2.0
Performance Reward Grant	1.1	(1.1)	0.0
Schools Statutory Reserve	31.8	7.4	39.2
Trading Organisations	2.9	0.3	3.2
Tram PFI	4.0	(4.0)	0.0
Tram Phase 2	1.8	(1.8)	0.0
Waste PFI	22.7	4.0	26.7
	170.7	**27.4**	**198.1**

6. The gross revenue cost of Council services was £1,248.8 million in 2011/12. The analysis by type of expenditure is:

	Amount £m	Proportion %
Employees:		
Teachers and Lecturers	240.3	19.2
Other Employees	318.2	25.5
Single Status Back Pay pre April 10	0.4	0.1
Other Running Costs	642.3	51.4
Capital Charges to service revenue accounts	47.6	3.8
	1,248.8	**100.0**

7. For 2012/13 budget reductions of £37.3 million have already been identified, including £26.8 million efficiency savings. The Authority's Medium Term Financial Strategy has identified the need for further significant savings over the next four years and the Authority will continue to prioritise efficiency savings to meet these budget reductions. The Improvement Programme continues to monitor all savings projects including departmental and cross-cutting projects in areas such as procurement, business systems, rationalisation of property and staffing structures.

8. The Health & Social Care Bill (January 2011) transferred Public Health functions to the Council. Staff have been co-located since November 2011, with the formal transfer to take place on 1 April 2013.

9. 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	533.0	42.7
Fees and Charges etc.	156.2	12.5
	689.2	55.2
Council Tax, National Non-Domestic Rate, RSG and general revenue grants	564.3	45.2
Interest and Investment Income	0.4	0.0
Other Items	(5.1)	(0.4)
	1,248.8	**100.0**

Capital Expenditure and Financing

10. The Council's capital expenditure in 2011/12 was £102.3 million including amounts counted as capital expenditure for control purposes. The external capital financing costs amounted to £33.5 million, which included interest on PFI schemes.

11. At 31 March 2012, the insured value of the Council's buildings was £2,546 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 4,201 hectares of land. The net book value of property, plant and equipment was £1,373 million.

12. The Council's borrowings, used to finance the past acquisitions of assets, were £432.1 million at 31 March 2012. This includes long term borrowings, loans to be repaid within one year, deferred liabilities and finance leases related to PFI schemes. The Council makes use of financial instruments called Lenders' Option Borrowers' Option (LOBOs) which offer attractive borrowing rates of interest as well as greater flexibility. At 31 March 2012 the amount owed of these type of borrowings was £101.3 million.

13. The Authority has entered into Private Finance Initiative (PFI) partnerships. The major schemes are as follows:

- The provision of schools at East Leake. Service commenced during 2003/04
- The provision of schools and leisure facilities in Bassetlaw which commenced during 2007/08
- Waste recycling and energy recovery facilities. The waste recycling facility became operational in 2007/08.

Further details of all PFI contracts are set out in Note 36 to the Accounts.

Explanation of the Statements

14. **Annual Governance Statement**
Alongside the Statement of Accounts the Council publishes an Annual Governance Statement which sets out the Council's responsibility for internal control and describes both the purpose of internal control and the internal control environment. The Statement also summarises the 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.

15. **Other Statements**

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

Movement in Reserves Statement

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

Comprehensive Income and Expenditure Statement

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

Balance Sheet

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

Cash Flow Statement

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

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 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.

16. **Changes in Accounting Policy**

The Accounting policies for 2011/12 have been updated with the adoption of two new accounting policies following changes in the Code of Practice on Local Authority Accounting in the United Kingdom. The two new accounting policies that have been introduced are as follows:

- Carbon Reduction Commitment (CRC) Energy Efficiency. This has not required any restatement to the accounts.

- Heritage Assets following the adoption of *Financial Reporting Standard (FRS) 30 Heritage Assets*. This change has been retrospectively applied as if the new requirement had always been in force and, consequently, has required a restatement of the Balance Sheet for the prior year. Note 1 sets out the impact upon the Council's Balance Sheet.

17. **Impact of Current Economic Climate**

The Comprehensive Spending Review 2011/12 – 2014/15 published in October 2010 confirmed a significant real terms reduction in the Authority's funding. The Authority has developed budget and improvement plans to restrict expenditure to the reduced level of funding.

18. **Post Balance Sheet Events**

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

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. Public money must be safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority 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. The Localism Act 2011 has, among other things, established a general power of competence for local authorities.

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 (Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives) Framework Delivering Good Governance in Local Government. This statement explains how the Authority complied with the code during 2011/12 and also meets the requirements of regulation 4 of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an annual governance statement. The Localism Act 2011 has now come into effect, and the Council has changed its governance arrangements for 2012/13.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework is made up from the systems, processes, culture and values put in place by the Authority. The Authority uses this framework to direct and control its work and ensure that it engages with, leads, and accounts to the community. The framework 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 2012 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:

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

The Council's Strategic Plan for 2010-14 was approved in 2010. The Plan:

- Provided a clear statement of the Authority's priorities, promises and values.
- Enabled agreed political objectives and statutory requirements to drive the Authority's activities.
- Enabled the communication of the Authority's priorities to the community of Nottinghamshire, partner organisations and staff.
- Provided a broad framework of objectives and performance indicators to ensure effective performance management.

The performance indicators used to monitor its delivery and the key actions undertaken to deliver the priorities are reviewed and refreshed each year to ensure they remain achievable and appropriate.

Each year the Authority approves the annual budget and capital programme which includes an update of the Medium Term Financial Strategy. The Medium Term Financial Strategy is the financial plan which underpins the Strategic Plan.

b) Reviewing the Authority's vision and its implications for the Authority's governance arrangements.

The Strategic Plan provides the basis for future corporate and service planning over the period 2010 to 2014. Progress on the Authority's achievements is assessed by the monitoring of agreed key actions and meeting performance indicator targets. Performance is reported quarterly to the Performance Improvement Board, who are mandated by the Corporate Leadership Team to manage performance on their behalf. An annual report on performance for 2011/12 will be presented to Policy Committee in July 2012. The Authority has a performance management framework which sets out in detail the individual factors that are required to manage performance and how they work together in the Authority. This framework is currently being reviewed to reflect the changing political and economic climate in which the Authority now operates. This will be presented to the Corporate Leadership Team and Policy Committee.

c) 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 budget consultations. A new corporate complaints team was established from April 2011 to ensure there is a robust complaints procedure. A Citizens Panel, 'Nottinghamshire Listens', made up of approximately 6,000 people is in place and has been used to engage with citizens throughout the County on a wide range of issues. Progress towards delivering the Strategic Plan's priorities and objectives is monitored quarterly and reported to full Council every 6 months through the lead Member for performance.

d) 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 during 2011/12, the role of full Council, the Cabinet, Committees and the process for determining key decisions are defined in the Constitution. Delegations were detailed so that the functions of full Council, Cabinet, Cabinet Members, Committees and Officers were specified. Appropriate protocols were 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. The arrangements for 2012/13 have changed following the implementation of the Localism Act 2011.

e) 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 and officers. As part of its annual work programme during 2011/12, the Standards Committee reviewed complaints against the Authority's services and updates on a range of issues including Freedom of Information, Data Protection Act, Whistleblowing and Members' attendance at meetings. In addition, the Standards Committee presented an annual report to the County Council on 3 November 2011 setting out the work carried out and significant issues arising.

f) 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.

The Monitoring Officer is responsible for keeping the Constitution under review and reporting any proposed amendments to Council. The most recent review was in November 2011. The Authority's Risk Register is reviewed at each of the five meetings a year of the Risk, Safety and Emergency Management Board to determine whether additional steps are required to mitigate key risks.

g) Ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of The Chief Financial Officer in Local Government.

The Statement sets out the five principles that need to be met, to ensure that the Chief Financial Officer can carry out the role effectively. The principles are that the Chief Financial Officer:

- Is a key member of the Leadership Team
- Must be actively involved in all material business decisions
- Must lead the promotion and delivery of good financial management
- Must lead and direct a finance function that is resourced to be fit for purpose
- Must be professionally qualified and suitably experienced.

The Chief Financial Officer for the Authority is the Service Director (Finance and Procurement). This post reports to the Corporate Director for Environment and Resources who is a member of the Leadership Team. Although the Chief Financial Officer is not a member of the Leadership Team, a number of measures have been put in place to ensure that the impact is the same. These include providing details of all issues discussed at Leadership Team to the Chief Financial Officer, who has the right to attend the meeting if he considers it necessary. In addition, the Chief Financial Officer will attend whenever material business decisions are made. The Authority has set up the Business Support Centre which manages financial transactions on behalf of the Authority, including payroll, pensions and income transactions. As the Business Support Centre does not report to the Chief Financial Officer, controls have been established to ensure that the Chief Financial Officer can secure the promotion and delivery of good financial management in these areas. The Chief Financial Officer is professionally qualified and has experience from a range of organisations. The finance function is currently being revised to reflect the changing requirements under the new Business Management System.

h) 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 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, scrutiny of Treasury Management and the review of the financial statements. These functions are covered by the Audit Committee.

i) 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 and Procurement) 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.

j) 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 Authority's complaints procedure is well established and is monitored by the

Standards Committee. In January 2012 the Standards Committee received a report on the discharge of the Authority's duties under the Whistleblowing Policy.

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

During 2011/12 the Member development programme continued to respond to changing national and local policy. Briefings have been arranged to ensure that Members were kept up to date on issues and developments, including, among other things, the Localism Bill, Mental Health Guardianship, effect of the Health and Social Care Bill and interviewing skills for recruitment of senior staff. The Member reference group has agreed to a process of assessing individual development needs, which will feed into the programme for 2012/13. All officers, including senior officers, are subject to annual Performance and Development Reviews. These reviews specifically identify and monitor development and training needs in relation to the individual employee's role. During the year, a new Competency Framework has been introduced, which sets out the observable skill levels and behaviours required of every employee at each tier of the organisation.

l) 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 and targeted audiences e.g. service user and carer groups. The setting of the 2012/13 budget has been subject to extensive and robust consultation, reflecting the scale of decisions the Council has needed to make. The Budget Conversation campaign was launched on 26 September 2011 and was designed to gauge the public's view on their broad priorities, and how the Authority's spend should be apportioned at a strategic level. This included the use of an on-line budget simulator, where participants could give their opinions and ideas on how the Council could make the most of its 2012/13 budget. Methods for consulting have included, amongst other things, an on-line questionnaire, inviting comments in County News, making information and questionnaires available at libraries and information points, and providing a freepost address for residents to send in their letters. Community groups have been engaged via Networking Action for Voluntary Organisations (NAVO) via meetings and correspondence, seeking Citizens' Panel members views, and direct correspondence with stakeholders.

m) 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.

The Constitution sets out policy guidance for County Council involvement in partnerships and guidance on entering into partnerships has also been produced. The policy guidance sets out, among other things, the need for clarity on why the County Council has entered into a partnership, the Council's objectives and how the partnership will help deliver them, the powers enabling involvement and the exercising of those powers.

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 Head of Internal Audit's annual report, and also by comments made by the External Auditor and other review agencies and inspectorates.

Throughout 2011/12, the Authority has maintained and reviewed the effectiveness of the governance framework. In particular:

a) The County Council has received and considered a number of reports, including:

- Strategic Plan Performance Report 2010/11
- Refresh of the Strategic Plan 2010-14

- Amendments to the Constitution
- A report from the Chair of the Overview Committee
- Statement of Accounts 2010/11
- Treasury Management Policy and Strategy for 2011/12
- Review of Treasury Management activity
- Budget Report 2012/13 and Medium Term Financial Strategy 2012/13 to 2015/16
- A report from the Chairman of the Standards Committee
- Changes to the Governance Arrangements.

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

- Management Accounts for 2010/11
- Budget and Capital Programme Proposals for 2012/13 to 2015/16
- Revenue Budget Monitoring.

c) The Audit Committee and Overview Committee have considered a wide variety of issues including:

- Internal Audit Annual Plan 2011/12
- Counter Fraud Measures
- Annual Governance Statement
- Audit Commission Audit and Inspection Plan
- External Audit Governance Report
- Treasury Management Policy for 2011/12
- Health and Wellbeing
- Education
- Communities and the environment.

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

- Freedom of Information policy
- Corporate complaints procedure – a summary of complaints
- Monitoring of Members Attendance at committees
- Data Protection Act.

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 2011/12, is that it is adequate.

f) External Audit's Annual Audit Letter 2010/11, stated that the Auditor issued an unqualified opinion on the County Council's 2010/11 accounts. The accounts were presented on time and complied with the requirements of the newly introduced International Financial Reporting Standards. The accounts were free from material error and no significant weaknesses in internal control arrangements were identified. The Auditor also concluded that the Council had put in place proper arrangements for securing value for money, and that financial governance arrangements are well established and supported by a strong financial management culture.

5. SIGNIFICANT GOVERNANCE ISSUES

The Authority faced an extremely challenging year in 2011/12 as it sought to manage significant budget reductions, increasing demand for some key services and new ways of working, simultaneously. The environment for 2012/13 and beyond will continue to be challenging. However, the transformation programme now underway delivered significant savings in 2011/12 of the order of £70 million and further savings of £71 million are already planned for 2012/13 – 2013/14.

Other key governance issues that need to be addressed against this background are set out below:

a) Potential for continuing reduction in Government Funding. Whilst there is an element of certainty regarding the anticipated reduction in Grant for 2012/13, the situation beyond remains unclear and is further complicated by changes to local government funding and other policy proposals that have far reaching implications for the Council's service and financial planning.

b) The implementation of new organisation structures has changed governance and control arrangements. New management processes have been, or are being, established and will be kept under review to ensure that they are effective.

c) The new Business Management System (BMS) was implemented in November 2011. This has resulted in significant changes to the control structures of the Council, and has involved new ways of working for many employees. A continued focus will be needed to ensure that the many benefits available from the new system are realised and that the next phase is implemented successfully.

d) The Council has approved changes to governance arrangements from the Leader/ Cabinet Executive arrangement to a committee system from 17 May 2012. This follows the implementation of the Localism Act 2011, which permits councils to return to a committee system.

e) Responsibility for public health will transfer to local authorities from April 2013. Transition to the new arrangements will take place during 2012/13. This work is progressing well under the remit of the Health and Wellbeing Board on behalf of the Council.

f) The current standards regime has been abolished by the Localism Act 2011. As a result the Council will be considering what measures it will need to put in place to ensure continuing high standards.

The Audit Committee and Policy Committee reviewed the governance framework detailed in this statement at their meetings on 23 May 2012 and 20 June 2012 respectively. We are aware of the steps that are being and will be taken to address the above significant governance issues and we are satisfied that these are appropriate. We will monitor their implementation during the course of 2012/13.

Councillor Kay Cutts
Leader of the County Council
20 June 2012

Mick Burrows
Chief Executive
20 June 2012

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

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 & Procurement) 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 (England) Regulations 2011 ("the Regulations").

Responsibilities of the Service Director (Finance & Procurement)

The Service Director (Finance & Procurement) 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 the United Kingdom (the Code).

In preparing this Statement of Accounts, the Service Director (Finance & Procurement) 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 & Procurement) 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 a true and fair view of the financial position at the accounting date and its income and expenditure for the year ended on that date.

Paul Simpson
Service Director (Finance & Procurement), Environment and Resources
29 June 2012

STATEMENT OF APPROVAL OF THE STATEMENT OF ACCOUNTS

The Statement of Accounts was approved by a meeting of the County Council on XX September 2012. The Service Director (Finance & Procurement) 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.

Chairman of the County Council
XX September 2012

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL POLICIES

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS).

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

2. EXCEPTIONAL ITEMS

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

3. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

4. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible non-current assets attributable to the service.

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

5. COSTS OF SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011/12 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users as follows:

- Office accommodation – in proportion to floor area occupied
- Other central administrative expenses – allocation of staff time

- Architectural Engineering Services for the Capital Programme – recharged to capital using professional scale fees.

The following two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on the Cost of Services.

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early, pensions past service cost and depreciation and impairment losses chargeable on Surplus Assets.

6. EMPLOYEE BENEFITS & PENSIONS

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line (or discontinued operations) in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

Post-Employment Benefits

Employees of the Authority are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
- The Local Government Pension Scheme, administered by Nottinghamshire County Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Authority. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme (LGPS)

The Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of projected earnings for current employees. In assessing these liabilities at 31 March 2012 for the 2011/12 Statement of Accounts, the actuary made a number of changes in the assumptions underlying the present value of the scheme liabilities. These include a change in the assumed pensions increase from 2.7% to 2.5% and inflation. Application of these revised assumptions has resulted in an increase in liabilities measured at today's prices of £243.2 million (£240.0 million LGPS, £3.2 million Teachers).

- The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – credited/debited to the Pensions Reserve
  - contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

7. REVENUE EXPENDITURE FINANCED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

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 for money to the Authority beyond the end of the financial year. This includes grants made to bodies for which the Authority is the accountable body and exercises control over grant distribution.

8. PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Assets are, however, only recognised when they exceed the de minimus levels for 2011/12 set out below:

Asset Type	**De minimus**
Land & Buildings	£0
Community Assets	£10,000
Infrastructure	£0
Assets under Construction	£0
Heritage Assets	£10,000
Vehicles	£6,000
Other assets	£6,000

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, Community Assets and Assets under Construction – depreciated historical cost
- Heritage Assets - held at valuation or, under certain conditions, historical cost (depreciated where appropriate)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

The current land and building values used in the Statement of Accounts are based upon a certificate as at 31 March 2012 issued by the Council's Property Group Manager, P. Robinson MRICS, on 31 May 2012. A rolling 5 year revaluation programme is in place to maintain the accuracy of the valuations. When significant changes occur in any year they are included in the revaluation work undertaken during that year.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

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

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that they may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is charged in the year after acquisition or construction. Where depreciation is provided for, assets are depreciated using the straight line method. The lives of the assets vary and fall 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
Intangibles	3 – 5
Furniture and Fittings	5 - 15

Where an item of Property, Plant and Equipment has major components whose costs are at least 20% of the total cost of the item, the components are depreciated separately. A review was carried out for all items over a de minimus of £0.5 million. For the 2011/12 Statement of Accounts, the Authority has not identified any components to be depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction, rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Capital receipts are required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

9. FINANCIAL ASSETS

Financial assets are classified into two types:

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

Loans and Receivables

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

However, the Authority, for policy reasons, can make loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) 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 to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General

Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where 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 relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

Available-for-Sale Assets

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

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

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

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

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

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

10. CASH AND CASH EQUIVALENTS

Amounts held in call accounts or money market funds are highly liquid and readily convertible. These can be held for relatively long periods as call account rates are currently attractive. However, these accounts are used to cover short-term cash flow needs and so will be classed as cash equivalents.

Fixed term investments, of whatever duration, are not readily convertible to known amounts of cash. Fixed deals can be broken but only through negotiation with the borrower and at a penalty depending on the fair value of the loan at the time of break. All fixed term investments will not therefore be classed as cash equivalents.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

11. OTHER ASSETS

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Interests in Companies and Other Entities

In the Authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

Investment Property

Investment Properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment Properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Jointly Controlled Operations and Jointly Controlled Assets

Jointly Controlled Operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

Jointly Controlled Assets are items of Property, Plant or Equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

12. INVENTORIES

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

13. ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected
- Where significant debtors or creditors arise from such items as government grants and pay awards that are not yet finalised, estimates are made on the basis of best information that is currently available.

Accounting instructions require accruals to be raised where amounts are in excess of £5,000. Schools are asked to take responsibility for accruing for employee costs where individual amounts owing are in excess of £5,000.

14. FINANCIAL LIABILITIES

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

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

15. LEASES

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

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

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower), where the fair value exceeds the de minimus limit. The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to write down the lease liability. Where material, contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased Property, Plant or Equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

16. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

The Authority has entered into a number of Private Finance Initiative contracts. PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For the Bassetlaw Schools PFI scheme and East Leake Schools PFI scheme, the liability was written down by initial capital contributions of £9.0 million and £2.9 million respectively.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Authority.

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – charges for ongoing maintenance of the Property, Plant and Equipment debited to the relevant scheme.

17. GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

18. PROVISIONS

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Landfill Allowance Schemes

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

Landfill allowances allocated by DEFRA are accounted for as a government grant. After initial recognition, allowances are measured at the lower of cost and net realisable value.

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

The fair value of landfill allowances is currently assessed at zero and the Authority has not incurred any cash penalty, so no values are recorded for use of landfill during the 2011/12 financial year.

19. CONTINGENT LIABILITIES

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

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

20. CONTINGENT ASSETS

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

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

No contingent assets have been identified for the Authority at 31 March 2012.

21. RESERVES

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority. These reserves are explained in Note 45.

22. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

23. EVENTS AFTER THE BALANCE SHEET DATE

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

24. FOREIGN CURRENCY TRANSLATION

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

25. THE CARBON REDUCTION SCHEME

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

26. HERITAGE ASSETS

Tangible and Intangible Heritage Assets

The Authority's Heritage Assets are held at County Hall or at the Nottinghamshire Archives. Nottinghamshire Archives has a number of architectural drawings and records relating to Rufford Abbey and the Savile of Rufford Estate. These collections are held in support of the primary objective of the Authority's Archives. In addition, the Authority retains a number of important ceremonial regalia and paintings that are also retained for increasing the knowledge, understanding and appreciation of the Authority's history and local area.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets as detailed below. The accounting policies in relation to Heritage Assets that are deemed to include elements of intangible Heritage Assets are also presented below. The Authority's collections of Heritage Assets are accounted for as follows:

Ceremonial Regalia and Art Collection

The ceremonial regalia and art collection includes ceremonial items, paintings (both oil and watercolour), sketches, sculptures, glass and silverware and is reported in the Balance Sheet at market value. There is an annual programme of valuations and the items in the collection are valued by an external valuer. These assets are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation. Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations provided by the external valuers and with reference to appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions.

Architectural Drawings and Records

The architectural drawings and records relating to the Savile of Rufford Estate are held at Nottinghamshire Archives and are reported in the Balance Sheet at historical cost. Valuation of these items is not readily available and the Authority believes that the benefits of obtaining annual valuations for these items would not justify the cost. These assets are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation. Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation if appropriate with valuations provided by external valuers. Nottinghamshire Archives holds a number of other records (e.g. Lothian of Melbourne records) that are valued at less than £10,000. Consequently, the Authority does not recognise these assets on the Balance Sheet.

Heritage Assets – General

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment for Heritage Assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. Where assets are disposed of, the proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of Property, Plant and Equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

MOVEMENT IN RESERVES STATEMENT 2011/12

	General Fund	Schools Statutory Reserve	Insurance Reserve	Capital Receipts and Grants Unapplied Reserve	Other Earmarked Reserves	**Total Usable Reserves**	**Total Unusable Reserves**	**Total Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance Brought Forward	**28,124**	**31,764**	**20,639**	**3,518**	**90,212**	**174,257**	**298,285**	**472,542**
Surplus/(Deficit) on the provision of services	(134,876)	-	-	-	-	**(134,876)**	-	**(134,876)**
Other Comprehensive Income and Expenditure								
(Surplus)/Deficit arising on revaluation of non-current assets	-	-	-	-	-	**-**	**11,874**	**11,874**
(Surplus)/Deficit arising on revaluation of loans and receivables	-	-	-	-	-	**-**	**-**	**-**
(Surplus)/Deficit arising on revaluation of available for sale financial assets	-	-	-	-	-	**-**	**-**	**-**
Actuarial (gains)/losses on pension fund assets and liabilities	-	-	-	-	-	**-**	**(290,360)**	**(290,360)**
Other (gains) and losses	-	-	-	1	-	**1**	**(371)**	**(370)**
	-	**-**	**-**	**1**	**-**	**1**	**(278,857)**	**(278,856)**
Total Comprehensive Income and Expenditure	**(134,876)**	**-**	**-**	**1**	**-**	**(134,875)**	**(278,857)**	**(413,732)**
Adjustments between accounting basis and funding basis under regulations								
Amortisation of intangible assets	1,402	-	-	-	-	**1,402**	**(1,402)**	**-**
Depreciation of Property, Plant and Equipment	47,626	-	-	-	-	**47,626**	**(47,626)**	**-**
Revaluation Gains and Losses	58,420	-	-	-	-	**58,420**	**(58,420)**	**-**
Impairment of Property Plant and Equipment	-	-	-	-	-	**-**	**-**	**-**
Movements in fair value of investment properties	7,571	-	-	-	-	**7,571**	**(7,571)**	**-**
Movements in fair value of non-current assets held for sale	1,931	-	-	-	-	**1,931**	**(1,931)**	**-**
Capital Grants credited to the CI&E	(53,844)	-	-	53,844	-	**-**	**-**	**-**
Application of grants to capital financing transferred to the CAA	-	-	-	(50,941)	-	**(50,941)**	**50,941**	**-**
Revenue Expenditure Funded from Capital under Statute	8,412	-	-	-	-	**8,412**	**(8,412)**	**-**
Revenue Expenditure Funded from Capital under Statute Grant Funding	(2,288)	-	-	-	-	**(2,288)**	**2,288**	**-**
Net Gain/Loss and disposal proceeds on disposal of non-current assets	128,004	-	-	-	-	**128,004**	**(128,004)**	**-**
Difference between the statutory charge and the amount recognised as income and expenditure in respect of financial instruments	(15)	-	-	-	-	**(15)**	**15**	**-**
Difference between amounts credited to the CI&E Account and amounts to be recognised under statutory provisions relating to Council Tax	(136)	-	-	-	-	**(136)**	**136**	**-**
Net charges made for retirement benefits in accordance with IAS 19	60,957	-	-	-	-	**60,957**	**(60,957)**	**-**
Statutory provision for the financing of capital investment	(22,519)	-	-	-	-	**(22,519)**	**22,519**	**-**
Capital Expenditure charged in the year to the General Fund	(13,034)	-	-	-	-	**(13,034)**	**13,034**	**-**
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	(58,398)	-	-	-	-	**(58,398)**	**58,398**	**-**
Difference between employee benefits charged to the CI&E and charged per statutory requirements	(1,851)	-	-	-	-	**(1,851)**	**1,851**	**-**
Net additional Amount to be credited to the General Fund Balance	**162,238**	**-**	**-**	**2,903**	**-**	**165,141**	**(165,141)**	**-**
Net Increase/(Decrease) before transfers to Earmarked Reserves	**27,362**	**-**	**-**	**2,904**	**-**	**30,266**	**(443,998)**	**(413,732)**
Transfers to/(from) Earmarked Reserves								
Transfers to/(from) other Earmarked Reserves	(25,798)	7,387	(13,068)	-	31,479	**-**	**-**	**-**
	(25,798)	**7,387**	**(13,068)**	**-**	**31,479**	**-**	**-**	**-**
Other Transfers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Carried Forward	**29,688**	**39,151**	**7,571**	**6,422**	**121,691**	**204,523**	**(145,713)**	**58,810**

MOVEMENT IN RESERVES STATEMENT 2010/11

	General Fund	Schools Statutory Reserve	Insurance Reserve	Capital Receipts and Grants Unapplied Reserve	Other Earmarked Reserves	**Total Usable Reserves**	**Total Unusable Reserves**	**Total Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance Brought Forward	**24,839**	**38,024**	**14,566**	**13,542**	**97,176**	**188,147**	**(189,678)**	**(1,531)**
Surplus/(Deficit) on the provision of services	87,758	-	-	-	-	**87,758**	-	**87,758**
Other Comprehensive Income and Expenditure								
(Surplus)/Deficit arising on revaluation of non-current assets	-	-	-	-	-	**-**	**(2,659)**	**(2,659)**
Actuarial (gains)/losses on pension fund assets and liabilities	-	-	-	-	-	**-**	**388,307**	**388,307**
Other (gains) and losses	(3)	1	-	1	-	**(1)**	**668**	**667**
	(3)	**1**	**-**	**1**	**-**	**(1)**	**386,316**	**386,315**
Total Comprehensive Income and Expenditure	**87,755**	**1**	**-**	**1**	**-**	**87,757**	**386,316**	**474,073**
Adjustments between accounting basis and funding basis under regulations								
Amortisation of intangible assets	472	-	-	-	-	**472**	**(472)**	**-**
Depreciation of Property, Plant and Equipment	43,891	-	-	-	-	**43,891**	**(43,891)**	**-**
Revaluation Gains and Losses	32,350	-	-	-	-	**32,350**	**(32,350)**	**-**
Movements in fair value of investment properties	(257)	-	-	-	-	**(257)**	**257**	**-**
Movements in fair value of non-current assets held for sale	1,430	-	-	-	-	**1,430**	**(1,430)**	**-**
Capital Grants credited to the CI&E	(50,014)	-	-	50,014	-	**-**	**-**	**-**
Application of grants to capital financing transferred to the CAA	-	-	-	(60,039)	-	**(60,039)**	**60,039**	**-**
Revenue Expenditure Funded from Capital under Statute	15,931	-	-	-	-	**15,931**	**(15,931)**	**-**
Revenue Expenditure Funded from Capital under Statute Grant Funding	(11,653)	-	-	-	-	**(11,653)**	**11,653**	**-**
Net Gain/Loss and disposal proceeds on disposal of non-current assets	4,540	-	-	-	-	**4,540**	**(4,540)**	**-**
Difference between the statutory charge and the amount recognised as income and expenditure in respect of financial instruments	(14)	-	-	-	-	**(14)**	**14**	**-**
Difference between amounts credited to the CI&E Account and amounts to be recognised under statutory provisions relating to Council Tax	(1,047)	-	-	-	-	**(1,047)**	**1,047**	**-**
Net charges made for retirement benefits in accordance with IAS 19	(44,910)	-	-	-	-	**(44,910)**	**44,910**	**-**
Statutory provision for the financing of capital investment	(21,995)	-	-	-	-	**(21,995)**	**21,995**	**-**
Capital Expenditure charged in the year to the General Fund	(4,765)	-	-	-	-	**(4,765)**	**4,765**	**-**
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	(56,248)	-	-	-	-	**(56,248)**	**56,248**	**-**
Difference between employee benefits charged to the CI&E and charged per statutory requirements	667	-	-	-	-	**667**	**(667)**	**-**
Net additional Amount to be credited to the General Fund Balance	**(91,622)**	**-**	**-**	**(10,025)**	**-**	**(101,647)**	**101,647**	**-**
Net Increase/(Decrease) before transfers to Earmarked Reserves	**(3,867)**	**1**	**-**	**(10,024)**	**-**	**(13,890)**	**487,963**	**474,073**
Transfers to/(from) Earmarked Reserves								
Transfers to/(from) other Earmarked Reserves	7,152	(6,261)	6,073	-	(6,964)	**-**	**-**	**-**
	7,152	**(6,261)**	**6,073**	**-**	**(6,964)**	**-**	**-**	**-**
Other Transfers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Carried Forward	**28,124**	**31,764**	**20,639**	**3,518**	**90,212**	**174,257**	**298,285**	**472,542**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Note	2010/11 Gross Expenditure £000	2010/11 Income £000	2010/11 Net Expenditure £000	2011/12 Gross Expenditure £000	2011/12 Income £000	2011/12 Net Expenditure £000
Gross expenditure, gross income and net expenditure of continuing operations							
Children's and Education Services		843,081	(643,720)	199,361	753,224	(548,055)	205,169
Environmental Services		29,522	(2,871)	26,651	34,916	(4,520)	30,396
Highways, Roads and Transportation	9	82,116	(16,922)	65,194	97,032	(15,503)	81,529
Cultural Services		33,281	(8,778)	24,503	25,174	(7,067)	18,107
Planning and Development		7,084	(1,269)	5,815	5,532	(1,064)	4,468
Adult Social Care		327,011	(87,779)	239,232	309,284	(99,404)	209,880
Democratic Representation and Management		4,455	(83)	4,372	3,624	(94)	3,530
Corporate Management		27,784	(21,617)	6,167	22,761	(12,375)	10,386
Non Distributed Costs		8,188	-	8,188	(5,400)	-	(5,400)
Central Services to the Public		2,642	(1,116)	1,526	1,649	(1,122)	527
Exceptional Items							
Single Status - Back Pay	7, 37	11,647	-	11,647	430	-	430
Pensions past service gain	17	(151,730)	-	(151,730)	-	-	-
Contributions to Other Bodies							
Coroner		642	-	642	544	-	544
Cost of services		**1,225,723**	**(784,155)**	**441,568**	**1,248,770**	**(689,204)**	**559,566**
Other Operating Expenditure							
Loss on Disposal of non-current assets		4,540	-	4,540	128,004	-	128,004
Change in fair value of Assets Held for Sale	23	1,430	-	1,430	1,931	-	1,931
Other Operating Income and Expenditure	40	997	(212)	785	1,986	(273)	1,713
Financing and Investment Income and Expenditure							
Interest Payable	41	35,660	-	35,660	33,526	-	33,526
Pensions Interest Costs	41	102,176	-	102,176	90,603	-	90,603
Expected Return on Pensions Assets	41	-	(68,567)	(68,567)	-	(72,874)	(72,874)
Interest and Investment Income	41	-	(493)	(493)	-	(384)	(384)
Income & Expenditure in relation to Investment Properties and changes in their fair value	24	70	(818)	(748)	7,683	(446)	7,237
Net (Surplus)/Deficit of Trading Undertakings	8	45,396	(41,361)	4,035	46,772	(46,163)	609
Insurance Revenue	43	(5,991)	(83)	(6,074)	3,163	(95)	3,068
Taxation and Non-Specific Grant Income							
Recognised capital grants and contributions	13			(50,014)			(53,844)
Income from Council Tax	13			(308,833)			(308,034)
General Government Grants	13			(42,188)			(66,906)
Non-Domestic Rates Distribution	13			(153,749)			(151,804)
New Homes Bonus Scheme				-			(619)
Early Intervention Grant				-			(29,237)
Council Tax Freeze Grant				-			(7,679)
Area Based Grant				(52,688)			-
Performance Reward Grant				5,402			-
(Surplus)/Deficit on Provision of Services				**(87,758)**			**134,876**
(Surplus)/Deficit on Revaluation of non current assets				2,659			(11,874)
Actuarial (gains) / losses on pensions assets / liabilities	17			(388,307)			290,360
Any other (gains) and losses				(665)			370
Total Comprehensive Income and Expenditure				**(474,071)**			**413,732**

The loss on disposal of non-current assets was primarily as a result of the transfer of schools to academies (see note 22)

BALANCE SHEET

	Note	31 March 2011 £000	31 March 2011 £000	31 March 2012 £000	31 March 2012 £000
Property, Plant and Equipment (PPE)	18				
Land & Buildings		971,203		819,154	
Vehicles & Plant		24,988		19,725	
Equipment, Furniture & Fittings		50,687		46,100	
Infrastructure Assets		432,711		435,418	
Community Assets		33		33	
Surplus Assets		38,306		39,014	
Under Construction		32,486	1,550,414	13,445	1,372,889
Heritage Assets	19	601		481	
Investment Property	24	25,310		17,614	
Intangible Assets	25	6,142		8,764	
Long Term Advances	26	2,883		2,570	
Long Term Debtors	31	6,009	40,945	2,672	32,101
Total Long Term Assets			**1,591,359**		**1,404,990**
Short Term Investments	26	20,038		20,031	
Inventories	30	3,400		2,793	
Short Term Debtors	31	65,106		72,306	
Less Bad Debts Provision		(3,400)		(4,134)	
		61,706		68,172	
Cash and Cash Equivalents	33	-		29,318	
Landfill Usage Allowances	34	-		-	
Assets Held for Sale	23	6,298		3,551	
Total Current Assets			**91,442**		**123,865**
Cash and Cash Equivalents	33	(8,994)		-	
Short Term Creditors	32	(154,322)		(134,334)	
Short Term Provisions	38	(15,326)		(14,464)	
Loans to be repaid within 1 year	26	(11,713)		(14,264)	
Short Term Finance Lease Liability	26, 35, 36	(4,787)		(4,880)	
			(195,142)		(167,942)
Total Assets less Current Liabilities			**1,487,659**		**1,360,913**
Long Term Provisions	38	(6,883)		(11,875)	
Long Term Borrowing	26	(258,745)		(279,840)	
Long Term Finance Lease Liability	26, 35, 36	(164,892)		(131,210)	
Deferred Liability	27	(2,322)		(1,950)	
Capital Grants Receipts in Advance	13	(701)		(2,364)	
			(433,543)		(427,239)
IAS 19 Pensions Liability	17		(581,574)		(874,864)
Total Net Assets			**472,542**		**58,810**
Usable Reserves					
Capital Receipts and Grants Unapplied Reserve	39		3,518		6,422
Other Earmarked Reserves	42		90,212		121,691
General Insurance	43		20,639		7,571
Schools Statutory Reserves	44		31,764		39,151
General Fund Balance	42		28,124		29,688
Unusable Reserves					
Capital Adjustment Account	45		760,446		626,721
Revaluation Reserve	45		127,488		108,503
IAS 19 Pensions Reserves	17, 45		(581,574)		(874,864)
Financial Instruments Adjustment Account	45		(161)		(146)
Collection Fund Adjustment Account	45		4,629		4,765
Employee Benefits Account	45		(12,543)		(10,692)
			472,542		**58,810**

The unaudited accounts were issued on 29 June 2012 and the audited accounts were authorised for issue on xx September 2012

Paul Simpson, Service Director (Finance & Procurement), Environment and Resources

CASHFLOW STATEMENT

	2010/11	2011/12
	£000	£000
Net (surplus) or deficit on the provision of services	(87,758)	134,876
Adjust for non-cash movements		
Depreciation and amortisation	(44,363)	(49,028)
Impairment of Property, Plant and Equipment	(32,350)	(58,420)
Movement in current assets and liabilities	(681)	22,942
Movement in reserves and provisions	(10,888)	(4,130)
Adjustments in respect of pension charges	101,158	(2,559)
Grants applied	50,014	53,844
Carrying value of assets disposed of	(9,454)	(174,295)
Non-cash disposal proceeds	0	30,194
Other	(1,105)	(9,429)
	52,331	**(190,881)**
Adjust for items included in investing or financing	4,914	16,098
Net cash flows from operating activities	**(30,513)**	**(39,907)**
Investing activities	(4,973)	19,973
Financing activities	21,472	(18,378)
Net (increase)/decrease in cash and cash equivalents	**(14,014)**	**(38,312)**
Cash and cash equivalents at beginning of period	**(23,008)**	**(8,994)**
Cash and cash equivalents at end of period	**(8,994)**	**29,318**

NOTES TO THE STATEMENT OF ACCOUNTS

1. Explanation of Prior Period Adjustments: Changes in Accounting Policies

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the to the treatment in accounting for Heritage Assets held by the Authority. As set out in the summary of significant accounting policies in the Explanatory Foreword, the Authority now requires Heritage Assets to be carried in the Balance Sheet at valuation.

In applying the new accounting policy, the Authority has recognised assets as Heritage Assets that were not previously recognised in the Balance Sheet. These have been measured at £0.6 million, with a corresponding increase in the Revaluation Reserve. The 31 March 2011 Balance Sheet has thus been in the 2011/12 Statement of Accounts to apply the new policy. The effects of the restatement are as follows:

Opening 1 April 2011 Balance Sheet

	2010/11 Statements £000	Adjustment Made £000	2010/11 Restated £000
Heritage Assets	-	601	601
Revaluation Reserve	(126,887)	(601)	(127,488)

2. Accounting Standards Issued but not yet Adopted

The adoption of amendments to IFRS 7 Financial Instruments: Disclosures (transfers of financial assets) by the Code will result in a change of accounting policy that requires disclosures for all transferred financial assets. This standard will not have a material impact on the financial statements of the Council.

3. Critical Judgements in Applying Accounting Policies

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

- The Council has had to make detailed assessments and judgements regarding the control exercised over schools run in a wide variety of different ways to determine whether they should be treated as on or off Balance Sheet. This has resulted in the following treatments:
  - Academy schools - off Balance Sheet
  - Foundation schools - off Balance Sheet
  - Voluntary aided schools - off Balance Sheet
  - Voluntary controlled schools - on Balance Sheet
  - Community schools - on Balance Sheet
- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

4. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures, that are based on assumptions made by the Authority about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2012 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.7 million for every year that useful lives had to be reduced.

Provisions

The Authority made a provision for £12 million in respect of the settlement of claims for back pay in relation to the Single Status Agreement. This figure was calculated based upon an estimate of the impact of revised pay and grading being implemented from an effective date of 1 April 2002. The calculations are complex and relate to over 8,000 posts and are subject to appeals. In 2011/12 £4.1 million of the provision was used for agreed payments. The final amounts paid out may differ significantly from the provision. A variation of 10% on the amount provided would have an impact of £1.2 million on the provison required.

Insurance

The Authority operates a self insurance scheme and has established a provision of £13.2 million to cover known claims and liabilities. The values provided are based upon historic experience and advice from claims advisers. However the actual values paid out are subject to agreement and possible legal action. Therefore the final payments may differ significantly from that provided. A variation of 10% on the amount provided would have an impact of £1.3 million on the provison required.

Pensions

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways. It is therefore not possible to provide a meaningful quantification of the possible variation in the overall liability.

5. Adjustments between Accounting Basis and Funding Basis under Regulations

The adjustments between the accounting basis and the funding basis under regulations are shown in the Movement in Reserves Statement.

6. Amounts Reported for Resource Allocation Decisions

For the year ended 31 March 2012

	Schools	Children & Young People's Services	Adult Social Care & Health Services	Transport & Highways	Other Direct Services	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(26,472)	(24,965)	(101,953)	(15,550)	(50,489)	**(219,429)**
Government grants	(502,365)	(16,705)	(10,928)	(6,271)	(6,391)	**(542,660)**
Total Income	**(528,837)**	**(41,670)**	**(112,881)**	**(21,821)**	**(56,880)**	**(762,089)**
Employee expenses	384,384	80,173	74,015	11,924	67,751	**618,247**
Other operating expenses	138,793	101,949	232,520	58,945	86,411	**618,618**
Depreciation, amortisation and impairment	-	25,659	2,035	16,087	5,207	**48,988**
Transactions with departmental reserves	(605)	(460)	(47)	(4,058)	1,792	**(3,378)**
Total operating expenses	**522,572**	**207,321**	**308,523**	**82,898**	**161,161**	**1,282,475**
Net Cost of Services	**(6,265)**	**165,651**	**195,642**	**61,077**	**104,281**	**520,386**

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

	£000
Cost of Services in Service Analysis	**520,386**
Add services not included in main analysis	-
Add amounts not reported in service management accounts	84,764
Remove amounts reported to management not included in the Comprehensive Income and Expenditure Statement	(45,584)
Net Cost of Services in Comprehensive Income and Expenditure Statement	**559,566**

Reconciliation to Subjective Analysis (Single Entity)	Service Analysis	Not reported in service mgmt a/c's	Not included in CI&E	Net Cost of Services	Corporate Amounts	Other Items below Cost of Services	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(219,429)	-	-	**(219,429)**	-	3,068	**(216,361)**
Surplus or deficit on associates and joint ventures	-	-	-	**-**	-	-	**-**
Interest and investment income	-	-	-	**-**	-	(384)	**(384)**
Income from council tax	-	-	-	**-**	(307,898)	(136)	**(308,034)**
Government grants and contributions	(542,660)	(1,620)	-	**(544,280)**	(236,947)	(73,142)	**(854,369)**
Total Income	**(762,089)**	**(1,620)**	**-**	**(763,709)**	**(544,845)**	**(70,594)**	**(1,379,148)**
Employee expenses	618,247	2,918	(14,982)	**606,183**	-	17,729	**623,912**
Other service expenses	618,618	24,742	(35,698)	**607,662**	-	1,713	**609,375**
Depreciation, amortisation and impairment	48,988	40	-	**49,028**	-	-	**49,028**
Other Expenditure Relating to Held for Sale and Investment Properties	-	-	-	**-**	-	9,168	**9,168**
Transactions with departmental reserves	(3,378)	58,420	5,096	**60,138**	35,689	(35,080)	**60,747**
Interest Payments	-	-	-	**-**	15,855	17,671	**33,526**
Precepts & Levies	-	264	-	**264**	-	-	**264**
Gain or Loss on Disposal of Non-current assets	-	-	-	**-**	-	128,004	**128,004**
Total operating expenses	**1,282,475**	**86,384**	**(45,584)**	**1,323,275**	**51,544**	**139,205**	**1,514,024**
Surplus or deficit on the provision of services	**520,386**	**84,764**	**(45,584)**	**559,566**	**(493,301)**	**68,611**	**134,876**

6. Amounts Reported for Resource Allocation Decisions (Continued)

For the year ended 31 March 2011

	Schools	Children & Young People's Services	Adult Social Care & Health Services	Transport & Highways	Other Direct Services	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(26,842)	(26,469)	(96,313)	(16,633)	(30,764)	**(197,021)**
Government grants	(558,024)	(56,215)	(6,675)	(7,481)	(6,195)	**(634,590)**
Total Income	**(584,866)**	**(82,684)**	**(102,988)**	**(24,114)**	**(36,959)**	**(831,611)**
Employee expenses	448,723	87,390	86,191	12,456	68,888	**703,648**
Other operating expenses	149,301	121,553	234,325	58,099	68,023	**631,301**
Depreciation, amortisation and impairment	-	27,344	1,881	12,907	3,272	**45,404**
Transactions with departmental reserves	(6,897)	(4,571)	3,224	-	747	**(7,497)**
Total operating expenses	**591,127**	**231,716**	**325,621**	**83,462**	**140,930**	**1,372,856**
Net Cost of Services	**6,261**	**149,032**	**222,633**	**59,348**	**103,971**	**541,245**

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

	£000
Cost of Services in Service Analysis	**541,245**
Add services not included in main analysis	-
Add amounts not reported in service management accounts	51,818
Remove amounts reported to management not included in the Comprehensive Income and Expenditure Statement	(151,495)
Net Cost of Services in Comprehensive Income and Expenditure Statement	**441,568**

Reconciliation to Subjective Analysis (Single Entity)	Service Analysis	Not reported in service mgmt a/c's	Not included in CI&E	Net Cost of Services	Corporate Amounts	Other Items below Cost of Services	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(197,021)	-	-	**(197,021)**	-	(6,074)	**(203,095)**
Surplus or deficit on associates and joint ventures	-	-	-	**-**	-	-	**-**
Interest and investment income	-	-	-	**-**	-	(493)	**(493)**
Income from council tax	-	-	-	**-**	(307,786)	(1,047)	**(308,833)**
Government grants and contributions	(634,590)	(11,653)	-	**(646,243)**	(227,769)	(65,468)	**(939,480)**
Total Income	**(831,611)**	**(11,653)**	**-**	**(843,264)**	**(535,555)**	**(73,082)**	**(1,451,901)**
Employee expenses	703,648	-	(136,365)	**567,283**	-	33,609	**600,892**
Other service expenses	631,301	36,546	(28,676)	**639,171**	-	785	**639,956**
Depreciation, amortisation and impairment	45,404	(1,041)	-	**44,363**	-	-	**44,363**
Other Expenditure Relating to Held for Sale and Investment Properties	-	-	**-**	-	**-**	682	**682**
Transactions with departmental reserves	(7,497)	27,701	13,546	**33,750**	3,428	607	**37,785**
Interest Payments	-	-	-	**-**	15,836	19,824	**35,660**
Precepts & Levies	-	265	-	**265**	-	-	**265**
Gain or Loss on Disposal of Non-current assets	-	-	-	**-**	-	4,540	**4,540**
Total operating expenses	**1,372,856**	**63,471**	**(151,495)**	**1,284,832**	**19,264**	**60,047**	**1,364,143**
Surplus or deficit on the provision of services	**541,245**	**51,818**	**(151,495)**	**441,568**	**(516,291)**	**(13,035)**	**(87,758)**

7. Material Items of Income and Expense

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 Comprehensive Income and and Expenditure Statement where it is felt that the costs are so significant as to warrant a separate disclosure. There was one such item for 2011/12 due to the materiality of the adjustment in the prior year:

- Back pay costs of £0.4 million for 2011/12 (£11.6 million for 2010/11) related to service prior to 1 April 2011 as a consequence of adopting the Single Status Agreement . See note 37.

8. Summary Revenue Accounts of Trading Undertakings

	2010/11			2011/12		
	Turnover	**Expend-iture**	**Surplus/ (Deficit)**	**Turnover**	**Expend-iture**	**Surplus/ (Deficit)**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Direct Services *Cleaning, catering, vehicle maintenance, building and grounds maintenance and highways maintenance to the Authority. Some work is undertaken on behalf of external clients.* (Note 1)	80,283	83,939	(3,656)	78,867	79,496	(629)
Legal Services *Provision of legal services to the Authority*	3,723	3,473	250	4,932	4,842	90
County Supplies *A purchasing and supply service to the Authority and some external public bodies*	5,839	5,835	4	5,632	5,450	182
Design, Publications & Print *A design and printing service to the Authority* (Note 2)	1,255	1,980	(725)	-	-	-
Clayfields Secure Unit *Specialist children's services to the Youth Justice Board and Local Authorities*	4,416	4,324	92	4,304	4,556	(252)
Total	**95,516**	**99,551**	**(4,035)**	**93,735**	**94,344**	**(609)**

Note:

1. The Contracting Services deficit is a result of the pension costs impact of IAS19, regradings under the NJE scheme, redundancy payments and backfunding of pensions.

2. Following a review the Design, Publications and Print function has transferred into the Corporate Communications team and is no longer a trading activity.

9. Agency Work

The 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 2011/12 was £433,000 (£363,850 for 2010/11).

10. 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 2011/12 which will be paid to the Audit Commission in 2012/13.

	2010/11	2011/12
	£000	£000
External Audit	226	221
Grant Claims	6	2
Other Services	-	14
	232	**237**

The other services relate to objections and queries from electors.

11. Specific Revenue Grants

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

	2010/11	2011/12
Service	£000	£000
Cultural Services	1,041	76
Environmental Services	343	467
Highways, Roads and Transportation	4,532	3,268
Children's and Education Services	604,548	509,859
Adult Social Care	6,675	10,928
Planning and Development	362	393
Corporate Management	17,858	8,018
	635,359	**533,009**
Funding Body		
Department for Communities and Local Government	18,498	8,065
Department for Education	550,753	477,819
Department of Health	5,813	10,569
Department for Transport	4,507	3,242
Department for Work and Pensions	1,056	386
European Grants	40	-
Home Office	1,070	755
Milk Intervention Board	249	-
Arts Council	110	76
Department for Innovation, Universities and Skills (DIUS)	911	1,475
Sport England	646	-
Young People's Learning Agency	51,338	29,936
Other	368	686
	635,359	**533,009**

Analysis of Revenue Receipts in Advance		
Department for Communities and Local Govt.	9,537	2,295
Department for Education	19,605	150
Department of Health	57	-
Department for Transport	3,138	240
Department for Innovation, Universities and Skills (DIUS)	1,203	808
Young People's Learning Agency	-	282
Other	720	348
	34,260	**4,123**

12. Minimum Revenue Provision (MRP)

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 Comprehensive Income and Expenditure Statement to ensure that depreciation charges do not increase the net expenditure of the Authority. The MRP Policy agreed by the Authority on 23 February 2012 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
- 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
- For "on Balance Sheet" PFI contracts, the MRP requirement is regarded as met by a charge equal to the element of the unitary charge applied to write down the liability
- For finance leases, the MRP requirement is regarded as met by a charge equal to the element of the rent that goes to write down the liability.

The amount required under the MRP regulations for 2011/12 is £22.5 million (£22.0 million for 2010/11) of which £4.9 million (£4.5 million for 2010/11) relates to repayment of the PFI finance liablilty. The amount of depreciation and amortisation charged was £49.0 million (£44.4 million for 2010/11).

13. General Government Grants Income and Taxation

A number of grants are paid to the Council directly by the Government. The Council set the 2011/12 Council Tax for a Band D property at £1,193.18 (£1,193.18 in 2010/11). 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 Council will be adjusted in the amounts payable next year.

The figure for income from Council Tax includes accruals for the year-end position for the Council's share of the various District Council Collection Funds. The value of the accrual in 2011/12 is £0.1 million (£1.0 million for 2010/11) which is reversed out of the General Fund in the Movement in Reserves Statement and held in the Balance Sheet in the Collection Fund Adjustment Account.

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

	2010/11 £000	2011/12 £000
Credited to Taxation and Non Specific Grant Income		
Department for Communities and Local Government	759	-
DEFRA	526	-
Department for Education	35,057	29,469
Department of Health	1,015	1,839
Department for Transport	9,086	18,856
Heritage Lottery	216	-
Sport England	3,054	464
Other Grants	178	3,181
Donations	123	35
Capital Grants and Contributions	**50,014**	**53,844**
General Government Grants		
Revenue Support Grant	22,326	46,923
Local Services Support Grant	-	1,448
PFI	19,862	18,535
Total General Government Grants	**42,188**	**66,906**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the donor. The balances at year-end are as follows:

Capital Grants Receipts in Advance	2010/11 £000	2011/12 £000
Department for Communities and Local Government	(274)	(306)
Department for Education	(52)	-
Department of Health	(2)	-
Other Grants	(373)	(2,058)
Total	**(701)**	**(2,364)**

14. Dedicated Schools Grant

The Council's expenditure on schools has been funded by grant monies provided by the Department for Education, 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 above 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 2011/12 are as follows:

Schools Budget Funded by Dedicated Schools Grant

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2011/12	66,285	386,245	452,530
Brought Forward 2010/11	2,902	-	2,902
Carry Forward to 2012/13 agreed in advance	-	-	-
Agreed budgeted distribution	**69,187**	**386,245**	**455,432**
Less:			
Actual central expenditure	64,801	-	64,801
Actual ISB deployed to schools	-	386,245	386,245
Local Authority Contribution	-	-	-
Carried forward to 2012/13	**4,386**	-	**4,386**

15. Employee Remuneration

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

Pay Band		**Number of Staff**					
		2010/11			**2011/12**		
		Exc Redundancy		**Inc Redundancy**	**Exc Redundancy**		**Inc Redundancy**
		Schools	**Non Schools**	**Total**	**Schools**	**Non Schools**	**Total**
£190,000	£194,999	-	-	1	-	-	-
£185,000	£189,999	-	-	-	-	-	-
£180,000	£184,999	-	1	1	-	1	1
£175,000	£179,999	-	-	-	-	-	-
£170,000	£174,999	-	-	-	-	-	1
£165,000	£169,999	-	-	-	-	-	-
£160,000	£164,999	1	-	1	-	-	-
£155,000	£159,999	-	-	1	-	-	-
£150,000	£154,999	-	-	2	-	-	-
£145,000	£149,999	-	-	-	1	-	1
£140,000	£144,999	-	-	1	-	-	1
£135,000	£139,999	1	-	5	-	-	-
£130,000	£134,999	1	1	2	1	1	2
£125,000	£129,999	1	2	5	-	1	1
£120,000	£124,999	-	1	1	-	1	1
£115,000	£119,999	-	-	2	-	-	-
£110,000	£114,999	1	-	5	-	-	1
£105,000	£109,999	1	-	3	1	-	1
£100,000	£104,999	3	1	6	3	-	4
£95,000	£99,999	5	-	14	2	-	3
£90,000	£94,999	6	1	12	1	1	5
£85,000	£89,999	7	11	22	6	6	17
£80,000	£84,999	7	5	24	6	7	14
£75,000	£79,999	9	5	25	4	1	9
£70,000	£74,999	13	4	34	17	3	33
£65,000	£69,999	41	4	65	33	2	48
£60,000	£64,999	80	16	113	58	27	108
£55,000	£59,999	109	36	175	97	30	136
£50,000	£54,999	119	43	159	110	42	175
		405	**131**	**679**	**340**	**123**	**562**

2011/12

Post Holder information (Post title and name (where applicable))	Note	Salary (including fees & allowances)	Expense Allowances	Compen-sation for Loss of Office	Employer Pension contri-butions	Total Remun-eration
		£	£	£	£	£
Chief Executive - M Burrows		184,410	-	-	33,747	218,157
Director of CFCS		134,908	-	-	24,688	159,596
Director of ASCH & PP		126,482	-	-	23,126	149,608
Director of Env & Resources		121,371	-	-	22,211	143,582
Director of the Improvement Programme	1.	82,500	-	-	18,452	100,952
Assistant Chief Executive		93,480	-	-	17,549	111,029
Service Director (Finance)	2.	12,628	-	58,679	3,982	75,289
Service Director (Finance & Procurement)	3.	72,766	-	-	13,316	86,082

1. The Director of the Improvement Programme left their post on 31 December 2011. Their annualised salary was £110,000. This post has since been disestablished.
2. The Service Director (Finance) left their post on 30 June 2011. Their annualised salary was £87,038
3. The Service Director (Finance & Procurement) took up their post on 31 May 2011. Their annualised salary is £87,038

2010/11

Post Holder information (Post title and name (where applicable))	Note	Salary (including fees & allowances)	Expense Allowances	Compen-sation for Loss of Office	Employer Pension contri-butions	Total Remun-eration
		£	£	£	£	£
Chief Executive - M Burrows		184,338	68	-	32,087	216,493
Director of CFCS		134,908	12	-	23,474	158,394
Director of ASCH & PP		126,267	58	-	21,989	148,314
Director of Env & Resources		121,371	36	-	21,119	142,526
Director of Communities	1.	126,982	27	11,670	21,119	159,798
Director of the Improvement	2.	64,137	-	-	11,160	75,297
Assistant Chief Executive		89,746	-	-	15,616	105,362
Service Director (Finance)		87,038	-	-	15,145	102,183
Senior Executive Officer	3.	53,199	-	-	9,257	62,456

1. The Director of Communities left their post on 31 March 2011. This post has since been disestablished.
2. The Director of the Improvement Programme took up their post on 8 September 2010. Their annualised salary was £110,000.
3. The Senior Executive Officer is no longer part of the senior management team.

Payment Ranges	Number of Compulsory Redundancies 2010/11	2011/12	Number of Other Departures Agreed 2010/11	2011/12	Total Number of Exit Packages 2010/11	2011/12	Total Cost of Exit Packages 2010/11 £	2011/12 £
£ - - £ 20,000	188	186	361	308	549	494	4,223,508	3,730,707
£ 20,001 - £ 40,000	32	57	165	196	197	253	5,794,509	7,502,725
£ 40,001 - £ 60,000	13	11	66	42	79	53	3,820,637	2,579,755
£ 60,001 - £ 80,000	3	5	33	26	36	31	2,507,601	2,131,976
£ 80,001 - £100,000	2	1	16	4	18	5	1,564,866	437,131
£100,001 - £150,000	1	1	11	4	12	5	1,420,650	595,940
£150,001 - £200,000	-	-	-	-	-	-	-	-
£200,001 - £250,000	-	-	2	-	2	-	451,322	-
Total	**239**	**261**	**654**	**580**	**893**	**841**	**19,783,093**	**16,978,234**

The above table includes all exits from the Authority, including school based, and takes into account the cost of pension contributions that would have been paid had a retiring employee not left the Authority early. It may differ from other published information.

16. Pensions – Contributions

Teachers

In 2011/12, the Council paid £28.2 million to the Teacher's Pension Agency (£32.1 million in 2010/11) in respect of teachers' pension costs, which represents 14.1% of teachers' pensionable pay (14.1% in 2010/11). In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2011/12, these amounted to £5.3 million (£5.1 million in 2010/11), representing 2.64% of pensionable pay (2.23% in 2010/11).

Other Employees

During 2011/12, the net cost of pensions and other benefits amounted to £43.6 million (£46.6 million in 2010/11), which represented 18.3% of pensionable pay (17.4% in 2010/11). The actuarial report upon which the 2011/12 accounts have been prepared was for a 3 year period commencing 1 April 2011. The report indicated that the cost of providing for 100% of pension funding in accordance with IAS 19 Employee Benefits was 18.3% of pensionable pay. The report sets out the following pension fund contribution rates for the Council:

2011/12	18.3% of pensionable pay
2012/13	18.3% of pensionable pay
2013/14	18.3% of pensionable pay

The 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 2011/12 these amounted to £2.1 million, (£1.6 million in 2010/11) representing 0.89% of pensionable pay (0.59% in 2010/11). The Council also paid £7.3 million into the Pension Fund in 2011/12 (£3.2 million for 2010/11) to fund the non-discretionary additional strain on the pension fund of early retirements.

17. Pensions – IAS19

The IAS19 postion as at 31 March 2012 was a net liability as set out in the table below :

	2010/11 £000	2011/12 £000
Local Government Pension Scheme	506,859	798,204
Teachers Unfunded Defined Benefit Scheme	74,715	76,660
Total Net Liability	**581,574**	**874,864**

Assets have been valued using the market value at 31 December 2011 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 2012 provided by the Council during March 2012. The actual figures for 2011/12 are not considered materially different from the estimates provided.

Local Government Pension Scheme

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

	2010/11 £000	2011/12 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
- current service cost	(69,531)	(48,681)
- past service (cost) / gain	147,672	-
- Gains (losses) on curtailments	(3,680)	5,453
Financing and Investment Income and Expenditure		
- interest cost	(97,613)	(86,636)
- expected return on scheme assets	68,567	72,874
Net Charge to the Comprehensive Income and Expenditure Statement	**45,415**	**(56,990)**
Movement in Reserves		
- reversal of net charges made for retirement benefits in accordance with IAS19	(45,415)	56,990
Actual amount charged against the General Fund Balance for pensions in the year:		
- employers benefits payable to pensioners	51,155	53,142

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, the following actuarial gains/losses were included within other comprehensive income and expenditure.

	2010/11 £000	2011/12 £000
Actuarial gains / (losses)	382,143	(287,126)

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	2010/11 £000	2011/12 £000
Deficit at 1 April	**1,986,928**	**1,589,192**
Current service cost	69,531	48,681
Interest cost	97,613	86,636
Actuarial (gains) / losses	(376,795)	240,054
Gain (loss) on curtailments	6,165	6,179
Liabilities extinguished on settlements	(4,137)	(25,526)
Benefits paid	(57,428)	(67,204)
Contributions by scheme participants	17,246	15,113
Past service costs / (gain)	(147,672)	-
Unfunded pension payments	(2,259)	(2,300)
Deficit at 31 March	**1,589,192**	**1,890,825**

Reconciliation of fair value of the scheme assets:

	2010/11	2011/12
	£000	£000
At 1 April	**1,000,688**	**1,082,333**
Expected return on scheme assets	68,567	72,874
Actuarial gains / (losses)	5,348	(47,072)
Employer contributions	51,823	52,771
Contributions by scheme participants	17,246	15,113
Benefits paid	(59,687)	(69,504)
Receipt/(Payment) of bulk transfer	(1,652)	(13,894)
At 31 March	**1,082,333**	**1,092,621**
Opening Net Position	**(986,240)**	**(506,859)**
Closing Net Position	**(506,859)**	**(798,204)**

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 2011 for the year to 31 March 2012). The returns on gilts and other bonds are assumed to be gilts yields 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 gilts yields.

Scheme History

	2007/08	2008/09	2009/10	2010/11	2011/12
	£m	£m	£m	£m	£m
Present value of liabilities	(1,449.0)	(1,280.3)	(1,986.9)	(1,589.1)	(1,890.8)
Fair value of scheme assets	879.6	737.9	1,000.7	1,082.3	1,092.6
Surplus/(deficit) in the scheme	(569.4)	(542.4)	(986.2)	(506.8)	(798.2)
Cumulative actuarial gain (loss)	**(113.2)**	**(66.6)**	**(497.6)**	**(115.5)**	**(402.6)**

IAS19 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 IAS19 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 2011 showed that the Authority's contributions to the fund would be increasing by 0.9% of pensionable pay in each of the next three financial years.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2013 is £35.6 million.

The actuarial assumptions used to calculate the position in accordance with IAS19 were as follows:

	31 March 2011	31 March 2012
Rate of inflation - RPI Increases	3.50%	3.30%
Rate of inflation - CPI Increases	2.70%	2.50%
Rate of increase in salaries	5.00%	4.70%
Rate of increase in pensions	2.70%	2.50%
Discount rate	5.50%	4.60%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men (years)	18.5	18.6
Women (years)	22.6	22.7
Longevity at 65 for future pensioners:		
Men (years)	20.5	20.6
Women (years)	24.5	24.5
Rate of return from equities	7.30%	6.20%
Rate of return from government bonds	4.40%	3.30%
Rate of return from other bonds	5.50%	4.60%
Rate of return from property	6.80%	5.70%
Rate of return from cash/liquidity	3.00%	3.00%
Proportion of employees opting to take an increased lump sum/reduced pension	50.00%	50.00%

The actual return on scheme assets in the year was £25,802,000 (2010-11 £79,991,000)

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

	31 March 2011	31 March 2012
	%	%
Market Value of Assets:		
Equities	73.0	70.0
Government bonds	7.0	7.0
Other bonds	4.0	5.0
Property	12.0	14.0
Cash/Liquidity	4.0	4.0
Total Assets	**100.0**	**100.0**

The 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 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Experience adjustments on scheme assets	(9.5)	(30.3)	19.9	0.5	(4.3)
Experience adjustments on scheme liabilities	(2.5)	-	-	2.1	-

Teachers

Under IAS19, the Teachers added years scheme is classed as an unfunded defined benefit scheme. 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 Movement in Reserves Statement.

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

	2010/11	2011/12
	£000	**£000**
Comprehensive Income and Expenditure Statement		
Cost of Services		
- past service (cost) / gain	4,058	-
- Gains (losses) on curtailments	-	-
Financing and Investment Income and Expenditure		
- interest cost	(4,563)	(3,967)
Net Charge to the Comprehensive Income and Expenditure Statement	**(505)**	**(3,967)**
Movement in Reserves		
- reversal of net charges made for retirement benefits in accordance with IAS19	505	3,967
Actual amount charged against the General Fund Balance for pensions in the year:		
- employers benefits payable to pensioners	5,093	5,256

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, the following actuarial gains/losses were included within other comprehensive income and expenditure.

	2010/11	2011/12
	£000	**£000**
Actuarial gains / (losses)	6,164	(3,234)

Liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	2010/11	2011/12
	£000	**£000**
Deficit at 1 April	**85,467**	**74,715**
Interest cost	4,563	3,967
Actuarial (gains) / losses	(6,164)	3,234
Gain (loss) on curtailments	-	-
Past service costs / (gain)	(4,058)	-
Unfunded pension payments	(5,093)	(5,256)
Deficit at 31 March	**74,715**	**76,660**

Scheme History

	2007/08	2008/09	2009/10	2010/11	2011/12
	£m	**£m**	**£m**	**£m**	**£m**
Present value of liabilities	(76.6)	(71.2)	(85.5)	(74.7)	(76.7)
Fair value of scheme assets	-	-	-	-	-
Surplus/(deficit) in the scheme	**(76.6)**	**(71.2)**	**(85.5)**	**(74.7)**	**(76.7)**

The actuarial assumptions used to calculate the position in accordance with IAS19 were as follows:

	31 March 2011	31 March 2012
Rate of inflation - RPI Increases	3.50%	3.30%
Rate of inflation - CPI Increases	2.70%	2.50%
Rate of increase in salaries	5.00%	4.70%
Rate of increase in pensions	2.70%	2.50%
Discount rate	5.50%	4.60%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men (years)	18.5	18.6
Women (years)	22.6	22.7
Longevity at 65 for future pensioners:		
Men (years)	20.5	20.6
Women (years)	24.5	24.5

18. PROPERTY, PLANT AND EQUIPMENT

Movements in 2011/12

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2011	992,236	126,061	546,752	35	38,426	32,486	1,735,996	214,717
Additions	20,602	8,073	32,128	-	154	28,674	89,631	1,611
Donations	-	35	-	-	-	-	35	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,361)	-	-	-	9,078	-	7,717	(2,481)
Revaluation increases/(decreases) recognised in the surplus/deficit on Provision of Services	(61,194)	-	-	-	(3,811)	-	(65,005)	(5,966)
Derecognition - disposals	(140,438)	(12,587)	(26,609)	-	(3,586)	(5,209)	(188,429)	(52,414)
Derecognition - other		-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sales/Investment Property	(2,625)	-	-	-	(910)	-	(3,535)	-
Assets reclassified to/(from) Surplus, Land and Buildings, Infrastructure, Assets Under Construction	35,638	1,372	5,511	-	(15)	(42,506)	-	-
Other Movements in cost or valuation	1	-	-	-	(1)	-	-	-
At 31 March 2012	**842,859**	**122,954**	**557,782**	**35**	**39,335**	**13,445**	**1,576,410**	**155,467**
Accumulated Depreciation and Impairment								
At 1 April 2011	(21,033)	(50,386)	(114,041)	(2)	(120)	-	(185,582)	(8,097)
Depreciation charge	(20,232)	(13,190)	(14,086)	-	(118)	-	(47,626)	(4,065)
Depreciation written out to the Revaluation Reserve	4,272	-	-	-	3	-	4,275	645
Depreciation written out to the Surplus/Deficit on Provision of Services	6,591	-	-	-	8	-	6,599	2,039
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - disposals	6,373	6,447	5,763	-	3	-	18,586	7,663
Derecognition - other	-	-	-	-	-	-	-	-
Change in category	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	324	-	-	-	(97)	-	227	-
c/fwd at 31 March 2012	**(23,705)**	**(57,129)**	**(122,364)**	**(2)**	**(321)**	**-**	**(203,521)**	**(1,815)**
Net Book Value								
At 31 March 2012	**819,154**	**65,825**	**435,418**	**33**	**39,014**	**13,445**	**1,372,889**	**153,652**
At 31 March 2011	**971,203**	**75,675**	**432,711**	**33**	**38,306**	**32,486**	**1,550,414**	**206,620**

Movements in 2010/11

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets included in Property, Plant & Equipment
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation								
At 1 April 2010	1,008,359	112,197	515,493	35	37,541	25,801	1,699,426	246,346
Additions	36,406	15,335	30,257	-	782	15,567	98,347	(1,344)
Donations	-	123	-	-	-	-	123	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(5,213)	-	-	-	246	-	(4,967)	(8,638)
Revaluation increases/(decreases) recognised in the surplus/deficit on Provision of Services	(36,282)	-	-	-	(1,502)	(387)	(38,171)	(21,647)
Derecognition - disposals	(8,076)	(367)	-	-	(1,202)	-	(9,645)	-
Derecognition - other	(82)	(1,227)	-	-	(1)	-	(1,310)	-
Assets reclassified (to)/from Held for Sales/Investment Property	(4,428)	-	-	-	(3,379)	-	(7,807)	-
Assets reclassified to/(from) Surplus, Land and Buildings, Infrastructure, Assets Under Construction	1,552	-	1,002	-	5,941	(8,495)	-	-
Other Movements in cost or valuation	-	-	-	-	-	-	-	-
At 31 March 2011	**992,236**	**126,061**	**546,752**	**35**	**38,426**	**32,486**	**1,735,996**	**214,717**
Accumulated Depreciation and Impairment								
At 1 April 2010	(9,979)	(40,537)	(100,888)	(2)	(72)	-	(151,478)	(8,334)
Depreciation charge	(19,454)	(11,162)	(13,153)	-	(122)	-	(43,891)	(4,301)
Depreciation written out to the Revaluation Reserve	2,308	-	-	-	-	-	2,308	-
Depreciation written out to the Surplus/Deficit on Provision of Services	5,827	-	-	-	78	-	5,905	4,538
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	(85)	-	-	-	-	(85)	-
Derecognition - disposals	113	169	-	-	65	-	347	-
Derecognition - other	82	1,229	-	-	1	-	1,312	-
Change in category	70	-	-	-	(70)	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-	-
c/fwd at 31 March 2011	**(21,033)**	**(50,386)**	**(114,041)**	**(2)**	**(120)**	**-**	**(185,582)**	**(8,097)**
Net Book Value								
At 31 March 2011	**971,203**	**75,675**	**432,711**	**33**	**38,306**	**32,486**	**1,550,414**	**206,620**
At 31 March 2010	**998,380**	**71,660**	**414,605**	**33**	**37,469**	**25,801**	**1,547,948**	**238,012**

19. Heritage Assets

The Code of Practice requires a statement of five-year summary of transactions for Heritage Assets. However, it has not been possible to obtain information prior to 2010/11.

	2010/11	2011/12
	£000	**£000**
Balance at 1 April	601	601
Additions	-	14
Revaluations	-	(134)
Balance at 31 March	**601**	**481**

Further Information on Heritage Assets

Savile of Rufford Abbey estate records

These documents relate to estates built up by the family in the West Riding of Yorkshire from the Middle Ages to the 17th century, and subsequently, augmented by the inheritage of the former Rufford Abbey estates in Nottinghamshire in 1626 through the marriage into the Talbot family, earls of Shrewsbury. The records were removed from Rufford Abbey prior to the Second World War and subsequently catalogued by the National Register of Archives in London in the 1940s and 1950s. They were deposited in the Nottinghamshire Archives in 1958, with subsequent additional deposits added in 1960, 1974 and 1982. These were supplemented by smaller acquisitions made in 1982. The collection consists of 394 boxes of documents.

Architectural drawings of Rufford and elsewhere by James Gibbs, 17th-18th centuries

The collection consists of 35 documents: 22 architectural drawings of Rufford Abbey, Ollerton Hall and Ollerton Church, with one drawing possibly of Osberton Hall, together with 17th and 18th century newscuttings reporting on Rufford Abbey and the Savile family, prints of Mr Henry Savile, Sir Henry Savile and Rufford landscapes.

The drawings were passed down to the present Lord Savile by descent. They were purchased at Sotherby's auction by Nottinghamshire Archives in July 2010, with the assistance of the MLA/V&A Purchase Grant Fund and the Friends of the National Libraries.

Ceremonial Regalia and Art Collection

The ceremonial regalia and art collection includes ceremonial items, paintings (both oil and watercolour), at

County Hall with the remainder held in secure storage.

20. Capital Expenditure and Financing

	Note	2010/11 £000	2011/12 £000
Opening Capital Financing Requirement (CFR)		684,123	700,830
Capital Investment			
Property, Plant and Equipment		99,960	88,092
Investment Properties	24	3	203
Intangible Assets	25	5,671	4,024
Heritage Assets	19	-	14
Amounts treated as revenue expenditure in accordance with the Code but which are classified as capital expenditure under statute	45	15,931	8,412
Additions/Reductions to PFI finance liability		(1,615)	(28,656)

	Note	2010/11 £000	2011/12 £000
Sources of finance			
Capital receipts	39	(4,913)	(16,098)
Less capital receipts brought forward		-	-
Government grants and other contributions		(71,570)	(53,194)
Grants held in reserves		-	(68)
Sums set aside from revenue (inc. MRP)		(22,260)	(30,553)
Repayment of PFI finance liability		(4,500)	(4,931)
		700,830	**668,075**

	2010/11 £000	2011/12 £000
Explanation of movements in year		
Change in underlying need to borrow (supported by Government financial assistance)	14,756	-
Change in underlying need to borrow (unsupported by Government financial assistance)	1,951	(2,561)
PFI Disposals	-	(30,194)
	16,707	**(32,755)**

The estimated commitments for capital expenditure in future years for schemes that had started and for which a legal contract had been entered into by 31 March 2012 are:

	£000
2012/13	20,679
2013/14	2,000
2014/15	500
2015/16	500
2016/17	500
	24,179

The committed projects for 2012/13 are:

	£000
Schools	4,310
Day Centres	2,509
Bus Stations	6,000
Libraries	4,551
Other	3,309
	20,679

21. Valuation of Property, Plant and Equipment

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations have been carried out internally. Valuations of land and buildings have been carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Vehicles, plant and equipment are carried at depreciated historic cost as a proxy for fair value where useful lives are of short duration and values are immaterial.

Land and Buildings	Included at 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.
Fixed Plant and Machinery	Included in the valuation of the buildings.
Furniture & Fittings	Included at depreciated historic cost, plus the depreciated value of items as at 31 March 2004 which are still in operational use.
Vehicles, Plant and Equipment	Included at depreciated historic cost as a proxy for fair value.

Surplus Assets	Included at 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.
Assets under construction	Included at cost.
Community Assets	Included at depreciated historic cost.
Heritage Assets	Included at Open Market Value, or, under certain conditions, at historic cost, depreciated where appropriate.
Infrastructure Assets	Included at depreciated historic cost.

Valuation of Property, Plant and Equipment carried at current value

The following statement shows the progress of the Council's rolling programme for the revaluation of Property, Plant and Equipment. The basis for valuation is set out in the Statement of Accounting Policies.

	Other Land & Bldgs £000	**Surplus Assets £000**	**Other PPE Assets £000**	**Total £000**
Valued at historic cost	-	-	514,721	514,721
Valued at current value in				
2011/12	288,875	12,739	-	301,614
2010/11	50,336	322	-	50,658
2009/10	370,738	7,566	-	378,304
2008/09	109,165	18,387	-	127,552
2007/08	40	-	-	40
Total	**819,154**	**39,014**	**514,721**	**1,372,889**

Other PPE Assets includes Community Assets.

Impairment review

In accordance with the requirements of the Code, the Authority undertakes a review each year to identify if any assets may have been subject to an impairment in value, as a result of, for example, overconsumption, obsolence or change in use. The valuation report confirmed there were no impairments, and all downwards movements in valuations were treated as revaluation losses.

22. Non-Maintained Schools

The Council assesses the accounting treatment of all schools based upon the requirements of IFRS. This has led to Academy, Foundation and Voluntary Aided schools being treated as off balance sheet and therefore the land and buildings relating to these schools have not been included in the Council's Balance Sheet. The value of land and buildings transferred to schools, at the date at which they were transferred, is as follows:

	2010/11		**Movement**		**2011/12**	
	No.	**£000**	**No.**	**£000**	**No.**	**£000**
Academy schools	3	34,178	9	66,599	12	100,777
Foundation schools	12	167,107	3	42,326	15	209,433
Voluntary Aided schools	9	19,959	4	-	13	19,959
	24	**221,244**	**16**	**108,925**	**40**	**330,169**

Transfers to schools are treated as disposals with nil sales proceeds.

23. Assets Held for Sale

	Current		Non-Current	
	2010/11	**2011/12**	**2010/11**	**2011/12**
	£000	**£000**	**£000**	**£000**
Balance outstanding at start of year	**155**	**6,298**	**-**	**-**
Assets newly qualified as Held for Sale:				
Property, Plant & Equipment	7,728	3,307	-	-
Intangible Assets	-	-	-	-
Other assets/liabilities in disposal groups	-	-	-	-
Revaluation losses	(1,512)	(2,031)	-	-
Revaluation gains	82	100	-	-
Impairment losses	-	-	-	-
Assets declassified as Held for Sale:				
Property, Plant & Equipment	-	-	-	-
Intangible Assets	-	-	-	-
Other assets/liabilities in disposal groups	-	-	-	-
Assets sold	(155)	(4,123)	-	-
Transfers from non-current to current	-	-	-	-
Other movements	-	-	-	-
Balance outstanding at year end	**6,298**	**3,551**	**-**	**-**

There are no non-current assets held for sale.

24. Investment Properties

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

	2010/11	**2011/12**
	£000	**£000**
Rental income from Investment Property	(562)	(446)
Direct operating expenses arising from Investment Property	70	112
Net (income)/expenditure	**(492)**	**(334)**

There are no restrictions on the Authority's ability to realise the value inherent in its Investment Property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop Investment Property or to undertake repairs, maintenance or enhancement.

Investment Properties have been valued as at the Balance Sheet date by the Council's Property Group Manager, P. Robinson MRICS who holds a relevant professional qualification and has recent experience. The following table summarises the movement in the fair value of Investment Properties over the year.

	2010/11	**2011/12**
	£000	**£000**
Balance at start of year	**24,972**	**25,310**
Additions:		
Purchases	-	-
Construction	-	-
Subsequent expenditure	3	203
Disposals	-	(328)
Net gains/(losses) from fair value adjustments	257	(7,571)
Transfers:		
(to)/from Inventories	-	-
(to)/from Surplus	78	-
(to)/from Property, Plant and Equipment	-	-
Balance at end of year	**25,310**	**17,614**

25. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are from 3-5 years.

Intangible Assets are held at depreciated historic cost as a proxy for fair value where useful lives are low and/or values are immaterial.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £1,402,196 charged to revenue in 2011/12 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	2010/11 Purchased Software Licences £000	**2011/12 Purchased Software Licences £000**
Balance at start of year:		
Gross carrying amounts	3,562	9,233
Accumulated amortisation	(2,619)	(3,091)
Net carrying amount at start of year:	**943**	**6,142**
Purchases	5,671	4,024
Disposals	-	-
Amortisation for the period	(472)	(1,402)
Net carrying amount at end of year	**6,142**	**8,764**
Comprising:		
Gross carrying amounts	9,233	13,257
Accumulated amortisation	(3,091)	(4,493)
	6,142	**8,764**

26. 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**	
	31/3/11 £000	**31/3/12 £000**	**31/3/11 £000**	**31/3/12 £000**
Financial liabilities at amortised cost	423,637	411,050	116,446	134,227
Financial liabilities at fair value through profit and loss	-	-	-	-
Total borrowings	**423,637**	**411,050**	**116,446**	**134,227**
Loans and receivables	2,883	2,570	61,638	73,784
Available-for-sale financial assets	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
Total investments	**2,883**	**2,570**	**61,638**	**73,784**

The Council does not hold any financial liabilities at fair value through profit and loss or available-for-sale financial assets. The Council's borrowings include finance leases associated with PFI schemes and borrowings with the Public Works Loans Board (PWLB) and with UK and European banks through 'Lender's Option, Borrowers' Option' loans (LOBOs). These are both classed as 'other liabilities' and measured at amortised cost.

Financial liabilties at amortised cost

Long-term

	2010/11 £000	2011/12 £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	258,745	279,840
(b) Finance Lease Liability Amounts still owed on finance leases taken with external sources to acquire capital assets for PFI Schemes.		
Long term finance leases for repayment after 1 year	164,892	131,210
Total Long Term Borrowing at 31 March	**423,637**	**411,050**

Current

	2010/11 £000	2011/12 £000
(c) Borrowing		
Long term borrowing for repayment within 1 year	11,713	14,264
Finance leases related to PFI schemes for repayment within 1 year	4,787	4,880
Total Borrowing at 31 March	**16,500**	**19,144**

	2010/11 £000	2011/12 £000
(d) Trade Creditors	99,946	115,083

Financial Assets - Loans & Receivables

Long-term

	2010/11 £000	2011/12 £000
Nottingham Rugby Club	19	14
King Edward VI Trustees	95	-
Car and Bike Loans	594	384
Nottinghamshire Cricket Club	1,069	1,084
Adult Care Property Debt - Deferred Payment Scheme	1,097	1,079
Private Street Works	9	9
	2,883	**2,570**

Car and Bike Loans

The Authority has made loans for car and bike purchases to 111 employees (101 car loans) in the Authority who are in posts that require them to drive regularly on the Authority's business. These loans are not subsidised.

Car and Bike Loans Breakdown:

	2010/11 £000	2011/12 £000
Opening balance	598	594
Advances	219	135
Repayments	(223)	(345)
Closing Balance	**594**	**384**

	2010/11 £000	2011/12 £000
Car Loans Breakdown:		
One year or less	132	169
More than one year	462	215
	594	**384**

On 19 September 2007 Cabinet approved a loan of £1.23 million for 20 years to Nottinghamshire Cricket Club to help fund the £8.2 million 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 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. The balancing figure appears in the Financial Instruments Adjustment Account.

On 4 February 2009 Cabinet approved a loan of £94,931 for 2 years to the King Edward VI Trustees as a consequence of the Council no longer requiring the use of a building owned by the Trustees following the operation of the Bassetlaw PFI Scheme. The loan was taken up on 30 July 2009, and was to enable time for the Trustees to dispose of the redundant building. The loan was repaid in 2011/12.

On 21 May 2010 Nottinghamshire County Council and Nottingham City Council jointly lent Nottingham Rugby Club £50,000 repayable over 4 years to fund working capital needs. Interest is payable on the loan at the annual rate of 1% over the PWLB rate.

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.

Current

Temporary investments	2010/11 £000	2011/12 £000
Temporary investments with other local authorities and financial institutions	20,038	20,031

The Council manages its cash in line with its approved Treasury Management Policy and in accordance with prevailing statutory requirements. The amount invested at the year end depends on the cash flow position at that date.

Short-term Trade Debtors	2010/11 £000	2011/12 £000
Trade Debtors (less bad debt provision)	41,600	53,753

Financial Assets - unquoted equity investment at cost

Economic Development: There are equity holdings amounting to £0.26 million (£0.26 million in 2010/11) that have been written off to the Comprehensive 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 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 the provision of buildings 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 following the creation of SCAPE. The 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.

Interests in Companies

The Council has a 50% interest in Nottingham and Nottinghamshire Futures Limited (formerly Connexions Nottinghamshire Limited). The Company transferred into local authority control from the Learning and Skills Council at 1 April 2008 at no cost and consequently, this is reflected at an immaterial investment cost in the Council's accounts.

27. Financial Instruments Gains/Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Account in relation to financial instruments are made up as follows:

	2010/11			2011/12		
	Financial Liabilities	**Financial Assets**	**Total**	**Financial Liabilities**	**Financial Assets**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Interest expense	(35,660)	-	(35,660)	(33,526)		(33,526)
Losses on derecognition	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Interest payable and similar charges	**(35,660)**	**-**	**(35,660)**	**(33,526)**	**-**	**(33,526)**
Interest income	-	493	493	-	384	384
Gains on derecognition	-	-	-	-	-	-
Interest and investment income	**-**	**493**	**493**	**-**	**384**	**384**

The average cost of external borrowing was 5.74% (5.78% in 2010/11).

The interest expense figure includes the cost of administration fees. For most of the transactions entered into by the Council the transaction 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 directly to the Comprehensive Income and Expenditure Account.

Following comprehensive local government re-organisation in 1974, the 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:

	2010/11	**2011/12**
	£000	**£000**
Loan taken over from District Councils when the responsibilty for services was transferred to the County Council on local government reorganisation in 1974.	2,322	1,950

28. 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 2011 and 2012 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 finance leases, the PWLB rate for an annuity commencing on 31 March of equal length to the remaining scheduled length
- for loans and receivables, the PWLB rate for an annuity commencing on 31 March of length equal to the remaining scheduled length of the relevant instrument, plus 1% to recognise risk on loans and receivables.

	2010/11		2011/12	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Financial liabilities	540,083	663,633	545,277	706,026

The fair value is greater than the carrying amount because the Authority's portfolio of loans and finance leases includes a number of fixed rate loans and leases 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.

	2010/11		2011/12	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Loans and receivables	64,521	64,500	76,354	76,453

The fair value is different from the carrying amount because the Authority's portfolio of investments included a number of fixed rate loans where the interest rate receivable was different from 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; where the interest rate is lower then a lower repayment.

29. 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 risk of failure by a counterparty to meet its contractual obligations under an investment, borrowing, capital, project or partnership financing
- liquidity risk – the risk that cash will not be available when it is needed, thereby causing additional unbudgeted costs with consequent impact on the Authority's business/service objectives
- market risk – the risk that, through adverse market fluctuations in the value of the principal sums the Authority borrows and invests, its stated treasury management policies are compromised.

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 Council adopted the CIPFA Code of Practice on Treasury Management. In accordance with this Code of Practice, the Council sets an annual Treasury Management Strategy, by March each year. This 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 & uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amounts at 31/3/12 £000	Historical experience of default %	Historical experience adj for market conditions at 31/3/12 %	Estimated maximum exposure to default and uncollecta-bility £000
Deposits with banks and financial institutions	20,031	-	-	-
Customers	27,425	0.09%	0.09%	25

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 2011/12 the provision for bad and doubtful debt was £4.1 million (£3.4 million in 2010/11).

The Authority does not generally allow credit for customers, such that £8.1 million (£13.6 million in 2010/11) of the £27.4 million (£29.2 million in 2010/11) balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£000
Less than three months	3,262
Three to six months	1,357
Six months to one year	1,026
More than one year	2,488
	8,133

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 70 years with a maximum of any one year's maturity around 11% 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.

In addition, the Authority has a number of finance lease liabilities that relate to PFI and other schemes.

The maturity analysis of financial liabilities is as follows:

	2010/11 £000	%	2011/12 £000	%
Maturity date				
Within 1 year	16,500	3.8	19,144	4.4
1 year and up to 2 years	11,965	2.7	17,004	4.0
2 years and up to 5 years	41,333	9.4	37,864	8.8
5 years and up to 10 years	71,036	16.1	76,932	17.9
10 years and up to 15 years	98,995	22.5	87,289	20.3
15 years and up to 20 years	71,772	16.3	67,814	15.8
20 years and up to 25 years	37,663	8.6	23,275	5.4
25 years and over	90,873	20.6	100,872	23.4
	440,137	**100.0**	**430,194**	**100.0**

	2010/11 £000	2011/12 £000
Source of Borrowing		
Public Works Loan Board	179,262	192,846
External Bonds and Loans	91,196	101,258
Finance Leases related to PFI and other schemes	169,679	136,090
	440,137	**430,194**

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 borrowings will fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement. However, changes in interest receivable on variable rate investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance £ for £. Movements in the fair value of fixed rate investments will be reflected in other comprehensive income and expenditure.

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 should be 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 Comprehensive Income and Expenditure Statement. If interest rates had been 1% higher at 31 March 2012, with all other variables held constant, the fair value of fixed rate borrowings would be lower but with no impact on the Comprehensive Income and Expenditure Statement.

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 movements in exchange rates.

30. Inventories

	Raw Materials		Work In Progress		Finished Goods		Total	
	2011	2012	2011	2012	2011	2012	2011	2012
	£000	£000	£000	£000	£000	£000	£000	£000
Opening	**1,964**	**1,823**	**986**	**874**	**757**	**703**	**3,707**	**3,400**
Purchases	8,131	3,681	187	3,099	6,145	9,662	14,463	16,442
Expensed	(7,897)	(3,454)	(299)	(3,097)	(6,192)	(9,612)	(14,388)	(16,163)
Written off	(375)	(44)	-	-	(7)	8	(382)	(36)
Reversals	-	-	-	(850)	-	-	-	(850)
Closing	**1,823**	**2,006**	**874**	**26**	**703**	**761**	**3,400**	**2,793**

31. Debtors and Long Term Debtors

Debtors less than one year	**31/3/11 £000**	**31/3/12 £000**
Central government bodies	16,453	5,630
Other local authorities	10,702	22,866
NHS bodies	10,031	1,815
Public corporations and trading funds	-	10
Other entities and individuals	27,920	41,985
Less Bad Debt Provision	(3,400)	(4,134)
Total	**61,706**	**68,172**

Long Term Debtors	**31/3/11 £000**	**31/3/12 £000**
Adult Care Property Debt	1,976	2,618
Tram PFI	3,977	-
Other	56	54
Total	**6,009**	**2,672**

Analysis of Bad Debt Provision	**31/3/11 £000**	**31/3/12 £000**
Opening Bad Debt provision	2,358	3,400
Amounts paid	(1,973)	(2,219)
Amounts written off	(554)	(290)
Provisions adjustment	3,569	3,243
Closing Bad Debt Provision	**3,400**	**4,134**

32. Creditors

	31/3/11 £000	31/3/12 £000
Central government bodies	53,348	28,681
Other local authorities	8,831	13,116
NHS bodies	971	15,778
Public corporations and trading funds	89	85
Other entities and individuals	91,083	76,674
Total	**154,322**	**134,334**

33. Cash and Cash Equivalents

The Authority monitors cash balances on a daily basis to make maximum use of the funds available and invests any surplus cash identified. The bank account balance at 31 March will consist of an overdraft with the Authority's main bank, and school deposits either with the Authority's main bank or held with other banks.

The analysis of cash and cash equivalents is as follows:

	2010/11 £000	2010/11 £000	2011/12 £000	2011/12 £000
Amounts held in call accounts and money market funds		13,353		18,470
Main overdraft		(79,193)		(48,879)
Amounts owed to Pension Funds		-		-
School bank accounts:				
Main Council accounts	38,025		46,400	
Other bank accounts	18,821	56,846	13,327	59,727
		(8,994)		**29,318**

34. 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 2011/12 this allowance was 139,805 tonnes (161,389 in 2010/11) of which 102,000 (108,848 in 2010/11) were utilised. The Authority is allowed to trade its allowances with other Authorities. The market value of these for 2011/12 was £0.00 per tonne (£0.00 in 2010/11). There were no entries made to the Comprehensive Income and Expenditure Statement in either year, nor any balances outstanding at the end of either year.

35. Leases

Authority as Lessee

Finance Leases
The Council leases two properties under leases classed as finance leases, one of which is used as a temporary library, the other for a highways depot. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31/3/11 £000	31/3/12 £000
Other Land and Buildings	253	2,870
Assets Under Construction	880	-
Vehicles, Plant, Furniture and Equipment	-	-
	1,133	**2,870**

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

	31/3/11 £000	31/3/12 £000
Finance lease liabilities (net present value of minimum lease payments):		
- current	11	-
- non-current	879	879
Finance costs payable in future years	4,083	4,001
Minimum lease payments	**4,973**	**4,880**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31/3/11 £000	31/3/12 £000	31/3/11 £000	31/3/12 £000
Not later than one year	52	40	11	-
Later than one year and not later than five years	181	200	1	1
Later than five years	4,740	4,640	878	878
	4,973	**4,880**	**890**	**879**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £0 of contingent rents were payable by the Authority (£0 in 2010/11).

Operating Leases
The Council leases a wide variety of properties for use in the provision of services including libraries, offices, industrial units and youth centres.

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

	31/3/11	31/3/12
	£000	£000
Not later than one year	1,117	1,329
Later than one year and not later than five years	1,694	2,420
Later than five years	1,441	1,374
	4,252	**5,123**

The expenditure charged in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31/3/11	31/3/12
	£000	£000
Minimum lease payments	1,515	1,787
Contingent rents	21	60
Sublease payments receivable	-	-
	1,536	**1,847**

Authority as Lessor

Finance Leases
The Council leases out one property for use as a Community Centre at a peppercorn rental. The property is valued at £0 (£0 in 2010/11) and there are no balances in the accounts in relation to the lease.

Operating Leases
The Authority leases out property and equipment under operating leases for the following purposes:

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

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

	31/3/11	31/3/12
	£000	£000
Not later than one year	514	1,007
Later than one year and not later than five years	792	857
Later than five years	1,833	1,560
	3,139	**3,424**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £0.2 million contingent rents were receivable by the Authority (2010/11 £0.4 million).

36. Private Finance Initiative (PFI)

East Leake Schools

The Council has a contract with East Leake Schools Limited for the provision of secondary and primary schools and a community leisure facility in East Leake. Service commenced during 2003/04 and the contract finishes on 31 July 2027 when the buildings transfer back to the Council.

The Council retained the freehold of the land which is valued and included in the Balance Sheet as other land and buildings.

The assets used to provide the schools services are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement in Property, Plant and Equipment balance.

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2012 including an estimate of inflation at 2.5% but excluding any performance or availability deductions, are as follows:

	Service Charge	Lifecycle Replacement	Finance Liability	Interest	Contingent Rent	Total
	£000	£000	£000	£000	£000	£000
Payable within 1 year	538	264	318	1,148	244	2,512
Within 2-5 years	2,205	924	1,775	4,220	1,177	10,301
Within 6-10 years	2,884	1,360	3,324	4,050	1,848	13,466
Within 11-15 years	3,031	1,374	5,372	2,040	2,337	14,154
Within 16-20 years	208	-	546	18	200	972
	8,866	**3,922**	**11,335**	**11,476**	**5,806**	**41,405**

Bassetlaw Schools

The Council has a contract with Transform Schools (Bassetlaw) Ltd for the provision of five secondary schools, two post-16 centres, one special school and two community leisure centres. These became fully operational during 2007/08 and the contract finishes on 31 July 2032 when the buildings transfer back to the Council.

An agreement has been entered into between Nottinghamshire County Council and Bassetlaw District Council with regards to the two leisure facilities which form part of the PFI Scheme. A lease has been granted to Bassetlaw District Council for a term of 60 years secured on both the leisure facilities. Consequently these facilities are not included as assets on the Council's Balance Sheet.

The Council retained the freehold of the land which is valued and included in the Balance Sheet.

The assets used to provide the schools services are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement in Property, Plant and Equipment balance.

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2012 including an estimate of inflation at 2.5% but excluding any performance or availability deductions, are as follows:

	Service Charge	Lifecycle Replacement	Finance Liability	Interest	Contingent Rent	Total
	£000	£000	£000	£000	£000	£000
Payable within 1 year	5,157	717	2,203	9,944	296	18,317
Within 2-5 years	22,014	3,707	10,729	37,371	1,293	75,114
Within 6-10 years	31,278	6,957	18,346	40,253	1,572	98,406
Within 11-15 years	36,084	10,690	26,777	29,836	649	104,036
Within 16-20 years	41,628	12,623	41,176	14,699	278	110,404
Within 21-25 years	3,542	1,163	4,549	182	112	9,548
	139,703	**35,857**	**103,780**	**132,285**	**4,200**	**415,825**

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 with Veolia Environmental Services and the contract ends on 31 March 2033 when the assets transfer to the Council. The first main new facility, the Materials Recycling Facility (MRF), became operational in January 2009. The MRF site is subject to a 50 year rental agreement with the Council, which is then recharged to Veolia Environmental Services at the same rates.

The Council retained the freehold of the land which is valued and included in the Balance Sheet.

The assets used to provide the services are recognised on the Council's Balance Sheet. Movements in their value over the year are included in the analysis of the movement in Property, Plant and Equipment balance.

The Authority makes an agreed payment per tonne of waste which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2012 including an estimate of inflation at 2.5% but excluding any performance or availability deductions, are as follows:

	Service Charge	Lifecycle Replacement	Finance Liability	Interest	Contingent Rent	Total
	£000	£000	£000	£000	£000	£000
Payable within 1 year	16,255	-	2,359	2,111	1,213	21,938
Within 2-5 years	69,226	4,635	(1,243)	10,969	5,611	89,198
Within 6-10 years	95,954	9,244	8,472	15,587	9,634	138,891
Within 11-15 years	108,015	6,414	5,560	13,549	14,824	148,362
Within 16-20 years	122,215	1,275	4,347	7,752	22,270	157,859
Within 21-25 years	26,303	-	601	465	5,298	32,667
	437,968	**21,568**	**20,096**	**50,433**	**58,850**	**588,915**

On 26 June 2006 the Council signed an additional PFI contract with Veolia Environmental Services (VES) which ends on 31 March 2033, for the construction and operation of the Rufford Energy Recovery Facility (ERF). In addition to other factors, this contract is conditional upon VES obtaining satisfactory planning permission and obtaining a satisfactory environmental permit to operate the facility. Planning permission has been denied and therefore this contract will not be proceeding. The Council is now investigating alternative sustainable waste management solutions.

Greater Nottingham Light Rapid Transport (Tram)

The County Council was a partner with the Ciy Council in the contract for the provision of a tram service (Net 1) by the Arrow Consortium. The service became operational in 2004. In September 2009 the Council informed the City Council that it intended to withdraw from the partnership. The Council was contractually obliged to cooperate with the City Council to bring about a timely transfer of any necessary matters in order to allow the City Council to proceed with the promotion of the expanded network (Phase Two) on its own account. The relationship between the City Council and the County Council with regard to Line One would only terminate upon the termination of the first concession agreement (which the Council was a party to) and the award of the new concession agreement for the enlarged network (which only the City Council would be a party to). Accordingly, up until that point, the two councils continued in their relationship (so far as Line One was concerned) largely as before.

The City Council has progressed with the procurement of a new concessionaire for the expanded network on its own as sole promoter. Subsequently, settlement was reached and the relationship between the County Council and the City Council for Net 1 was terminated on 15 December 2011.

The following entries have been made in the Balance Sheet to reflect the withdrawal from the Net 1 agreement on 15 December 2011:

	2011/12
	£000
Property, Plant & Equipment	(27,043)
Long Term Debtors	(3,977)
Short Term Finance Lease Liability	728
Long Term Finance Lease Liability	29,466
Other Earmarked Reserves	3,977
Capital Adjustment Account	(3,151)
	-

37. 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 2008. 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.

Single Status costs were incurred in 2011/12 relating to prior years. This has been shown as an exceptional item on the face of the Comprehensive Income and Expenditure Statement of £0.4 million (£11.6 million 2010/11). As at 31 March 2011 a total of £30.5 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 the Single Status programme was over 28,000 (including former employees) and as at 31 March 2012 these payments had been completed.

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 2013. The total number of posts included in this category is over 8,000. The Council has undertaken some of the calculations in respect of the payments for this second phase and established a provision of £12.0 million in respect of the estimated costs. However it is possible that the amount actually payable may be different from this value, as identified in the note on contingent liabilities. During 2011/12 £4.1 million of the provision has been used for agreed payments. A reserve of £2.1 million has been established to fund potential additional future costs.

Since 2002/03, the 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 as follows:

	2010/11	**2011/12**
	£000	**£000**
Balance Brought Forward	-	12,000
Additional Contributions	12,000	-
Payments made during the year	-	(4,061)
Balance Carried Forward	**12,000**	**7,939**

The balance on the Single Status (Pay Review) Reserve is as follows:

	2010/11	**2011/12**
	£000	**£000**
Balance brought forward	5,027	2,059
Transfers from the reserve	(7,702)	-
Transfers to the reserve	4,734	-
Balance carried forward	**2,059**	**2,059**

38. 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 below:

Short Term Provisions	**31/3/11**	**Movement**	**31/3/12**
	£000	**£000**	**£000**
General Insurance Claims prior to 1/4/98	71	225	296
General Insurance Claims from 1/4/98	694	329	1,023
Single Status Back Pay Provision	12,000	(4,061)	7,939
Redundancy provision	2,472	2,718	5,190
Provisions below £200,000	89	(73)	16
Total	**15,326**	**(862)**	**14,464**

Long Term Provisions	**31/3/11**	**Movement**	**31/3/12**
	£000	**£000**	**£000**
General Insurance Claims prior to 1/4/98	634	2,031	2,665
General Insurance Claims from 1/4/98	6,249	2,961	9,210
Total	**6,883**	**4,992**	**11,875**

39. Capital Receipts and Grants Unapplied

The Capital Receipts Reserve holds the usable part of the capital receipts from the sale of assets. The Council has approved the use of capital receipts for the financing of capital expenditure.

	2010/11 £000	2011/12 £000
Balance at 1 April	-	-
Receivable	(4,913)	(16,098)
Applied	4,913	16,098
Balance at 31 March	-	-

The Capital Grants Unapplied Reserve holds grants receivable from Government and other contributions that have not been applied for the financing of capital expenditure.

	2010/11 £000	2011/12 £000
Balance at 1 April	**13,542**	**3,518**
Capital grants credited to the CI&E	50,014	53,844
Application of grants to capital financing transferred to the CAA	(60,038)	(50,941)
Transfer from other reserve	-	1
Balance at 31 March	**3,518**	**6,422**

40. Other Operating Expenditure

Other operating expenditure includes the following amounts:

	2010/11 £000	2011/12 £000
Change in fair value of assets held for sale	1,430	1,931
Other operating income and expenditure	785	1,713
Gains/losses on the disposal of non-current assets	4,540	128,004
Total	**6,755**	**131,648**

41. Financing and Investment Income and Expenditure

Financing and investment income and expenditure includes the following amounts:

	2010/11 £000	2011/12 £000
Interest payable and similar charges	35,660	33,526
Pensions interest cost and expected return on pensions assets	33,609	17,729
Interest receivable and similar income	(493)	(384)
Income and expenditure in relation to investment properties and changes in their fair value	(748)	7,237
Net (surplus)/deficit of trading undertakings	4,035	609
Insurance revenue	(6,074)	3,068
Other investment income	-	-
Total	**65,989**	**61,785**

42. Movement on Earmarked Reserves

	2009/10 £000	Transfers Out £000	Transfers In £000	2010/11 £000	Transfers Out £000	Transfers In £000	2011/12 £000
General Fund Balance	24,839	-	3,285	28,124	-	1,564	29,688
Schools Statutory Reserves	38,024	(6,260)	-	31,764	-	7,387	39,151
General Insurance Reserve	14,566	-	6,073	20,639	(13,068)	-	7,571
Trading Services	2,360	(705)	1,230	2,885	(1,156)	1,432	3,161
Earmarked for Services	37,735	(24,022)	16,723	30,436	(4,589)	5,335	31,182
Earmarked Reserves	1,571	(1,571)	39	39	(39)	1,689	1,689
Capital Projects Reserve	1,470	-	2,824	4,294	(549)	23,891	27,636
East Leake PFI Schools	2,608	-	168	2,776	-	338	3,114
Bassetlaw PFI Schools	4,305	(1,546)	-	2,759	(1,519)	50	1,290
Waste PFI Reserve	18,138	-	4,598	22,736	-	4,003	26,739
Tram (NET Line 1)	3,882	-	134	4,016	(7,993)	3,977	-
Net Phase 2 Reserve	1,917	(147)	-	1,770	(1,770)	-	-
Pay Review Reserve	5,027	(7,702)	4,734	2,059	-	-	2,059
The Improvement Programme	3,885	-	4,671	8,556	-	9,441	17,997
Redundancy Reserve	3,119	-	-	3,119	-	-	3,119
Performance Reward Grant	8,448	(7,386)	-	1,062	(1,062)	-	-
Lifecycle Maintenance	2,711	-	994	3,705	-	-	3,705
Total Revenue Reserves	97,176	(43,079)	36,115	90,212	(18,677)	50,156	121,691
Total Reserves	174,605	(49,339)	45,473	170,739	(31,745)	59,107	198,101

General Fund Balance comprises reserves available for use by the Council as a contingency.

Schools Statutory Reserve - See note 44

General Insurance Reserve - See note 43

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. They are approved to be spent in the following financial year.

Capital Projects Reserve comprises contributions from revenue towards future capital schemes.

Bassetlaw, East Leake 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 Council will be required in later years to finance the unitary charge.

Tram (NET Line 1) and NET Phase 2 Reserve were originally part of the PFI funding process but have both been released following the Council's withdrawal from the projects (see Note 36).

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

Improvement Programme has been established towards funding the Improvement Programme as approved in the Budget Report to Council on 25 February 2010.

Redundancy Reserve was established to help meet redundancy costs in excess of the amount already held in contingency for future years.

Performance Reward Grant in 2009/10 the Authority accrued for part of this grant which was agreed to be shared with our LAA partners and to be available to fund services covered by the LAA. The balance was shared between the LAA partners in 2011/12.

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.

43. 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 38. The Insurance Reserve is shown below:

Insurance Reserve	**2010/11** **£000**	**2011/12** **£000**
Ring-fenced at 31 March 1998	650	(2,070)
Since 1 April 1998	19,989	9,641
	20,639	**7,571**

Following an actuarial review the reserve requirements were reviewed and adjusted at 31 March 2012.

Insurance Account	**2010/11** **£000**	**2011/12** **£000**
Premiums paid	3,090	2,860
Claims made	4,108	2,914
Contribution (from)/to Provision **	(3,624)	6,241
	3,574	12,015
Less charges to Departments *	(9,886)	(8,852)
	(6,312)	3,163
Miscellaneous charges	321	-
Total Expenditure	**(5,991)**	**3,163**
External Premiums	(27)	-
Interest on Old Fund	(94)	(95)
Recoveries	38	-
Total Income	**(83)**	**(95)**
Net (surplus)/deficit	**(6,074)**	**3,068**

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

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

44. 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 2011/12 the overall reserve has increased by £7.4 million to £39.2 million. Within the total reserve school accumulated balances increased by £6.7 million to £36.1 million; of this, £5.4 million is to fund capital schemes.

The reserve also includes £4.4 million relating to the non-ISB (Individual Schools Budget) 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.

	31/3/11 £000	Movement in year £000	31/3/12 £000
School Balances			
Standards Fund balances held by schools	7,019	(7,019)	-
Other balances held by schools	22,311	13,765	36,076
Total School Balances (held by Governors)	**29,330**	**6,746**	**36,076**
Additional school budget balances to carry forward	1,000	(1,000)	-
	30,330	**5,746**	**36,076**
Non ISB Balances	**2,902**	**1,484**	**4,386**
Borrowing Against the Reserve			
School Loan Scheme	(1,468)	157	(1,311)
Total Borrowing Against Reserve	**(1,468)**	**157**	**(1,311)**
School Statutory Reserve Total	**31,764**	**7,387**	**39,151**

45. Unusable Reserves

	31/3/11 £000	31/3/12 £000
Revaluation Reserve	127,488	108,503
Capital Adjustment Account	760,446	626,721
Financial Instruments Adjustment Account	(161)	(146)
IAS 19 Pensions Reserve	(581,574)	(874,864)
Collection Fund Adjustment Account	4,629	4,765
Employee Benefits Account	(12,543)	(10,692)
Total Unusable Reserves	**298,285**	**(145,713)**

Revaluation Reserve

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

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

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account. The balances for 2010/11 have been restated to account for the change in accounting policy for Heritage Assets as disclosed in Note 1.

	2010/11 £000	2011/12 £000
Balance at 1 April	**134,095**	**127,488**
Upward revaluation of assets	-	11,874
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,659)	-
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(2,659)	11,874
Difference between fair value depreciation and historic cost depreciation	(2,774)	(2,785)
Accumulated gains on assets sold or scrapped	(1,174)	(28,074)
Amount written off to the Capital Adjustment Account	(3,948)	(30,859)
Balance at 31 March	**127,488**	**108,503**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historic cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. The Movement in Reserves Statement provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2010/11 £000	2011/12 £000
Balance at 1 April	**756,403**	**760,446**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(43,891)	(47,626)
Revaluation losses on Property, Plant and Equipment	(32,350)	(58,420)
Amortisation of intangible assets	(472)	(1,402)
Revenue expenditure funded from capital under statute	(15,931)	(8,412)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(9,453)	(144,102)
	(102,097)	(259,962)
Adjusting amounts written out of the Revaluation Reserve	3,948	30,859
Net written out amount of the cost of non-current assets consumed in the year.	(98,149)	(229,103)

Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance outstanding debt	4,913	16,098
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-	-
Application of grants to capital financing from the Capital Grants Unapplied Account	71,692	53,229
Statutory provision for the financing of capital investment charged against the General Fund	21,995	22,519
Capital expenditure charged against the General Fund	4,765	13,034
	103,365	104,880
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	257	(7,571)
Movement in the fair value of Non Current Assets Held for Sale credited to the Comprehensive Income and Expenditure Statement	(1,430)	(1,931)
Balance at 31 March	**760,446**	**626,721**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments.

	2010/11	2011/12
	£000	**£000**
Balance at 1 April	**(175)**	**(161)**
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	-
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(14)	(15)
Amount by which finance costs charged to the Comprehensive Income and Expnditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	14	15
Balance at 31 March	**(161)**	**(146)**

Pensions Reserve

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

	2010/11	2011/12
	£000	**£000**
Balance at 1 April	**(1,071,707)**	**(581,574)**
Actuarial gains or losses on pensions assets and liabilities	388,307	(290,360)
Other gains and losses	668	(371)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provisions of Services in the Comprehensive Income and Expenditure Statement	44,910	(60,957)
Employer's pensions contributions and direct payments to pensioners payable in the year	56,248	58,398
Balance at 31 March	**(581,574)**	**(874,864)**

Collection Fund Adjustment Account

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

	2010/11 £000	2011/12 £000
Balance at 1 April	**3,582**	**4,629**
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	1,047	136
Balance at 31 March	**4,629**	**4,765**

Employee Benefits Account

The Employee Benefits Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2010/11 £000	2011/12 £000
Balance at 1 April	**(11,876)**	**(12,543)**
Settlement or cancellation of accrual made at the end of the preceding year	11,876	12,543
Amounts accrued at the end of the current year	(12,543)	(10,692)
Amount by which the officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(667)	1,851
Balance at 31 March	**(12,543)**	**(10,692)**

46. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2010/11 £000	2011/12 £000
Interest received	542	365
Interest paid	35,859	33,563
Dividends received	-	-

47. Cash Flow Statement - Investing Activities

	2010/11 £000	2011/12 £000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	105,779	91,397
Purchase of short and long-term investments	-	-
Other payments for investing activities	196	186
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(4,914)	(16,098)
Capital Grants and contributions received	(51,606)	(54,970)
Proceeds from short-term and long-term investments	(54,318)	4
Other receipts from investing activities	(110)	(546)
Net cash flows from investing activities	**(4,973)**	**19,973**

48. Cash Flow Statement - Financing Activities

	2010/11 £000	2011/12 £000
Cash receipts of short and long-term borrowing	-	(30,000)
Other receipts from financing activities	-	-
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	4,499	4,933
Repayments of short and long-term borrowing	16,973	6,689
Other payments for financing activities	-	-
Net cash flows from financing activities	**21,472**	**(18,378)**

49. Termination Benefits

The Authority terminated the contracts of a number of employees in 2011/12, incurring costs of £13.2 million (£20.2 million in 2010/11). Of this total, £58,679 was payable to the former Director of Finance, in the form of compensation for loss of office, as disclosed in note 15. The £13.2 million includes a net contribution to the redundancy provision of £2.7 million (see note 38). The Authority is undergoing major restructuring of its services which explains the large value of these payments.

50. Information on Assets

	Number of Buildings 31/3/11	Number of Buildings 31/3/12
Nursery & Primary Schools*	288	279
Secondary Schools*	39	28
Special Schools & Pupil Referral Units	14	14
Libraries	60	60
Family & Children's Centres	24	27
Youth & Community Centres	38	37
Residential Homes For Elderly & Disabled	18	12
Day Centres & Clubs For Elderly & Disabled	29	28
Children's Residential Homes	8	8
Staff & Other Houses	160	148
Other, including Factories, Depots & Offices	187	177
	865	**818**

* Note that this figure excludes Academy, Foundation and Voluntary Aided schools which are not on the Council's Balance Sheet.

The Council owns approximately 4,201 hectares of land, of which some 44 hectares are used as smallholdings. It also has 4,200 kilometres of roads. For insurance purposes, the reinstatement value of the Council's buildings is £2,546 million.

51. Members' Allowances

The Authority makes payments to Councillors for work undertaken in the course of their duties. The cost during the financial year was £1,435,790 (£1,464,551 in 2010/11). In addition to this, Members were reimbursed a total of £80,058 (£65,224 in 2010/11) for expenses incurred on Council business.

52. Related Parties

The Authority 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 Authority.

Central Government

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax bills, housing benefits). Grants received from Government departments are set out in the subjective analysis in Note 6 on reporting for resources allocation decisions.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2011/12 is shown in Note 51. During 2011/12, there were no works or services commissioned from companies in which Members had an interest (2010/11 - none). Any contracts would have been entered into in full compliance with the Council's standing orders.

Grants totalling £5,457,630 were paid to 21 organisations in which 29 Members had positions on the governing body (2010/11 £5,335,119 to 22 organisations, 26 Members). No grants were made to organisations whose senior management included close members of the families of Members. In all instances, the grants were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interests which is open to public inspection and is also available on the Council's website at:
http://www.nottinghamshire.gov.uk/registerofmembersinterests.pdf.

Officers

In accordance with section 117 of the Local Government Act 1972, chief officers must declare their interest in any organisations which have received grant payments. During 2011/12, no grants were paid to any organisations in which chief officers had an interest (2010/11 - none).

Other Public Bodies (subject to common control by Central Government)

The Authority has a pooled budgets arrangement with Integrated Community Equipment Service (ICES). Transactions and balances outstanding are detailed in Note 54.

The Authority is the administering Authority for the Local Government Pension Scheme (LGPS). Details of the Accounts of the Pension scheme can be found on page 81.

Entities Controlled or Significantly Influenced by the Authority

The Authority has significant influence in the following organisations :

Nottingham and Nottinghamshire Futures Limited - See below
CLASP - See note 26
SCAPE - See note 26
East Midlands Broadband - a Company limited by guarantee for the procurement and management of an ISP network for Education & Schools in the East Midlands. The Authority withdrew from this venture on 31 March 2011.

These organisations are deemed to be influenced significantly by the Authority through its representation on the board or ownership of shares. Details of the transactions with Nottingham and Nottinghamshire Futures Limited are provided below. There are no material transactions with the other organisations listed.

Nottingham and Nottinghamshire Futures Ltd ("Futures") is a company owned equally between Nottingham City Council and Nottinghamshire County Council that provides support services to young people in Nottinghamshire. Last year the Council prepared Group Accounts consolidating the results of Futures. However, following a reassessment of the materiality of Futures to the Council, Group Accounts have not been prepared for 2011/12. Information related to Futures is provided below. Further details may be found within the accounts of the company which is registered in England under number 4172770.

	2010/11 £000	Unaudited 2011/12 £000
Revenue	17,462	13,741
Profit / (loss)	(1,072)	483
Total Assets	4,607	4,626
Total Liabilities	(7,118)	(16,656)
Equity and Reserves	(2,511)	(12,030)

Nottinghamshire County Council had the following transactions with Futures in 2011/12.

	£000
Sales of facilities management services	138
Grants given	5,266
Purchases of works and services	242

53. 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 Children's Trust Funds relate to legacies left by individuals for the benefit of specified schools. The cash balances held by the Authority which are summarised below:

Department/Service	Balance at 31/3/11 £000	Income £000	Expend-iture £000	Investment Movement £000	Balance at 31/3/11 £000
Children and Young People	109	4	(46)	-	67
Adult Social Care & Health	13	2	(3)	-	12
Cultural Services	53	3	-	-	56
Nottinghamshire Charitable Grants Fund	75	13	-	-	88
	250	**22**	**(49)**	**-**	**223**

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

	Value of Investments £000 31/3/11	Movement £000	Value of Investments £000 31/3/12
Children and Young People	21	-	21
Adult Social Care & Health	1	-	1
Cultural Services	50	-	50
Nottinghamshire Charitable Grants Fund	12	-	12
	84	**-**	**84**

54. 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 combined ICES contract commenced on 1 April 2011, with target savings of 4% over the previous two separate contracts. As a result of the combined contract efficiencies were achieved and the Council's expenditure for 2011/12 was £1.6m (2010/11 £1.9m total for the separate contracts), a saving of £0.3m.

Although in 2011/12 the Pooled Budget as a whole, was overspent against the agreed contract price by £0.4m there has still been a saving of £1.0m against the agreed expenditure in 2010/11. A review of the activity levels and funding arrangements is currrently being undertaken to address this.

Integrated Community Equipment Service (ICES) - Nottinghamshire
Nottinghamshire County Council (Host)
Nottingham City Council
Nottingham City PCT
Nottinghamshire County PCT
Bassetlaw PCT

Pooled Budgets Memo Account	**ICES North 2010/11 £000**	**ICES South 2010/11 £000**	**Combined 2010/11 £000**	**2011/12 £000**
Funding				
Balance brought forward	**170**	**322**	**492**	**17**
Nottinghamshire County Council ASCH	841	760	1,601	1,432
Nottinghamshire County Council CYP	124	189	313	223
Nottingham City Council ASCH	-	1194	1,194	926
Bassetlaw PCT	356	-	356	288
Nottinghamshire County Teaching PCT	1,055	1192	2,247	1,817
Nottingham City PCT	-	1104	1,104	718
Project Provision and one-off costs	18	-	18	-
	2,394	**4,439**	**6,833**	**5,404**
British Red Cross Compensation funding	(106)	-	(106)	-
Project Provision and one-off costs	(47)	-	(47)	-
	(153)	**0**	**(153)**	**0**
Total Funding	**2,411**	**4,761**	**7,172**	**5,421**
Expenditure	**2010/11 £000**	**2010/11 £000**	**2010/11 £000**	**2011/12 £000**
Partnership Management & Administration costs	66	369	435	328
Project Provision and one-off costs	18	-	18	1
Contract Management Fee	59	1372	1,431	799
Specialist Equipment - Aiming High	-	-	-	-
Equipment	2,007	2058	4,065	4,173
Minor Adaptations	244	528	772	498
Other Expenditure	-	434	434	-
	2,394	**4,761**	**7,155**	**5,799**
Project Provision Carried forward	17	-	17	17
Balance carry forward under / (overspend)	-	-	-	(395)
Total Expenditure	**2,411**	**4,761**	**7,172**	**5,421**

55. Contingent Liabilities

In 1992, Municipal Mutual Insurance (MMI) ceased to trade and now exists solely to discharge its responsibilities under policies that it had previously issued. These responsibilities relate mainly to legal liability claims, which will take many years to materialise and finalise. In the event of MMI's insolvency during this period, local authority policyholders have agreed to enter into a ‘scheme of arrangement’ under which there are claw-back provisions on claims payments made by MMI after the implementation of the scheme. The potential maximum liability if the scheme is triggered is £2.4 million although MMI may also cease to deal fully with any new liability claims. Previously, MMI's Creditor Committee in November 2011 had cast some doubt on the previous prediction of a solvent run off. Unfortunately, on 28 March 2012, MMI was a defendant in a case that revolved around employer’s liability mesothelioma claims falling under MMI’s policy wording. MMI was unsuccessful and the judgement handed down by the Supreme Court has now seriously jeopardised the solvent run off position. For this reason a provision of £1.5 million has been set aside from the insurance reserve in respect of potential claw-back, this figure being taken from an external review of the provision and reserve.

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. The roll-out of Single Status to non-teaching posts in schools commenced in June 2011 and a provision for estimated costs has been established. It is possible that actual costs may exceed this provision. However, it is not possible to reliably estimate any additional amount at this time.

A significant compensation claim has been received in respect of a Compulsory Purchase Order in relation to land acquired for the A612 Gedling Integrated Transport Scheme. Negotiations have commenced with the claimant and an initial payment, including interest, has been made. The claim has been referred to the Lands Tribunal which has placed the case in "special procedures", which requires the parties to continue negotiations, and at this stage it is not possible to arrive at a reliable estimate for any final liability.

A case has been lodged against the Authority for negligence in its responsibilities for providing social care. Experience of similar cases in other authorities suggests that it will be three to five years before the case is concluded. A provision has been set aside within the insurance reserve for the possible settlement that the Authority may have to pay. However, in order not to prejudice seriously the privacy of the individuals and the Authority's position in the case any further information has been withheld from this publication.

56. Post Balance Sheet Events

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

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

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

	2010/11		2011/12	
	£000 Expenditure	£000 Income	£000 Expenditure	£000 Income
Administration and Professional Services				
NHS Trusts	43,149	43,149	46,558	46,558
Other Authorities	6,949	6,955	8,938	8,938
Schools and Colleges	262	262	35	35
Maintenance works				
NHS Trusts	-	-	-	-
Other Authorities	1,004	1,049	193	215
Schools and Colleges	66	74	42	71
	51,430	**51,489**	**55,766**	**55,817**

58. 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 2011/12 these powers were not used.

59. 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 Council's expenditure is summarised below:

	2010/11 £000	2011/12 £000
Advertising for staff	1,002	723
Other advertising, including education courses	350	452
Public Relations - salaries and running costs	1,243	1,165
Other publicity expenditure	202	97
Strategic Services (Publications Group)	235	-
	3,032	**2,437**
As a percentage of gross expenditure	0.25%	0.20%

NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

Introduction

Nottinghamshire County Council is the administering authority for the Local Government Pension Scheme (LGPS) within Nottinghamshire. The LGPS is a statutory scheme administered by individual pension funds. The benefits within the scheme are determined by regulation and are guaranteed by statute. The pension fund exists to help defray the cost of paying the pension benefits. Members make contributions to the Fund as specified in the regulations and employers make contributions as determined by the Fund's actuary as part of the triennial valuation of the Fund. All new employees are brought into the scheme automatically, unless a positive election not to participate is received from the employee.

The County Council administers the pension fund for over 100 participating employers and over 100,000 members. The employers include the County Council, the City Council, District Councils and organisations which used to be part of local government (such as Nottingham Trent University, Colleges and Police civilian staff). They also include organisations which satisfy the conditions to participate in the LGPS and have been admitted to the Fund by the County Council. In general, these organisations are non-profit making, or are undertaking a service which was, or could be, carried out by the local authority.

The operation of the Fund is set out in a number of published policy statements. Under the Governance Compliance Statement, the functions as administering authority of the Fund are delegated to the Pensions Committee supported by two advisory sub-committees.

The Funding Strategy Statement sets out the aims and purpose of the Fund 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 Fund including the proposed asset allocation, restrictions on investment types, the type of investment management used and performance monitoring. It also states the Fund's approach to responsible investment and corporate governance issues.

The Risk Management Strategy and Risk Register identify and assess the key risks to the achievement of the Fund's aims and outline controls to mitigate those risks.

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

The accounts of the fund are set out over the following pages. A separate annual report for the Fund is also produced and this, along with previous years' reports, will be accessible via the pension fund website. The annual report includes the accounts and the published policies as well as information on the investment performance of the fund.

NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

FUND ACCOUNT FOR YEAR ENDED 31 March 2012

	Notes	As restated 2010/11 £000	2011/12 £000
Contributions	4		
Employer contributions		(131,003)	(134,907)
Member contributions		(45,815)	(42,242)
		(176,818)	**(177,149)**
Transfers in from other pension funds		**(16,570)**	**(10,197)**
Benefits	5		
Pensions		103,597	117,060
Commutation of pensions and lump sum retirement benefits		36,601	37,467
Lump sum death benefits		3,328	3,588
		143,526	**158,115**
Payments to and on account of leavers		**24,453**	**10,738**
Administration Expenses	7	**1,390**	**1,301**
Net additions from dealings with members		**(24,019)**	**(17,192)**
Investment Income	8	(83,230)	(84,830)
Profits & losses on disposal of investments & changes in value		(173,887)	32,988
Taxes on income		690	674
Investment management expenses	9	4,465	3,871
Net Returns on Investments		**(251,962)**	**(47,297)**
Net (increase)/decrease in net assets available for benefits during the year		**(275,981)**	**(64,489)**
Opening net assets of the Fund		2,731,826	3,007,807
Net assets available to fund benefits		**3,007,807**	**3,072,296**

NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

NET ASSETS STATEMENT FOR THE YEAR ENDED 31 March 2012

	Notes	As restated 31 March 2011 £000	31 March 2012 £000
Investment Assets	10 & 11		
Fixed Interest Securities		266,901	288,011
Index Linked Securities		62,471	75,344
Equities		1,470,613	1,439,871
Pooled Investment Vehicles		785,844	854,489
Property		272,017	266,603
Cash deposits		132,186	137,382
Other Investment Balances	12	12,334	14,316
Investment liabilities	12	(3,383)	(3,232)
		2,998,983	3,072,784
Current assets	13	13,449	14,994
Current liabilities	13	(4,625)	(15,482)
		8,824	(488)
Net assets of the fund available to pay benefits at the year end		**3,007,807**	**3,072,296**

The actuarial present value of promised retirement benefits, as required by IAS 26, is shown at note 2.

EXPLANATION OF PRIOR PERIOD ADJUSTMENTS

The Pension Fund accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code). On issues where there is no clear guidance in the Code, reference has been made under the hierarchy of standards to Financial Reports of Pension Schemes: a Statement of Recommended Practice 2007 (the Pensions SORP).

The market value of fixed interest and index linked investments was previously based on the 'dirty price', i.e. included income accrued at 31 March but not yet due for payment. To more fully comply with the accounting requirements specified above these are now reported on the basis of the 'clean price', i.e. excluding accrued income. This is a change from previous years to more fully comply with the accounting requirements specified above.

The above change has had the following impact on the comparative figures for 2010/11 compared with those published in the 2010/11 Statement of Accounts (only figures that have changed are included below in detail).

Impact on the Fund Account:	Fund Account 2010/11 Statement of Accounts £000	Change £000	Fund Account 2010/11 Comparative £000
Investment Income	(79,051)	(4,179)	(83,230)
Profits & losses on disposal of investments & changes in value	(178,066)	4,179	(173,887)
	(257,117)	**-**	**(257,117)**

Impact on the Net Assets Statement:	Net Assets 2010/11 Statement of Accounts £000	Change £000	Net Assets 2010/11 Comparative £000
Investment Assets			
Fixed Interest Securities	270,799	(3,898)	266,901
Index Linked Securities	62,752	(281)	62,471
Other Investment Balances	8,155	4,179	12,334
	341,706	**-**	**341,706**

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

BASIS OF PREPARATION
The Pension Fund accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code). On issues where there is no clear guidance in the Code, reference has been made under the hierarchy of standards to Financial Reports of Pension Schemes: a Statement of Recommended Practice 2007 (the Pensions SORP). Disclosures in the Pension Fund accounts have been limited to those required by the Code.

DEBTORS AND CREDITORS
The accruals concept for debtors and creditors is applied to these accounts in compliance with the Code.

INVESTMENTS
Pension fund investments are carried at fair value in accordance with the Code. Fair value is defined as 'the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's-length transaction'. Where an active market exists, the quoted market price is used. Where there is no active market, fair value is established by using valuation techniques. Specific details on the valuation methods for particular classes of assets are listed below.
a) Equities traded through a stock exchange are valued at the latest quoted price. Where more than one price is quoted the 'bid' price is used.

b) 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.

c) Unquoted securities and pooled private equity investments are valued at fair value by the fund managers at the year end in accordance with industry accepted guidelines.

d) The market value of fixed interest investments is based on the 'clean price', i.e. excludes income accrued at 31 March but not yet due for payment. This is a change from previous years to more fully comply with the accounting requirements specified above. Comparative figures have been amended to reflect this change.

e) Property investments are stated at open market value based on a quarterly independent valuation at the Net Assets Statement date. The vaulations are carried out by Members of the Royal Institution of Chartered Surveyors.
The properties are valued individually using the Investment Method of Valuation. This is the standard approach for valuations for accounts purposes of property held as investment. This approach involves assessing the current and future cashflows and applying the appropriate yield. The valuations are supported by comparable market data.

Acquisition costs are included in the purchase cost of investments.

The change in fair 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.

Forward foreign exchange contracts are over the counter contracts under which two parties agree to exchange two currencies on a specified future date at an agreed rate of exchange. These are used to manage the economic exposure to bond markets and hedge against foreign currency movements. These contracts are included at fair value by determining the gain or loss that would arise from closing out the contract at the Net Assets Statement date by entering into an equal and opposite contract at that date. The movements on these contracts during the year are shown in the reconciliation of opening and closing balances of investments at note 10.

INVESTMENT INCOME
Investment income is accounted for on an accruals basis. The following apply to particular income:
a) interest on cash deposits and fixed interest securities are accrued on a daily basis;
b) dividends from equities are accrued when the stock is quoted ex-dividend;
c) rents from property are accrued in accordance with the terms of the lease.

TAXES ON INCOME
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). 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 on an accruals basis.

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.

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 the Fund.

2. 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. Additional scheme changes are currently being consulted on with the intention to implement from 1 April 2014.

Employees are required by the current 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 2010. The market value of the Fund's assets at the valuation date was £2,732 million. The Actuary has estimated that the value of the Fund was sufficient to meet 84% of its expected future liabilities in respect of service completed to 31 March 2010. The certified 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 assumptions used within the valuation were as follows:

	March 2010	
	% pa	**Real % pa**
Investment return:		
Equities/absolute return funds	7.5%	4.0%
Gilts	4.5%	1.0%
Bonds & Property	5.6%	2.1%
Discount Rate	6.9%	3.4%
Risk Adjusted Discount Rate	6.8%	3.3%
Pay Increases	5.0%	1.5%
Price Inflation	3.5%	-
Pension Increases	3.0%	-0.5%

The full actuarial valuation report is available on the Fund's website at: www.nottspf.org.uk.

The employers' contribution rates paid in 2010/11 were set by the valuation carried out as at 31 March 2007. The rates to be paid in years 2011/12 to 2013/14 were set by the latest valuation carried out as at 31 March 2010. At that valuation, the Actuaries certified a common rate of contribution of 18.0% of pensionable payroll with individual adjustments for certain employers. The following list shows the rates payable by the main employers:

		2010/11	**2011/12 to 2013/14**
Percentages of Pensionable Pay		**%**	**%**
Nottinghamshire County Council		17.4	18.3
Nottingham City Council		17.4	18.0
Ashfield District Council		22.4	22.4
Bassetlaw District Council		21.1	22.1
	Plus	£670,000	
Broxtowe Borough Council		17.7	18.7
Gedling Borough Council		17.6	18.2
Mansfield District Council		20.3	20.5
Newark and Sherwood District Council		21.9	21.9
Rushcliffe Borough Council		19.2	19.5
	Plus	£163,600	

The cash figures quoted for some employers are specific amounts for deficit recovery certified by the actuaries in addition to the normal contribution rate.

(c) Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits has been calculated by the Fund's actuaries in accordance with IAS 19. To do this, the actuaries rolled forward the value of the Employers' liabilities calculated for the Triennial valuation as at 31 March 2010 allowing for the different financial assumptions required under IAS19. The assumptions used for the purposes of the IAS 19 calculations are as follows:

	31 March 2010		**31 March 2011**		**31 March 2012**	
	% pa	**Real % pa**	**% pa**	**Real % pa**	**% pa**	**Real % pa**
RPI Increases	3.9%	-	3.5%	-	3.3%	-
CPI increases	n/a		2.7%	-0.8%	2.5%	-0.8%
Salary Increases	5.4%	1.5%	5.0%	1.5%	4.7%	1.4%
Pension Increases	3.9%	-	2.7%	-0.8%	2.5%	-0.8%
Discount Rate	5.5%	1.5%	5.5%	1.9%	4.6%	1.3%

The net liability under IAS 19 is shown below.

	31/3/10	**31/3/11**	**31/3/12**
	£000	**£000**	**£000**
Present value of funded obligation	4,615,283	4,057,629	4,966,881
Fair value of scheme assets	2,731,826	2,957,085	3,061,212
Net Liability	**1,883,457**	**1,100,544**	**1,905,669**

The present value of funded obligation consists of £3,968,456,000 in respect of Vested Obligation and £998,425,000 in respect of Non-Vested Obligation. These figures are presented only for the purposes of IAS 19. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory puposes under UK pensions legislation.

(d) Investment Strategy

The Pensions Committee, advised by the Pensions Investment Sub-Committee, is responsible for determining the investment strategy of the Fund and the type of investment management to be used.

The investment strategy 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 2009. Strategic decisions on investment policy are made by the Pensions Committee, advised by a Pensions Investment Sub-Committee. The policy is set out in the Fund's Statement of Investment Principles, a copy of which is available on the pension fund website (www.nottspf.org.uk).

The Sub-Committee consists of nine elected County Councillors, three representatives of Nottingham City Council, two representatives of the District Councils, two representatives of the trade unions and a representative elected by the other scheduled and admitted bodies. Meetings are also attended by an independent adviser and representatives of the Service Director (Finance & Procurement).

The investments are managed by officers of the County Council or 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.

(e) External Audit

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 2011/12 is £44,460 (2010/11 £49,500).

3. CONTRIBUTORS AND PENSIONERS

	Members at 31/3/2012				
	County Council	City Council	District Councils	Other	Total
Contributors	16,587	8,681	3,569	9,546	38,383
Deferred Beneficiaries	15,863	7,719	3,307	6,949	33,838
Pensioners	13,720	5,601	4,307	4,847	28,475
					100,696

	Members at 31/3/2011				
	County Council	City Council	District Councils	Other	Total
Contributors	18,099	8,981	3,795	9,039	39,914
Deferred Beneficiaries	14,899	7,622	3,161	6,418	32,100
Pensioners	12,879	5,265	4,160	4,418	26,722
					98,736

4. ANALYSIS OF CONTRIBUTIONS

	Employers		Members		Total	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
County Council	50,200	51,062	17,315	15,352	67,515	66,414
Scheduled Bodies	76,352	78,216	26,928	25,469	103,280	103,685
Admitted Bodies	4,451	5,629	1,572	1,421	6,023	7,050
	131,003	**134,907**	**45,815**	**42,242**	**176,818**	**177,149**

5. ANALYSIS OF BENEFITS

	2010/11 £000	2011/12 £000
Pensions	103,597	117,060
Commutation and lump sum	36,601	37,467
Lump sum death benefits	3,328	3,588
	143,526	**158,115**
Comprising of:		
County Council	62,501	64,797
Scheduled Bodies	77,386	88,686
Admitted Bodies	3,639	4,632
	143,526	**158,115**

6. RELATED PARTY TRANSACTIONS

During the financial year 2011/12 County Councillor Mr D Taylor was a member of the Nottinghamshire County Council Pensions Committee and in receipt of a pension from this fund. In addition, Mr J Pearson was a part-time employee of Nottinghamshire County Council dealing with Pension Fund investment matters and in receipt of a pension from this fund.

Nottinghamshire County Council is the administering authority for the LGPS within Nottinghamshire and charges the Fund with the costs it incurs in administering the scheme and the Fund.

7. ADMINISTRATION EXPENSES

	2010/11 £000	2011/12 £000
Printing & stationery	40	41
Subscriptions and membership fees	3	3
Actuarial fees	37	9
Other external fees	66	112
Administering Authority Costs	1,244	1,136
	1,390	1,301

8. INVESTMENT INCOME

Analysis by type of investment	2010/11 £000	2011/12 £000
Interest from fixed interest securities	(16,498)	(11,598)
Income from index-linked securities	(1,300)	(1,487)
Dividends from equities	(40,960)	(49,585)
Income from pooled investment vehicles	(4,492)	(6,118)
Income from property pooled vehicles	(3,326)	(445)
Net rents from property	(15,905)	(13,838)
Interest on cash deposits	(722)	(818)
Other	(27)	(941)
	(83,230)	**(84,830)**
Directly held property		
Rental income	(17,790)	(16,789)
Less operating expenses	1,885	2,951
Net rents from property	**(15,905)**	**(13,838)**

9. INVESTMENT MANAGEMENT EXPENSES

	2010/11 £000	2011/12 £000
Training & conferences	15	7
Printing & stationery	16	10
Subscriptions and membership fees	20	23
Actuarial fees	2	2
Audit fee	50	44
Custody fees	234	240
Investment management fees	2,820	3,001
Other external fees	1,042	238
Administering Authority Costs	266	306
	4,465	**3,871**

10. INVESTMENTS

(a) Investment Analysis	31 March 2011	31 March 2012
	£000	£000
Fixed Interest Securities		
UK Public Sector	115,215	123,086
UK Other	95,284	110,864
Overseas Public Sector	48,302	43,629
Overseas Other	8,100	10,432
Index Linked Securities		
Public Sector	37,906	48,164
Other	24,565	27,180
Equities		
UK	969,648	962,695
Overseas	499,190	475,032
Unlisted	1,775	2,145
Pooled Investment Vehicles		
Unit Trusts	225,942	338,670
Other Managed Funds	437,165	394,426
Pooled Vehicles Invested in Property		
Property Unit Trusts	29,321	31,365
Other Managed Funds	93,416	90,028
Property	272,017	266,603
Cash and Currency	132,186	137,382
Total Investments	**2,990,032**	**3,061,701**

The total investments analysed above are the net assets of the fund less other investment balances and liabilities and current assets and liabilities. These other balances are analysed in notes 12 and 13.

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.

	31/03/2011	31/03/2012
	£000	£000
Market Value	2,990,032	3,061,701
Original Value	2,451,032	2,575,895
Excess/(Deficit) of Market Value over Original Value	**539,000**	**485,806**

At 31 March 2012 the fund held no investment representing over 5% of the value of the fund (2010/11 also nil).

(b) Reconciliation of Opening and Closing Values of Investments 2011/12

	Value at 1st April 2011 £000	Purchases at Cost £000	Proceeds of Sales £000	Change in Market Value £000	Value at 31st March 2012 £000
Fixed Interest Securities	266,901	227,091	(226,015)	20,034	288,011
Index Linked Securities	62,471	21,205	(15,861)	7,529	75,344
Equities	1,470,613	162,035	(135,803)	(56,973)	1,439,872
Pooled Investment Vehicles	663,107	84,521	(23,074)	8,542	733,096
Property Pooled Vehicles	122,737	8,801	(401)	(9,744)	121,393
Property	272,017	28,500	(32,003)	(1,911)	266,603
	2,857,846	532,153	(433,157)	(32,523)	2,924,319
Forward Foreign Exchange	-	27,113	(26,648)	(465)	-
	2,857,846	559,266	(459,805)	(32,988)	2,924,319
	-				
Cash deposits	132,186				137,382
	2,990,032				**3,061,701**

Reconciliation of Opening and Closing Values of Investments 2010/11

	Value at 1st April 2010 £000	Purchases at Cost £000	Proceeds of Sales £000	Change in Market Value £000	Value at 31st March 2011 £000
Fixed Interest Securities	249,165	197,523	(172,789)	(6,998)	266,901
Index Linked Securities	48,534	14,415	(3,269)	2,791	62,471
Equities	1,362,035	175,422	(159,016)	92,172	1,470,613
Pooled Investment Vehicles	587,286	52,267	(44,599)	68,153	663,107
Property Pooled Vehicles	134,716	-	(21,549)	9,570	122,737
Property	248,085	34,681	(19,539)	8,790	272,017
	2,629,821	474,308	(420,761)	174,478	2,857,846
Forward Foreign Exchange	-	65,888	(65,297)	(591)	-
	2,629,821	540,196	(486,058)	173,887	2,857,846
Cash deposits	89,360				132,186
	2,719,181				**2,990,032**

For Forward Foreign Exchange contracts, the purchase cost and sale proceeds represent the sterling value of the currency purchases and sales at the settlement dates specified in the contracts.

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 £1,601,583 in 2011/12 (£2,683,254 in 2010/11). In addition, indirect costs are incurred through the bid-offer spread on investments. This amount is not separately provided.

(c) Management Arrangements

An analysis of the investment management arrangements as at the Net Assets Statement date is shown below:

	31/3/11 £000	%	31/3/12 £000	%
In-house	1,145,956	38.3	1,118,010	36.5
Schroder Investment Management	794,450	26.6	785,415	25.7
Kames Capital	329,372	11.0	420,908	13.7
Aberdeen Property Investors	308,185	10.3	302,748	9.9
Legal & General	189,926	6.4	213,230	7.0
Hermes Asset Management	109,983	3.7	116,522	3.8
Standard Life	57,248	1.9	52,828	1.7
Keills	25,319	0.8	25,222	0.8
Governance 4 Owners	14,652	0.5	12,305	0.4
Martin Currie	14,941	0.5	14,513	0.5
Total	**2,990,032**	**100.0**	**3,061,701**	**100.0**

(note Kames Capital was formerly Aegon Asset Management)

(d) Asset Allocation

The asset allocation of the Fund as at the Net Assets Statement date is shown below:

	31/3/11 £000	%	31/3/12 £000	%
UK Fixed Interest	210,499	7.0	233,950	7.6
Overseas Fixed Interest	56,402	1.9	54,061	1.7
Index Linked Securities	62,471	2.1	75,344	2.5
UK Equities	1,045,567	35.0	1,048,940	34.3
Overseas Equities:				
US	350,198	11.7	358,487	11.7
Japan	88,939	3.0	97,805	3.2
Europe	319,506	10.7	272,702	8.9
Pacific Basin	133,554	4.5	125,443	4.1
Emerging Markets	117,525	3.9	130,544	4.2
Global	14,941	0.5	14,513	0.5
UK Property	302,627	10.1	299,023	9.8
Overseas Property	92,128	3.1	88,974	2.9
Private Equity	63,489	2.1	66,979	2.2
Multi-Asset	-	0.0	57,554	1.9
Cash	132,186	4.4	137,382	4.5
Total	**2,990,032**	**100.0**	**3,061,701**	**100.0**

(e) 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:

	31/3/11 £000	31/3/12 £000
Freehold	264,417	259,653
Leasehold more than 50 years	7,600	6,950
	272,017	**266,603**
Original Value	280,467	279,458

(f) Analysis of Pooled Investment Vehicles

The underlying economic exposure of pooled investment vehicles is shown below:

	31/3/11 £000	31/3/12 £000
UK Equities	103,029	110,453
Overseas Equities:		
US	139,421	138,762
Japan	60,993	62,074
Europe	59,039	53,127
Pacific Basin	133,554	125,443
Emerging Markets	90,416	106,336
Global	14,941	14,513
UK Property	30,609	32,420
Overseas Property	92,128	88,974
Private Equity	61,714	64,834
Multi-Asset	-	57,553
Total	**785,844**	**854,489**

(g) Private Equity Funds

The Fund has made commitments to a number of private equity funds. The original commitment amounts are shown below in the fund currencies.

Funds	Currency	Commitment millions
Wilton Private Equity Fund LLC	USD	14
Pantheon Europe Fund III	EUR	10
East Midlands Regional Venture Capital Fund	GBP	5
Coller International Partners IV	USD	10
Schroders Private Equity Fund of Funds III	EUR	22
DCM Private Equity Fund II	USD	18
Pantheon Europe Fund V	EUR	15
Coller International Partners V	USD	18
Catapult Growth Fund LP	GBP	4
Altius Associates Private Equity Fund	USD	10
Partners Group Secondary 2008	EUR	13

These commitments are drawn by the funds over time as investments are made in underlying companies. The undrawn commitment as at 31 March 2012 was £21.3 million (£28.5 million at 31 March 2011).

11. FINANCIAL INSTRUMENTS

The various financial instruments held by the Fund are valued at fair value. The following tables analyse the fair value of financial assets and liabilities by asset class.

	2011/12			
	Designated at Fair Value through profit and loss	**Loans and Receivables**	**Financial liabilities at amortised cost**	**Totals**
	£000	£000	£000	£000
Financial Assets				
Fixed Interest Securities	288,011	-	-	288,011
Index Linked Securities	75,344	-	-	75,344
Equities	1,439,872	-	-	1,439,872
Pooled Investment Vehicles	733,095	-	-	733,095
Property Pooled Vehicles	121,393	-	-	121,393
Cash deposits	-	137,382	-	137,382
Other investment balances	-	14,316	-	14,316
Current Assets	-	14,994	-	14,994
	2,657,715	**166,692**	**-**	**2,824,407**
Financial Liabilities				
Investment Liabilities	-	-	(3,232)	(3,232)
Current Liabilities	-	-	(15,482)	(15,482)
	-	**-**	**(18,714)**	**(18,714)**
	2,657,715	**166,692**	**(18,714)**	**2,805,693**

	2010/11			
	Designated at Fair Value through profit and loss	**Loans and Receivables**	**Financial liabilities at amortised cost**	**Totals**
	£000	£000	£000	£000
Financial Assets				
Fixed Interest Securities	266,901	-	-	266,901
Index Linked Securities	62,471	-	-	62,471
Equities	1,470,613	-	-	1,470,613
Pooled Investment Vehicles	663,107	-	-	663,107
Property Pooled Vehicles	122,737	-	-	122,737
Cash deposits	-	132,186	-	132,186
Other investment balances	-	12,334	-	12,334
Current Assets	-	13,449	-	13,449
	2,585,829	**157,969**	**-**	**2,743,798**
Financial Liabilities				
Investment Liabilities	-	-	(3,383)	(3,383)
Current Liabilities	-	-	(4,625)	(4,625)
	-	**-**	**(8,008)**	**(8,008)**
	2,585,829	**157,969**	**(8,008)**	**2,735,790**

No financial assets were reclassified during the accounting period.

Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels according to the quality and reliability of information used to determine fair values.

Level 1	Fair values derived from quoted market price. - this includes all quoted equity, fixed interest and index linked instruments.
Level 2	Fair values derived from valuation techniques based significantly on observable inputs. - this includes all pooled property investments.
Level 3	Fair values derived from valuation techniques where at least one significant input is not based on observable market data. - this includes unlisted shares and investments in private equity funds.

As at 31 March 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial Assets				
Fair value through profit and loss	2,469,342	121,394	66,979	2,657,715
Loans and receivables	166,692	-	-	166,692
Total	2,636,034	121,394	66,979	2,824,407
Financial Liabilities				
Fair value through profit and loss	-	-	-	-
Financial liabilities	(18,714)	-	-	(18,714)
Total	(18,714)	-	-	(18,714)
Net	**2,617,320**	**121,394**	**66,979**	**2,805,693**

As at 31 March 2011	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial Assets				
Fair value through profit and loss	2,399,603	122,737	63,489	2,585,829
Loans and receivables	157,969	-	-	157,969
Total	2,557,572	122,737	63,489	2,743,798
Financial Liabilities				
Fair value through profit and loss	-	-	-	-
Financial liabilities	(8,008)	-	-	(8,008)
Total	(8,008)	-	-	(8,008)
Net	**2,549,564**	**122,737**	**63,489**	**2,735,790**

Nature and extent of risks arising from financial instruments

The aims of the Fund are to:
- manage employers' liabilities effectively
- ensure that sufficient resources are available to meet all liabilities as they fall due
- maximise the returns from investments within reasonable risk parameters
- enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies.

The key risks to the achievement of these aims, as well as measures to mitigate those risks, are set out in the various Fund policies (available at www.nottspf.org.uk) including:
- Risk Management Strategy and Risk Register
- Governance Compliance Statement
- Statement of Investment Principles
- Funding Strategy Statement

12. OTHER INVESTMENT BALANCES AND LIABILITIES

	31 March 2011 £000	31 March 2012 £000
Other investment balances		
Outstanding investment transactions	349	42
Investment income	11,985	14,274
	12,334	**14,316**
Investment Liabilities		
Outstanding investment transactions	-	(310)
Investment income	(3,383)	(2,922)
	(3,383)	**(3,232)**

13. CURRENT ASSETS AND LIABILITIES

	31 March 2011 £000	31 March 2012 £000
Current assets		
Contributions due from employers	9,260	11,814
Other	4,189	3,180
	13,449	**14,994**
Current Liabilities		
Payments in advance	-	(4,651)
Sundry creditors	(4,625)	(926)
Other	-	(9,905)
	(4,625)	**(15,482)**

14. CONTINGENT LIABILITIES

The fund has 10 private equity funds which have undrawn commitments as at 31 March 2012 of £21.3m (£28.5m at 31 March 2011). These commitments may be drawn over a number of years but timing and amount are irregular and uncertain.

15. MEMBERS ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Nottinghamshire Funds provide an additional voluntary contribution (AVC) scheme to enable members to purchase additional benefits. Contributions are paid over to, and invested separately by, the two scheme providers, Prudential and Scottish Widows. The contributions are not included in the Funds' accounts in accordance with regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The value of the separately invested AVCs is shown below:

	31 March 2011 £000	31 March 2012 £000
Prudential	29,698	27,289
Scottish Widows	3,735	3,058
	33,433	**30,347**

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 Assets, to the Comprehensive Income & Expenditure Statement over a suitable period of time.
Area Based Grant (ABG)	This was a non-ringfenced general grant, made up of a wide range of former specific grants from seven Government Departments. Authorities were 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 saw fit. The Area Based Grant system ended in 2010/11 and most of its funding streams have been rolled into formula grant or the new Local Services Support Grant.
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 amount provided for depreciation and the amount for Minimum Revenue Provision.
CFR	The Capital Financing Requirement is a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.
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.
Comprehensive Income and Expenditure Statement (CI&E)	Consolidates all the gains and losses experienced during the financial year.
Community Assets	Assets such as historical structures and artefacts that the Authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal.
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	The Department for Children, Schools and Families

	was replaced by the Department for Education (DfE) in May 2010.
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.
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	Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund. However, under the Code, grants and contributions for capital schemes are now recognised as income when they become receivable.
IAS	International Accounting Standard.
IFRS	International Financial Reporting Standard.
IFRIC	The International Financial Reporting Interpretations Committee provides interpretations of IFRS.
Infrastructure Assets	Assets such as roads and bridges, expenditure on which is recoverable only by continued use of the asset. These assets, by their nature, have no practical prospect of being decommissioned and sold or applied to alternative uses.
Impairments	An impairment or loss of value may arise on an asset upon revaluation. Assets which may be impaired are those in the categories of Property, Plant and Equipment and Intangible Assets.
Intangible Assets	Identifiable assets that lack physical substance and are expected to yield benefits to the Authority and the services it provides, e.g. software.
LAA	Local Area Agreement.
LOBO	Lenders' Option Borrowers' Option.
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 in which 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.
MLA/V&A	Museums, Libraries & Archives Council/Victoria & Albert Museum. The MLA was abolished in October 2011 and its functions were transferred to the Arts Council England and the National Archives.
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.
PCT	Primary Care Trust.
PFI	Private Finance Initiative.
PPE	Property, Plant and Equipment.
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 Property, Plant and Equipment as shown in the accounts and actual costs.
Revenue Expenditure Financed from Capital Under Statute (REFfCUS)	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.
SSAP	Statement of Standard Accounting Practice.
Trust Funds	Funds established where the Authority acts as trustee. These amounts do not form part of the Council’s resources.