

# NOTTINGHAMSHIRE COUNTY COUNCIL STATEMENT OF ACCOUNTS 2006/07

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## EXPLANATORY FOREWORD

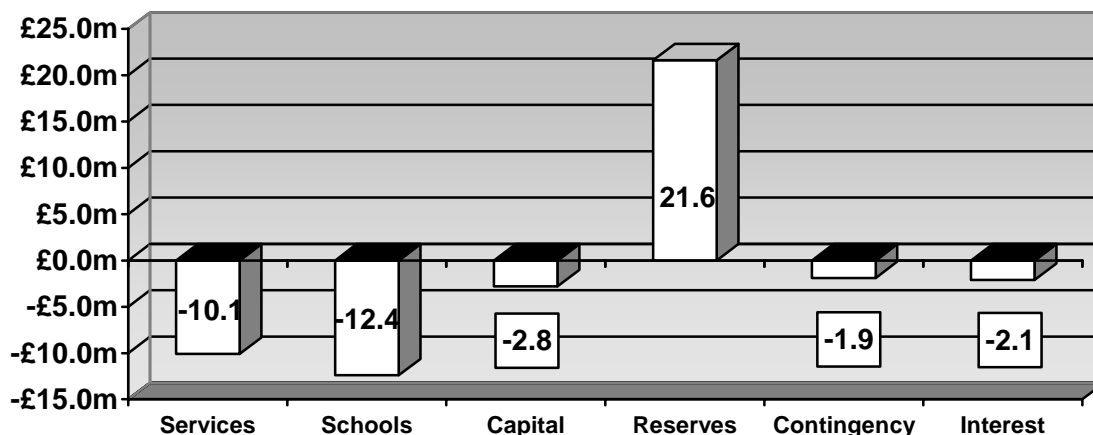
1. The County Council's Statement of Accounts for the year 2006/07 is set out on the following pages. It is prepared in accordance with the 2006/07 Code of Practice on Local Authority Accounting and Best Value Accounting Code of Practice, both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The statements also comply with appropriate guidance notes issued by CIPFA covering the Statements of Standard Accounting Practice (SSAPs), Financial Reporting Standards (FRSs) and Urgent Issues Task Force Abstracts (UITFA) as they apply to local authorities.
2. This foreword gives a brief summary of the Council's overall financial results for 2006/07. 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 £2.2 million would need to be transferred from General Fund balances. The final accounts show that £7.0 million was instead added to balances, a variation of £9.2 million compared with the original budget.

|  | Original<br>Budget<br>£m | Actual<br>£m        | Variance<br>from<br>Budget<br>£m |
|--|--------------------------|---------------------|----------------------------------|
| <b>INCOME</b>  |                          |                     |                                  |
| <b>Income raised from taxation:</b>                    |                          |                     |                                  |
| Precept Income (Council Tax)                           | 270.1                    | 270.1               | 0.0                              |
| Non Domestic Rate Income                               | 107.2                    | 107.2               | 0.0                              |
| Revenue Support Grant                                  | 20.7                     | 20.7                | 0.0                              |
| Business Growth Incentive                              | 1.0                      | 2.4                 | (1.4)                            |
| Public Service Agreement                               | 2.6                      | 2.6                 | 0.0                              |
|  | <u>401.6</u>             | <u>403.0</u>        | <u>(1.4)</u>                     |
| <b>NET EXPENDITURE</b>                                 | <b><u>403.8</u></b>      | <b><u>396.0</u></b> | <b><u>(7.8)</u></b>              |
| <b>Contribution (to)/from County<br/>Fund Balances</b> | <b><u>2.2</u></b>        | <b><u>(7.0)</u></b> | <b><u>(9.2)</u></b>              |

4. The main variations to net expenditure were:



|   | £m     | £m                  |
|---|--------|---------------------|
| <b>Areas where expenditure was reduced:</b>                     |        |                     |
| Net underspendings by Services                                  | (10.1) |                     |
| Net contribution to statutory reserves by Schools               | (12.4) |                     |
| Contributions to Capital Expenditure                            | (2.8)  |                     |
| Contingency not required  | (1.9)  |                     |
| Interest on borrowings  | (2.1)  |                     |
| Other   | (0.1)  | (29.4)              |
| <b>Reserves created from items above:</b>                       |        |                     |
| Schools Reserves  | 12.4   |                     |
| Tram Phase 2  | 4.1    |                     |
| Carry Forwards  | 5.3    |                     |
| Other   | (0.2)  | 21.6                |
| <b>Overall decrease in net expenditure compared with budget</b> |        | <b><u>(7.8)</u></b> |

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

|                                     | <b>1.4.06</b>      | <b>Movement</b>    | <b>31.3.07</b>      |
|-------------------------------------|--------------------|--------------------|---------------------|
|                                     | <b>£m</b>          | <b>during year</b> | <b>£m</b>           |
|                                     |                    | <b>£m</b>          |                     |
| County Fund Balances                | 12.5               | 7.0                | 19.5                |
| Reserves:                           |                    |                    |                     |
| Capital Expenditure                 | 1.8                | 1.4                | 3.2                 |
| Earmarked for Budget Carry Forwards | 7.2                | (1.9)              | 5.3                 |
| Earmarked for Services              | 10.2               | 3.1                | 13.3                |
| Earmarked from Contingency          | 0.0                | 1.1                | 1.1                 |
| East Leake PFI                      | 1.8                | (0.2)              | 1.6                 |
| Leasing Alternatives                | 0.4                | 0.2                | 0.6                 |
| Pay Review Reserve                  | 18.1               | 5.5                | 23.6                |
| Trading Organisations               | 1.2                | 0.3                | 1.5                 |
| Tram PFI                            | 2.3                | 0.6                | 2.9                 |
| Tram Phase 2                        | 0.0                | 4.1                | 4.1                 |
| Bassetlaw PFI                       | 6.0                | 2.9                | 8.9                 |
| Landfill Allowances                 | 1.3                | 1.2                | 2.5                 |
| Schools Statutory reserve           | 23.7               | 12.4               | 36.1                |
| Waste PFI                           | 0.0                | 3.2                | 3.2                 |
|                                     | <b><u>86.5</u></b> | <b><u>40.9</u></b> | <b><u>127.4</u></b> |

6. The gross revenue cost of County Council services was £1,047.8 million in 2006/07. The analysis by type of expenditure is:

|   | <b>Amount</b>         | <b>Proportion</b>   |
|---|-----------------------|---------------------|
|   | <b>£m</b>             | <b>%</b>            |
| Employees:                                  |                       |                     |
| Teachers and Lecturers                      | 280.9                 | 26.8                |
| Other Employees                             | 301.3                 | 28.8                |
| Other Running Costs                         | 433.8                 | 41.4                |
| Capital Charges to service revenue accounts | 31.8                  | 3.0                 |
|   | <b><u>1,047.8</u></b> | <b><u>100.0</u></b> |

7. The County Council has embarked upon an ambitious drive to reduce its service costs by £32 million per annum over the next 3 financial years. This is to help contain council tax increases to 4% and to fund additional expenditure on essential services, particularly vulnerable children and adults.
8. This year the calculation of FRS17 liabilities have resulted in a moderate increase in the assessment of the long-term pension liabilities (see Note 12 to the Accounts). The annual contribution required from the County Council gives the current impact of future liabilities and shows a moderate increase (see Note 11 to the Accounts).

9. The County Council continues to provide services and support to the Coroner's Service which is now a separate entity from the Authority. The revenue effect is shown under Contributions to Other Bodies within the Income and Expenditure Account (Page 17).
10. The methods of financing the gross revenue cost of services are shown in the following table:

|  | <b>Amount<br/>£m</b>  | <b>Proportion<br/>%</b> |
|--|-----------------------|-------------------------|
| Specific Revenue Grants paid to County Council                                       | 573.8                 | 54.8                    |
| Fees and Charges etc.  | 111.1                 | 10.6                    |
|  | <u>684.9</u>          | <u>65.4</u>             |
| Council Tax, National Non-Domestic Rate &<br>Revenue Support Grant and LABGI and PSA | 403.0                 | 38.5                    |
| Interest and Investment Income   | 3.6                   | 0.3                     |
| Other Items  | (43.7)                | (4.2)                   |
|  | <u><b>1,047.8</b></u> | <u><b>100.0</b></u>     |

### **Capital Expenditure and Financing**

11. The County Council's capital expenditure in 2006/07 was £124.05 million excluding amounts counted as capital expenditure for control purposes. The external capital financing costs amounted to £16.5 million.
12. At 31 March 2007, the insured value of the County Council's buildings was £1,400 million. This sum excludes the considerable investment in roads and other infrastructure works that has taken place over the years. In addition the Council owns approximately 5,315 hectares of land. The book value of net fixed assets was £1,510 million.
13. The Council's borrowings, used to finance the past acquisitions of assets were £258.5 million at 31 March 2007. This includes long term borrowings, loans to be repaid within 1 year and deferred liabilities. The County Council now makes use of financial instruments called Lender Option Borrower Option (LOBO) which offer attractive borrowing rates of interest as well as greater flexibility. At 31 March 2007 the amount owed was £100.0 million.
14. The Authority has entered into Private Finance Initiative (PFI) partnerships. The major schemes are as follows:
- The provision of a tram service by Arrow Consortium. The County and City Councils are 20% and 80% partners in the contract. The Tram became operational on 9<sup>th</sup> March 2004.
  - The provision of schools at East Leake. Service commenced during 2003/04.
  - The provision of schools and leisure facilities in Bassetlaw.
  - Waste recycling and energy recovery facilities.

Further details of all PFI contracts are set out in Note 31 to the Accounts.

**INDEPENDENT AUDITOR'S REPORT TO NOTTINGHAMSHIRE COUNTY COUNCIL**

Opinion to the Financial Statements

**To be completed**

**INDEPENDENT AUDITOR'S REPORT TO NOTTINGHAMSHIRE COUNTY COUNCIL**

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

**To be completed**

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

### **The Strategic Director of Resources' Responsibilities**

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

In preparing this Statement of Accounts, the Strategic Director of Resources has:

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

The Strategic Director of Resources has also:

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

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

**A Deakin, CPFA**  
**Strategic Director of Resources**  
**12 June 2007**

## **STATEMENT OF APPROVAL OF THE STATEMENT OF ACCOUNTS**

The Statement of Accounts was approved by a meeting of the County Council on 28 June 2007. The Strategic Director of Resources is satisfied with the position set out in the Statement of Accounts. As Chairman of Nottinghamshire County Council I am satisfied that the approval process for the Statement of Accounts has now been completed satisfactorily and that the Statement of Accounts may now be issued.

**Councillor John Allin**  
**Chairman of the County Council**  
**28 June 2007**



## **STATEMENT ON INTERNAL CONTROL – 2006/07**

### **1. SCOPE OF RESPONSIBILITY**

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

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

### **2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL**

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

The system of internal control has been in place at Nottinghamshire County Council for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts and, except for the details of significant internal control issues at section 5, accords with proper practice.

### **3. THE INTERNAL CONTROL ENVIRONMENT**

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

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

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

- facilitate policy and decision making

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

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

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

- ensure the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which the Authority's functions are exercised,

having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty.

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

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

The Authority sets a balanced budget with revenue and capital budgets integrated and presented as such to Members. A risk assessment of material items of income and expenditure is carried out and reported to Members as part of the budget setting process. Appropriate limits have been approved in line with the Prudential Code for Capital Accounting. Budgets are monitored regularly and Members receive financial information which is relevant, understandable and consistent with underlying financial records. Financial reserves are kept under review and the Authority maintains an adequate Internal Audit function. Financial procedures are identified in approved Financial Regulations which include an anti-fraud and anti-corruption policy and were revised in 2006/07. An Audit Committee is in place which meets regularly and receives relevant reports on audit issues.

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

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

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

#### **4. REVIEW OF EFFECTIVENESS**

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

Throughout 2006/07 the Authority has maintained and reviewed its system of internal control in a number of ways. In particular:-

- (a) the County Council has reviewed the Authority's political structure and revised its scrutiny arrangements. In addition it has received or agreed the:-
  - Annual Performance Plan 2006/07
  - Statement of Accounts 2005/06
  - Authority's Six Monthly Performance Report
  - Treasury Management Policy and Strategy Statement
  - County Council Property Strategy
  - Overview and Scrutiny Work Programme
  - County Council Information Policies
  - Medium Term Financial Strategy 2007/08 to 2010/11
- (b) Cabinet have considered and approved a number of reports in its role as the Executive including:-

- Revenue and Capital Budget Monitoring
  - Scrutiny Committee Reports
  - Strategic Plan Targets
  - Direction of Travel Statement
  - Community Cohesion Strategy
  - Annual Performance Plan 2006/07
  - Budget Proposals 2007/08
  - Six Monthly Performance Report
  - PFI Waste Management Contract
  - Medium Term Financial Strategy 2007/08 to 2010/11
  - Local Area Agreement – Partnership Agreement and Financial Arrangements
- (c) The Audit Committee has received both Internal Audit and External Audit Plans and Reports over the course of 2006/07 as well as considering weaknesses revealed in the internal control system highlighted in Internal Audit reports. It has reviewed the Audit Commission's Annual Governance Report and has commented upon the changes to the Authority's Financial Regulations.
- (d) The Overview and Scrutiny Committee and other Select Committees have carried out a programme of reviews during 2006/07, including relationships between the County Council and other Nottinghamshire Councils, After Care Services, Educational attainment and targets and reported the results of these to Cabinet.
- (e) The County's Standards Committee has reviewed the Authority's Travel and Accommodation policy and the Conduct Hearing process. It has received reports on the Authority's complaints procedure, the Freedom of Information Act, the ethical framework and corporate governance as well as the Ombudsman's Annual Letter 2005/06 and a report on the electoral initiatives budget.
- (f) Internal Audit has undertaken planned reviews of internal control procedures across all departments and across a range of functions in the Authority. Each review contains an opinion on the internal controls in place and any unsatisfactory audit opinions are followed up and if necessary reported to the Audit Committee. Internal Audit's overall opinion on the Authority's system of internal control, based on the sample of audits completed, is that it is adequate.
- (g) The Annual Audit and Inspection Letter 2007 made positive comments on the Authority's internal control environment stating that significant risks are well managed and that there are strong arrangements in place to maintain a sound system of internal control including the Audit Committee. The Letter contained some recommendations for implementation in 2007/08.

The Audit Committee has advised us on the effectiveness of the system of internal control.

## **5. SIGNIFICANT INTERNAL CONTROL ISSUES**

The Authority faces another challenging year in 2007/08 and the following represent the key issues in relation to internal control:-

(a) Sickness Absence

Sickness absence continues to affect capacity and value for money though additional support is being provided for managers and a number of initiatives are underway. Performance reviews will need to focus on progress being made during 2007/08.

(b) Pay Phase II

This continues to be a major project with significant financial and business implications for the Authority. A detailed project structure is in place and this needs to be appropriately applied to manage the implementation of this strategy during 2007/08.

(c) Departmental Restructuring

The restructuring process is continuing and the integration of new arrangements proposed will have significant implications for the work of the Authority and will need to be carefully monitored.

(d) Budget Pressures

Given the likelihood of increasing budget pressures, the Council will need to continue to prioritise its budget and identify longer term efficiency savings.

(e) Adult Social Care

Further progress is needed in some aspects of Adult Social Care to support people to continue to live at home such as increasing the take up of direct payments and greater provision of non-residential intermediate care.

(f) Data Quality

Data quality is in need of improvement in some areas and resources have been allocated to improve the data checking process.

**R A Latham**  
**Chief Executive**  
**13 June 2007**

**Councillor D Kirkham**  
**Leader**  
**13 June 2007**

# STATEMENT OF ACCOUNTING POLICIES

## 1. GENERAL POLICIES

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

## 2. COSTS OF SUPPORT SERVICES

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

## 3. PENSIONS

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

### a) Teachers Pension Scheme

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

### b) Local Government Pension Scheme

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

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

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

#### **4. DEPRECIATION**

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

| <b>Asset Type</b>      | <b>Useful Life<br/>In Years</b> |
|------------------------|---------------------------------|
| Buildings              | 1 - 50                          |
| Vehicles and plant     | 1 - 20                          |
| Infrastructure         | 40                              |
| IT and other equipment | 3 - 5                           |
| Intangible             | 3 - 5                           |
| Furniture & Fittings   | 5 -15                           |

#### **5. DEFERRED CHARGES**

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

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

#### **6. CAPITAL EXPENDITURE**

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

#### **7. FIXED ASSETS**

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

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

Asset values have been included in the Balance Sheet as follows:

- a) The current land and building values used in the Statement of Accounts are based upon a certificate as at 31 March 2007 issued by the Council's Professional Services Manager, D. Buckland MRICS, on 31 May 2007. A rolling five year revaluation programme is in place to maintain the accuracy of the valuations and when significant changes occur in any year they are included in the revaluation work undertaken during that year. Operational assets have been included in the Balance Sheet at the lower of net current replacement cost and net realisable value in existing use. Non-operational assets have been included at the lower of net current replacement cost and net realisable value.
- b) Infrastructure and equipment have been included at debt outstanding at 31 March 1994 plus actual expenditure since that date.
- c) Vehicles and plant have been included at written down valuation at 1 April 1994 with subsequent acquisitions included at cost as an appropriate approximation of valuation.

- d) Intangible assets comprise software licences which are included at cost and are not subject to revaluation. They are amortised in equal amounts over their useful lives.
- e) Furniture and fittings are included at cost, plus the value of items as at 31 March 2004 which are still in operational use.
- f) Assets under construction are included at actual cost.
- g) Community assets are included at nil except recent acquisitions which are held at cost and land or buildings which are held at valuation as set out in a) above.

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

The de minimis levels used for 2006/07 in compiling the assets are as follows:

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

## **8. INVESTMENTS**

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

## **9. STOCKS AND WORK IN PROGRESS**

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

## **10. DEBTORS AND CREDITORS**

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

In addition to debtors and creditors for goods supplied and services rendered, significant debtors and creditors can arise from such items as government grants and pay awards. The approach adopted in these cases is to make estimates on the basis of the best information that is presently available, or make forecasts of the cost of pay awards that are not yet settled but likely to apply to part of the financial year to which the accounts relate.

## **11. EXTERNAL DEBT**

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

## **12. LEASING OF VEHICLES, PLANT AND EQUIPMENT**

Where assets are acquired under finance leases, the assets are capitalised above the de minimis level of £6,000 and the related outstanding lease commitment shown as a deferred credit

liability in the Balance Sheet in accordance with SSAP21. The leasing rentals payable are split with the interest element charged to the Income and Expenditure Account and the capital element reducing the deferred credit liability.

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

### **13. PRIVATE FINANCE INITIATIVE (PFI)**

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

### **14. GRANTS RECEIVED**

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

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

### **15. PROVISIONS AND RESERVES**

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

### **16. CAPITAL RECEIPTS**

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

### **17. LIQUID RESOURCES**

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



## INCOME AND EXPENDITURE ACCOUNT

| Service  | 2005/2006<br>Net<br>Expenditure<br>Restated (*)<br>£000 | Gross<br>Expenditure<br>£000 | 2006/2007<br>Income<br>£000 | Net<br>Expenditure<br>£000 |
|--|---|------------------------------|-----------------------------|----------------------------|
| <b>Continuing County Council Services</b>                    |   |                              |                             |                            |
| Education  | 412,163   | 596,196                      | (540,115)                   | 56,081                     |
| Environmental Services                                       | 24,121  | 32,553                       | (8,974)                     | 23,579                     |
| Highways, Roads and Transportation                           | 2 43,242  | 61,243                       | (16,738)                    | 44,505                     |
| Leisure  | 5,574   | 9,597                        | (4,464)                     | 5,133                      |
| Libraries  | 13,123  | 14,966                       | (1,477)                     | 13,489                     |
| Planning and Development                                     | 9,066   | 11,386                       | (2,751)                     | 8,635                      |
| Social Services  | 182,796   | 298,565                      | (103,282)                   | 195,283                    |
| Democratic Representation & Management                       | 4,989   | 5,105                        | (3)                         | 5,102                      |
| Corporate Management   | 2,838   | 8,993                        | (6,303)                     | 2,690                      |
| Non Distributed Costs  | (18,425)  | 5,430                        | -                           | 5,430                      |
| Central Services to the Public                               | 2,956   | 3,152                        | (773)                       | 2,379                      |
| <b>Contributions to Other Bodies</b>                         |   |                              |                             |                            |
| Coroner  | 540   | 603                          | (1)                         | 602                        |
| <b>Net Cost of Services</b>                                  | <b>682,983</b>  | <b>1,047,789</b>             | <b>(684,881)</b>            | <b>362,908</b>             |
| Interest & investments income                                | (983)   | -                            | (3,588)                     | (3,588)                    |
| Net (surplus)/deficit of Trading Undertakings                | 1,373   | 10,393                       | (9,361)                     | 1,032                      |
| Pensions Interest Costs & Expected Return on Pensions Assets | 17,908  | 64,537                       | (50,338)                    | 14,199                     |
| Other Operating Income & Expenditure                         | (1,710)   | 2                            | (285)                       | (283)                      |
| Interest Payable   | 28 15,054   | 16,540                       | -                           | 16,540                     |
| Insurance Revenue (surplus)/deficit                          | 33 (2,554)  | 1,041                        | (1,585)                     | (544)                      |
| <b>Net Operating Expenditure</b>                             | <b>712,071</b>  | <b><u>1,140,302</u></b>      | <b><u>(750,038)</u></b>     | <b>390,264</b>             |
| Precept Income   | 6 (257,151)   |                              |                             | (270,138)                  |
| General Government Grants                                    | 6 (481,605)   |                              |                             | (127,897)                  |
| Local Authority Business Growth Incentive                    | (1,007)   |                              |                             | (2,369)                    |
| Public Service Agreement                                     | -   |                              |                             | (2,620)                    |
| <b>(Surplus)/Deficit for the Year:</b>                       | <b><u>(27,692)</u></b>                                  |                              |                             | <b><u>(12,760)</u></b>     |

## STATEMENT OF MOVEMENT ON THE GENERAL FUND

|  | 2005/06<br>£000 | 2006/07<br>£000 |
|--|-----------------|-----------------|
| <b>(Surplus)/Deficit for the Year:</b>   | <b>(27,692)</b> | <b>(12,760)</b> |
| Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund |                 |                 |
| Balance for the year.  | 1 21,592        | (6,652)         |
| Increase in General Fund Balance for the year  | (6,100)         | (19,412)        |
| General Fund Balance brought forward   | (30,124)        | (36,224)        |
| General Fund Balance carried forward   | <u>(36,224)</u> | <u>(55,636)</u> |
| Amount of General Fund balance held by governors under schemes to finance schools  | (24,805)        | (33,532)        |
| Other General Fund balances held by schools  | 1,043           | (2,601)         |
| Amount of General Fund balance generally available for new expenditure   | (12,462)        | (19,503)        |
|  | <u>(36,224)</u> | <u>(55,636)</u> |

\* The 2005/06 figures have been restated to show the effects of the new accounting policies. See page 24 for details.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

|  | 2005/06<br>£000      | 2006/07<br>£000         |
|--|----------------------|-------------------------|
| (Surplus)/Deficit for the year on the Income and Expenditure Account | (27,692)             | (12,760)                |
| (Surplus)/Deficit arising on revaluation of fixed assets             | 51,855               | (134,538)               |
| Actuarial (gains)/losses on pension fund assets/liabilities          | 28,714               | (69,363)                |
| Any other (gains) and losses   | 25,314               | (36,732)                |
| <b>Total recognised (gains)/losses for the year</b>                  | <b><u>78,191</u></b> | <b><u>(253,393)</u></b> |

# BALANCE SHEET

|  |             | 31 March 2006   |                       | 31 March 2007   |                       |
|--|-------------|-----------------|-----------------------|-----------------|-----------------------|
| <b>Long Term Assets</b>                      | <b>Note</b> | <b>£000</b>     | <b>£000</b>           | <b>£000</b>     | <b>£000</b>           |
| Intangible Fixed Assets                      |             | 1,940           |                       | 1,778           |                       |
| Tangible Fixed Assets                        |             |                 |                       |                 |                       |
| <b>Operational</b>                           |             |                 |                       |                 |                       |
| Land and Buildings                           |             | 914,686         |                       | 1,054,381       |                       |
| Vehicles and Plant                           |             | 7,628           |                       | 8,433           |                       |
| Equipment, Furniture & Fittings              |             | 39,433          |                       | 38,911          |                       |
| Community                                    |             | 34              |                       | 34              |                       |
| Infrastructure                               |             | 282,264         |                       | 305,748         |                       |
| <b>Non Operational</b>                       |             |                 |                       |                 |                       |
| Land and Buildings                           |             | 40,714          |                       | 67,569          |                       |
| <b>Under Construction</b>                    |             | <u>16,533</u>   |                       | <u>32,908</u>   |                       |
| <b>Net Fixed Assets</b>                      | 16          |                 | <b>1,303,232</b>      |                 | <b>1,509,762</b>      |
| Deferred Assets                              | 31          | 22,751          |                       | 55,828          |                       |
| Long-term advances                           | 21          | 1,196           |                       | 779             |                       |
| Long-term debtors                            | 22          | 6,363           |                       | 15,062          |                       |
| <b>Total Long-Term Assets</b>                |             |                 | <b>1,333,542</b>      |                 | <b>1,581,431</b>      |
| <b>Current Assets:</b>                       |             |                 |                       |                 |                       |
| Investments                                  | 20          | -               |                       | -               |                       |
| Landfill Trading Allowances                  | 26          | 4,493           |                       | 5,124           |                       |
| Stocks and work in progress                  |             | 3,646           |                       | 4,095           |                       |
| Debtors                                      | 22          | 52,673          |                       | 46,855          |                       |
| Less Bad Debt Provision                      |             | <u>(3,197)</u>  |                       | <u>(2,822)</u>  |                       |
|  |             | 49,476          |                       | 44,033          |                       |
| Temporary Investments                        | 23          | 86,400          |                       | 142,500         |                       |
| Bank   |             | 701             | 144,716               | <u>14,225</u>   | 209,977               |
| <b>Current Liabilities:</b>                  |             |                 |                       |                 |                       |
| Creditors                                    | 24          | (105,094)       |                       | (128,962)       |                       |
| Government Grants Deferred                   | 32          | (188,312)       |                       | (221,257)       |                       |
| Bank Overdraft                               | 25          | -               |                       | -               |                       |
| Pension Funds Cash                           | 25          | (55,349)        |                       | (75,764)        |                       |
| Deferred Income                              |             | -               |                       | -               |                       |
| Loans to be repaid within 1 year             | 27          | (3,611)         |                       | (5,492)         |                       |
| Temporary Borrowing                          | 29          | (85)            | (352,451)             | (225)           | (431,700)             |
| <b>Total Assets less Current Liabilities</b> |             |                 | <b>1,125,807</b>      |                 | <b>1,359,708</b>      |
| Long term borrowing                          | 27          | (224,536)       |                       | (249,043)       |                       |
| Deferred Liability                           | 27          | (4,433)         |                       | (4,027)         |                       |
| Provisions                                   | 34          | <u>(10,491)</u> | <u>(239,460)</u>      | <u>(13,422)</u> | <u>(266,492)</u>      |
| FRS17 Pensions Liability                     |             |                 | (502,093)             |                 | (455,569)             |
| <b>Total Assets less Liabilities</b>         |             |                 | <b><u>384,254</u></b> |                 | <b><u>637,647</u></b> |
| <b>Available Reserves</b>                    |             |                 |                       |                 |                       |
| Capital Reserves                             | 35          |                 | 1,796                 |                 | 3,185                 |
| Capital Receipts & Grants Unapplied          | 36          |                 | -                     |                 | -                     |
| Revenue Reserves                             | 37          |                 | 48,487                |                 | 68,776                |
| General Insurance                            | 33          |                 | 7,140                 |                 | 7,684                 |
| <b>Other Reserves</b>                        |             |                 |                       |                 |                       |
| Schools statutory reserve                    | 38          |                 | 23,762                |                 | 36,133                |
| Capital Financing Account                    | 39          |                 | 286,000               |                 | 337,985               |
| Fixed Asset Restatement Account              | 40          |                 | 506,702               |                 | 619,950               |
| FRS17 Pensions Reserve                       | 12          |                 | (502,093)             |                 | (455,569)             |
| Balances (including Housing Act Advances)    | 41          |                 | 12,460                |                 | 19,503                |
|  |             |                 | <b><u>384,254</u></b> |                 | <b><u>637,647</u></b> |

## CASH FLOW STATEMENT

|  | Note                    | 2005/06<br>£000        | 2006/07<br>£000     |
|--|-------------------------|------------------------|---------------------|
| <b>Revenue Activities</b>                              |                         |                        |                     |
| <b>Cash Outflows:</b>                                  |                         |                        |                     |
| Cash paid  | - Employees             | 560,701                | 582,153             |
|  | - Other Operating Costs | 531,280                | 524,040             |
|  |                         | <u>1,091,981</u>       | <u>1,106,193</u>    |
| <b>Cash Inflows:</b>                                   |                         |                        |                     |
| Precept Income   |                         | (257,151)              | (270,138)           |
| Revenue Support Grant/NNDR                             |                         | (481,605)              | (127,897)           |
| LABGI  |                         | (1,007)                | (2,369)             |
| PSA  |                         | -                      | (2,620)             |
| Other Government Grants                                | 4                       | (179,706)              | (573,751)           |
| Cash Received for Goods & Services                     |                         | (235,648)              | (225,427)           |
|  |                         | <u>(1,155,117)</u>     | <u>(1,202,202)</u>  |
| <b>Revenue Activities Net Cash Flow:</b>               |                         | <b>(63,136)</b>        | <b>(96,009)</b>     |
| <b>Returns on Investments and Servicing of Finance</b> |                         |                        |                     |
| <b>Cash Outflows:</b>                                  |                         |                        |                     |
| Interest Paid  |                         | 15,054                 | 16,540              |
| <b>Cash Inflows:</b>                                   |                         |                        |                     |
| Interest Received                                      |                         | (983)                  | (3,588)             |
|  |                         | <b>14,071</b>          | <b>12,952</b>       |
| <b>Capital Activities</b>                              |                         |                        |                     |
| <b>Cash Outflows:</b>                                  |                         |                        |                     |
| Capital Payments                                       |                         | 101,005                | 123,327             |
| Purchase of Long Term Investments                      |                         | 440                    | -                   |
| Capital Grants   |                         | 1,456                  | 2,511               |
|  |                         | <u>102,901</u>         | <u>125,838</u>      |
| <b>Cash Inflows:</b>                                   |                         |                        |                     |
| Sale of Fixed Assets                                   |                         | (10,697)               | (14,267)            |
| Capital Grants and Contributions Received              |                         | (30,634)               | (51,184)            |
| Sale of Long Term Investments                          |                         | (16,904)               | -                   |
| Other Capital Income                                   |                         | -                      | (417)               |
|  |                         | <u>(58,235)</u>        | <u>(65,868)</u>     |
| <b>Capital Activities Net cash flow:</b>               |                         | <b>44,666</b>          | <b>59,970</b>       |
| <b>Total Net cash flow before financing:</b>           |                         | <b>(4,399)</b>         | <b>(23,087)</b>     |
| <b>Management of Liquid Resources</b>                  |                         |                        |                     |
| Increase/(Decrease) in short term deposits             |                         | (600)                  | 56,100              |
| <b>Financing</b>                                       |                         |                        |                     |
| <b>Cash Outflows:</b>                                  |                         |                        |                     |
| Repayments of amounts borrowed                         |                         | 3,764                  | 4,018               |
| <b>Cash Inflows:</b>                                   |                         |                        |                     |
| New loans raised                                       |                         | (30,000)               | (30,140)            |
|  |                         | <u>(26,236)</u>        | <u>(26,122)</u>     |
| (Increase)/Decrease in cash                            |                         | <u><b>(31,235)</b></u> | <u><b>6,891</b></u> |

## RECONCILIATION TO THE CASH FLOW STATEMENT

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

|  | 2005/06<br>£000        | 2006/07<br>£000        |
|--|------------------------|------------------------|
| Net (Surplus)/Deficit  | (27,692)               | (12,760)               |
| Net additional amount required by statute and non-statutory proper practices to be debited or credited to the County Fund Balance for the year | 22,524                 | 5,719                  |
| <b>Increase in County Fund Balance for the year</b>  |                        |                        |
| External Interest Paid   | (15,054)               | (16,540)               |
| Minimum Revenue Provision  | (13,291)               | (14,628)               |
| Revenue Contributions to Capital Outlay  | (8,447)                | (4,604)                |
| Contributions (to)/from provisions and reserves  | (26,077)               | (37,526)               |
| Other  | (258)                  | -                      |
| Increase/(decrease) in revenue debtors   | 1,909                  | 2,808                  |
| Increase/(decrease) in stocks/w.i.p.   | (491)                  | 449                    |
| Increase/(decrease) in Landfill Trading Allowances   | 4,493                  | 631                    |
| Increase/(decrease) in revenue creditors   | (2,271)                | (23,146)               |
| Increase/(decrease) in other balances  | 536                    | -                      |
| Deduct interest and investment income  | 983                    | 3,588                  |
| <b>Revenue Activities Net Cash Flow</b>  | <b><u>(63,136)</u></b> | <b><u>(96,009)</u></b> |

### Movement in current assets and liabilities:

|                             | 31/3/06<br>£000   | 31/3/07<br>£000   | Moved<br>06/07<br>£000 |
|-----------------------------|-------------------|-------------------|------------------------|
| Debtors                     | 55,840            | 59,095            | 3,255                  |
| Creditors                   | (105,094)         | (128,962)         | (23,868)               |
| Other balances              | -                 | -                 | -                      |
| Stocks and Work in Progress | 3,646             | 4,095             | 449                    |
| Temporary Loan Investments  | 86,400            | 142,500           | 56,100                 |
| Landfill Trading Allowances | 4,493             | 5,124             | 631                    |
|                             | <u>          </u> | <u>          </u> | <u>          </u>      |

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

|                    | 31/3/06<br>£000        | 31/3/07<br>£000        | Moved<br>06/07<br>£000 |
|--------------------|------------------------|------------------------|------------------------|
| Imprests           | 37,509                 | 74,970                 | 37,461                 |
| Cash & bank        | (36,808)               | (60,744)               | (23,936)               |
| Pensions Fund Cash | <u>(55,349)</u>        | <u>(75,765)</u>        | <u>(20,416)</u>        |
| Net Cash Flow      | <b><u>(54,648)</u></b> | <b><u>(61,539)</u></b> | <b><u>(6,891)</u></b>  |

## Reconciliation of cash movement to net debt

|  | £000                    |
|--|-------------------------|
| Increase/(decrease) in cash in the period                | (6,891)                 |
| Cash inflow from (increase)/decrease in debt             | (26,123)                |
| Cash inflow from increase/(decrease) in liquid resources | 56,100                  |
| <b>Movement in net debt for the period</b>               | <b>23,086</b>           |
| Net debt at 1 April 2006                                 | (200,913)               |
| <b>Net debt at 31 March 2007</b>                         | <b><u>(177,827)</u></b> |

## Analysis of net debt

|                          | Balance as at<br>1 April 2006<br>£000 | Cash flow<br>£000    | Non Cash<br>£000 | Balance as at<br>31 March 2007<br>£000 |
|--------------------------|---------------------------------------|----------------------|------------------|--|
| Cash in hand/(overdrawn) | (54,648)                              | (6,891)              | -                | (61,539)                               |
| Long term investments    | -                                     |                      |                  | -                                      |
| Short term deposits      | 86,400                                | 56,100               | -                | 142,500                                |
| Debt due after 1 year    | (228,969)                             | (24,102)             | -                | (253,071)                              |
| Debt due within 1 year   | (3,696)                               | (2,021)              | -                | (5,717)                                |
|                          | <b><u>(200,913)</u></b>               | <b><u>23,086</u></b> | <b><u>-</u></b>  | <b><u>(177,827)</u></b>                |

## Reconciliation of Financing and Management of Liquid Resources

|                            | Repayments<br>of Amounts<br>Borrowed<br>£000 | New<br>Loans<br>Raised<br>£000 | Repayment of<br>Short Term<br>Deposits<br>£000 | (Increase)/Decrease<br>in Cash and Cash<br>Equivalents<br>£000 |
|----------------------------|--|--------------------------------|--|--|
| Short term deposits        | -  | -                              | 56,100   | 56,100   |
| Temporary Borrowing        | -  | (30,140)                       | -  | (30,140)   |
| Public Works Loans Board   | 3,611  | -                              | -  | 3,611  |
| City and District Councils | 406  | -                              | -  | 406  |
|                            | <b><u>4,017</u></b>                          | <b><u>(30,140)</u></b>         | <b><u>56,100</u></b>                           | <b><u>29,977</u></b>   |

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

## SUMMARY REVENUE ACCOUNTS OF TRADING UNDERTAKINGS

|   | Turnover      | 2005/06<br>Expend-<br>iture | Surplus/<br>(Deficit) | Turnover       | 2006/07<br>Expend-<br>iture | Surplus/<br>(Deficit) |
|---|---------------|-----------------------------|-----------------------|----------------|-----------------------------|-----------------------|
|   | £000          | £000                        | £000                  | £000           | £000                        | £000                  |
| <b>Contracting Services</b><br><i>Cleaning, catering, vehicle maintenance, building and grounds maintenance and highways maintenance to the Authority. Some work is undertaken on behalf of external clients.</i> | 71,118        | 72,268                      | (1,150)               | 88,130         | 89,249                      | (1,119)               |
| <b>Legal Services</b><br><i>Provision of legal services to the Authority</i>  | 2,678         | 2,636                       | 42                    | 2,758          | 2,809                       | (51)                  |
| <b>County Supplies</b><br><i>A purchasing and supply service to the Authority and some external public bodies</i>   | 5,952         | 5,947                       | 5                     | 6,013          | 5,890                       | 123                   |
| <b>Design, Publications &amp; Print</b><br><i>A design and printing service to the Authority</i>  | 2,319         | 2,258                       | 61                    | 2,161          | 2,192                       | (31)                  |
| <b>Clayfields Secure Unit</b><br><i>Specialist childrens' services to the Youth Justice Board and Local Authorities</i>   | 3,685         | 3,306                       | 379                   | 3,708          | 3,662                       | 46                    |
| <b>Total</b>  | <u>85,752</u> | <u>86,415</u>               | <u>(663)</u>          | <u>102,770</u> | <u>103,802</u>              | <u>(1,032)</u>        |

Notes:

1. The Contracting Services deficit is a result of the pension costs impact of FRS17.

## Explanation of Prior Period Adjustments

In the 2006/07 Statement of Accounts, the Council has adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

- capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts
- credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as corporate income items
- gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts (only figures that have changed are included in the table)

|   | <b>Consolidated<br/>Revenue<br/>Account in<br/>2005/06<br/>Statement of<br/>Accounts<br/>£000</b> | <b>Removal<br/>of capital<br/>financing<br/>charges<br/>£000</b> | <b>Relocation<br/>of<br/>government<br/>grants<br/>deferred<br/>credits<br/>£000</b> | <b>Recognition<br/>of gains and<br/>losses on<br/>disposal of<br/>fixed assets<br/>£000</b> | <b>2005/06<br/>Comparatives<br/>in Income and<br/>Expenditure<br/>Account<br/>£000</b> |
|---|---|--|--|---|--|
| <b>Continuing Council Services</b>  |   |  |  |   |  |
| Education   | 443,777   | (28,251)   | (3,363)  | -   | 412,163  |
| Environmental Services  | 24,277  | (156)  | -  | -   | 24,121   |
| Highways, Roads and Transportation  | 58,435  | (13,122)   | (2,071)  | -   | 43,242   |
| Leisure   | 5,694   | (120)  | -  | -   | 5,574  |
| Libraries   | 13,896  | (773)  | -  | -   | 13,123   |
| Planning and Development  | 9,639   | (267)  | (306)  | -   | 9,066  |
| Social Services   | 184,955   | (1,860)  | (299)  | -   | 182,796  |
| Democratic Representation & Management  | 4,989   | -  | -  | -   | 4,989  |
| Corporate Management  | 4,572   | (1,175)  | (559)  | -   | 2,838  |
| Non Distributed Costs   | (18,425)  | -  | -  | -   | (18,425)   |
| Central Services to the Public  | 2,985   | (29)   | -  | -   | 2,956  |
| <b>Impact on Net Cost of Services</b>   | <b>734,794</b>  | <b>(45,753)</b>  | <b>(6,598)</b>   | <b>-</b>  | <b>682,443</b>   |
| Asset management revenue account<br>(interest payable and similar charges in<br>in 2006/07) | (37,297)  | 45,753   | 6,598  | -   | 15,054   |
| <b>Impact on Net Operating Expenditure</b>  | <b>712,071</b>  | <b>-</b>   | <b>-</b>   | <b>-</b>  | <b>712,071</b>   |



# NOTES TO THE STATEMENT OF ACCOUNTS

## 1. Statement of Movement on the General Fund Balance

Reconciliation of items for the movement on the General Fund.

|  | Note | 2005/06<br>£000 | 2006/07<br>£000 | 2006/07<br>£000 | 2006/07<br>£000 |
|--|------|-----------------|-----------------|-----------------|-----------------|
| <b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance for the year.</b>     |      |                 |                 |                 |                 |
| Amortisation of Intangible Fixed Assets  |      | (571)           |                 |                 | (161)           |
| Depreciation of fixed Assets   |      | (27,761)        |                 |                 | (30,605)        |
| Impairment of Fixed Assets   |      | 2,205           |                 |                 | -               |
| Government Grants Deferred Amortisation  |      | 6,598           |                 |                 | 8,039           |
| Write-down of deferred charges to be financed from capital resources   |      | (1,456)         |                 |                 | (2,511)         |
| PFI Adjustments  |      | (207)           |                 |                 | (171)           |
| Net Charges made for retirement benefits in accordance with FRS17.   |      | (962)           |                 |                 | (22,761)        |
| <b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the General Fund Balance for the year.</b> |      |                 |                 |                 |                 |
| Minimum Revenue Provision  |      |                 | 13,291          |                 | 14,628          |
| Capital Expenditure charged to the General Fund  |      |                 | 8,447           |                 | 4,604           |
| <b>Transfers to or from the General Fund balance that are required to be taken into account when determining the movement on the General Fund balance for the year</b>           |      |                 |                 |                 |                 |
| Capital Reserves   | 35   | 217             |                 |                 | 1,389           |
| Insurance Revenue Reserves   | 33   | 2,554           |                 |                 | 544             |
| Revenue Reserves   | 37   | 19,237          |                 |                 | 20,353          |
| Net Transfer to Earmarked Reserves   |      |                 | 22,008          |                 | 22,286          |
| Net additional amount to be debited to the General Fund balance for the year   |      |                 |                 | <u>21,592</u>   | <u>(6,652)</u>  |

## 2. Agency Work

The County Council carries out work on behalf of the Highways Agency, mainly relating to traffic signal maintenance and payment of energy charges for Area 7 of the Trunk Road network. Expenditure is fully reimbursed by the Highways Agency and the amount for 2006/07 was £439,273 (£518,000 2005/06).

### 3. 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 2006/07 which will be paid to the Audit Commission in 2007/08. The fees for non-audit work in 2006/07 are related to the investigation into alleged Conflict of Interest (£22k), Waste PFI Scheme (£3k) and the National Fraud Initiative (£1k).

|                | 2005/06    | 2006/07    |
|----------------|------------|------------|
|                | £000       | £000       |
| External Audit | 230        | 225        |
| Inspection     | 9          | 17         |
| Grant claims   | 55         | 20         |
| Non-Audit Work | -          | 26         |
|                | <u>294</u> | <u>288</u> |

### 4. Specific Revenue Grants

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

|                                     | 2005/06        | 2006/07        |
|-------------------------------------|----------------|----------------|
| Service                             | £000           | £000           |
| Leisure                             | 1,158          | 517            |
| Libraries                           | 37             | -              |
| Environmental Services              | 318            | 3,534          |
| Highways and Transportation         | 7,004          | 7,115          |
| Education                           | 108,849        | 500,942        |
| Social Services                     | 58,394         | 50,521         |
| Planning and Development            | 2,043          | 6,345          |
| Central Services                    | 1,903          | 2,157          |
| General                             | -              | 2,620          |
|                                     | <u>179,706</u> | <u>573,751</u> |
| Funding Body                        |                |                |
| Countryside Commission              | 1              | 23             |
| Dept. for Communities & Local Govt. | 43,391         | 50,325         |
| Department for Education and Skills | 103,314        | 493,780        |
| Department of Health                | 24,516         | 20,277         |
| Children's Fund                     | 1,454          | 1,731          |
| Department for Transport            | 2,366          | 2,531          |
| Department for Works and Pensions   | 1,072          | 1,237          |
| European Grants                     | 1,714          | 372            |
| Home Office                         | 889            | 2,056          |
| Milk Intervention Board             | 160            | 138            |
| DEFRA - Recycle Waste               | 155            | 434            |
| Arts Council                        | 509            | 222            |
| Rural Development Council           | -              | 550            |
| Neighbourhood Renewal               | 12             | 5              |
| Other                               | 153            | 70             |
|                                     | <u>179,706</u> | <u>573,751</u> |

In addition to the above specific Government grants the County Council received £258k from the BIG Lottery Fund for Sherwood Forest Living Legend.

## 5. Minimum Revenue Provision

Regulations require local authorities to set aside money to provide for redemption of at least 4% of outstanding debt. This amount is offset against the level of depreciation already charged to the Authority's revenue accounts to ensure that depreciation charges do not increase the net expenditure of the Authority. The amount required under the MRP regulations for 2006/07 was £14.6 million (£13.3 million 2005/06) and the amount of depreciation charged was £30.76 million (£28.3 million 2005/06).

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

Revenue Support Grant and National Non-Domestic Rates are paid to the County Council directly by the Government. The County Council set the 2006/07 Tax for a Band D property at £1,081.43 (£1,032.88 in 2005/06). This was suitably adjusted for other bands of property and a precept was issued to the District Councils to recover the relevant amounts. Any variances in the amounts actually collected by the District Councils on behalf of the County Council will be adjusted in the amounts payable next year.

## 7. Employee Remuneration

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

| Pay Band            | Number of Staff |            |
|---------------------|-----------------|------------|
|                     | 2005/06         | 2006/07    |
| £150,000 - £159,999 | -               | 1          |
| £140,000 - £149,999 | -               | -          |
| £130,000 - £139,999 | -               | -          |
| £120,000 - £129,999 | 1               | 3          |
| £110,000 - £119,999 | -               | -          |
| £100,000 - £109,999 | 2               | 4          |
| £90,000 - £99,999   | 3               | -          |
| £80,000 - £89,999   | 1               | 5          |
| £70,000 - £79,999   | 28              | 32         |
| £60,000 - £69,999   | 29              | 41         |
| £50,000 - £59,999   | 97              | 120        |
|                     | <u>161</u>      | <u>206</u> |

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

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

|  | 2005/06<br>£000 | 2005/06<br>£000 | 2006/07<br>£000 | 2006/07<br>£000 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | Exp             | Income          | Exp             | Income          |
| Administration and Professional Services |                 |                 |                 |                 |
| NHS Trusts                               | 17,032          | 17,032          | 19,912          | 19,912          |
| Other Authorities                        | 6,591           | 6,592           | 5,850           | 5,850           |
| Schools and Colleges                     | 126             | 126             | 78              | 78              |
| Maintenance works                        |                 |                 |                 |                 |
| NHS Trusts                               | 6               | 10              | 4               | 10              |
| Other Authorities                        | 1,029           | 1,118           | 1,028           | 1,094           |
| Schools and Colleges                     | 179             | 208             | 82              | 97              |
|  | <u>24,963</u>   | <u>25,086</u>   | <u>26,954</u>   | <u>27,041</u>   |

The 2005/2006 amounts have been amended as follows:  
Administration & Professional Services for Other Authorities has increased by £10k and Maintenance Works for Other Authorities has increased by £49k (income).

## 9. Section 137 of the Local Government Act 1972

Local authorities are empowered by Section 137 of the Local Government Act 1972, as amended, to make contributions to certain charitable funds, not for profit bodies providing a public service and mayoral appeals. There is a financial limit to this type of expenditure equivalent to £1.90 per head of population and for Nottinghamshire in 2006/07 this amounted to £1.44 million (£1.44 million 2005/06). During 2006/07 these powers were not used.

## 10. Publicity Work

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

|  | <b>2005/06</b> | <b>2006/07</b> |
|--|----------------|----------------|
|  | <b>£000</b>    | <b>£000</b>    |
| Advertising for staff                          | 1,357          | 1,196          |
| Other advertising, including education courses | 528            | 554            |
| Public Relations - salaries and running costs  | 509            | 607            |
| Economic Development promotions                | 27             | -              |
| Other publicity expenditure                    | 789            | 809            |
|  | <b>3,210</b>   | <b>3,166</b>   |
| As a percentage of gross expenditure           | 0.29%          | 0.28%          |

## 11. Pensions – Contributions

### Teachers

In 2006/07 the County Council paid £29.4 million to the Teacher's Pension Agency (£28.5 million in 2005/06) in respect of teachers' pension costs, which represents 13.65% of teachers' pensionable pay (13.50% in 2005/06). In addition, the County Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2006/07 these amounted to £4.2 million (£4.1 million in 2005/06), representing 1.97% of pensionable pay (1.94% in 2005/06).

### Other Employees

During 2006/07 the net cost of pensions and other benefits amounted to £34.3 million (£31.8 million in 2005/06), which represented 14.90% of pensionable pay (14.35% in 2005/06). The actuarial report upon which the 2006/07 accounts have been prepared was for a 3 year period commencing 1 April 2005. The report indicated that the cost of providing for 100% of pension funding in accordance with SSAP 24 "Accounting for Pension Costs" was 14.9% of pensionable pay. The report sets out the following employer pension fund contribution rates for the County Council:

|         |                          |
|---------|--------------------------|
| 2005/06 | 14.3% of pensionable pay |
| 2006/07 | 14.9% of pensionable pay |
| 2007/08 | 15.5% of pensionable pay |

The County Council is responsible for all pension payments relating to discretionary added years benefits it has awarded, together with the related inflation increases. The annual costs are funded by charges to Services. In 2006/07 these amounted to £1.5 million, (£1.4 million in 2005/06) representing 0.63% of pensionable pay (0.63% in 2005/06). The County Council also paid £2.4 million into the Pension Fund in 2006/07 (£0.2 million 2005/06) to fund the non-discretionary additional strain on the pension fund of early retirements.

## 12. Pensions – FRS17

The FRS17 position as at the 31 March 2007 was a net liability of £455.6 million (£502.1 million 31/3/06), comprised of £67.1 million for teachers (£68.3 million 31/3/06) and £388.5 million for other employees (£433.8 million 31/3/06). Assets have been valued using the market value at 31 December 2006 increased by market index returns for the last three months of the accounting period. Liabilities have been valued using the projected unit method which assesses the future liabilities of the fund discounted to their present value. This work was undertaken by Mercer Human Resource Consulting Limited, an independent firm of actuaries, based upon the estimated position at 31 March 2007 provided by the County Council during March 2007. The actual figures for 2006/07 are not considered materially different to the estimates provided.

## Teachers

Under FRS17 the Teachers added years scheme is classed as an unfunded defined benefit scheme and the Actuary has calculated that the Council's liability as at 31 March 2007 was £67.1 million (£68.3 million at 31/3/06). The Past Service Cost for the year was £0.3 million (£0.5 million 2005/06) and the Interest Cost was £3.2 million (£3.4 million 2005/06).

## Local Government Pension Scheme

|                          | 31 March 2006           |       | 31 March 2007           |       |
|--------------------------|-------------------------|-------|-------------------------|-------|
|                          | £000                    | %     | £000                    | %     |
| Market Value of Assets:  |                         |       |                         |       |
| Equities                 | 557,750                 | 69.4  | 600,409                 | 68.6  |
| Government Bonds         | 64,294                  | 8.0   | 67,393                  | 7.7   |
| Other Bonds              | 50,631                  | 6.3   | 36,760                  | 4.2   |
| Property                 | 114,925                 | 14.3  | 147,914                 | 16.9  |
| Cash/Liquidity           | 16,073                  | 2.0   | 22,756                  | 2.6   |
| Other                    | -                       | 0.0   | -                       | -     |
| Total Assets             | 803,673                 | 100.0 | 875,232                 | 100.0 |
| Liabilities              | 1,237,510               |       | 1,263,753               |       |
| <b>Surplus/(Deficit)</b> | <b><u>(433,837)</u></b> |       | <b><u>(388,521)</u></b> |       |

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

|                                 | 2005/06                 | 2006/07                 |
|---------------------------------|-------------------------|-------------------------|
|                                 | £000                    | £000                    |
| <b>Deficit at 1 April</b>       | <b>(408,397)</b>        | <b>(433,837)</b>        |
| Current Service Cost            | (39,562)                | (46,569)                |
| Employer Contributions          | 34,229                  | 39,027                  |
| Past Service (Cost)/Gain        | 20,356                  | (486)                   |
| Curtailement Cost               | (304)                   | (3,162)                 |
| Expected Return on Assets       | 42,685                  | 50,338                  |
| Interest on Pension Liabilities | (57,233)                | (61,299)                |
| Actuarial Gain (Loss)           | (25,611)                | 67,467                  |
| <b>Deficit at 31 March</b>      | <b><u>(433,837)</u></b> | <b><u>(388,521)</u></b> |

The difference between the expected and actual return on assets showed an actuarial gain of £1.8 million representing 0.2% of the scheme assets (2005/06 showed a gain of £102.8 million or 12.8%). In 2006/07 the real interest rate used to discount liabilities was increased from 2.0% in 2005/06 to 2.3%. The impact of this was to increase scheme liabilities by £65.7 million or 5.20%. There were no actuarial liability losses in 2006/07 (£28.4 million or 2.3% in 2005/06).

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

|   |          | 2003/04 |     | 2004/05 |      | 2005/06 |      | 2006/07 |     |
|---|----------|---------|-----|---------|------|---------|------|---------|-----|
|   |          | £000    | %   | £000    | %    | £000    | %    | £000    | %   |
| Differences between expected and actual return on assets                          | Officers | 52.7    | 9.8 | 26.4    | 4.1  | 102.8   | 12.8 | 1.8     | 0.2 |
|   | Teachers | -       | -   | -       | -    | -       | -    | -       | -   |
| Differences between actuarial assumptions about liabilities and actual experience | Officers | -       | -   | (29.3)  | 2.8  | (28.3)  | 2.3  | 0.0     | 0.0 |
|   | Teachers | -       | -   | (1.0)   | 1.6  | -       | -    | -       | -   |
| Changes in demographic and financial assumptions used to estimate liabilities     | Officers | -       | -   | (183.6) | 17.5 | (100.1) | 8.1  | 65.7    | 5.2 |
|   | Teachers | -       | -   | (7.3)   | 11.5 | (3.1)   | 4.5  | 1.9     | 2.8 |
|   |          | 52.7    |     | (194.8) |      | (28.7)  |      | 69.4    |     |

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

|  | <b>31 March 2006</b> | <b>31 March 2007</b> |
|--|----------------------|----------------------|
| Rate of Inflation  | 2.90%                | 3.10%                |
| Rate of increase in salaries   | 4.65%                | 4.85%                |
| Rate of increase in pensions   | 2.90%                | 3.10%                |
| Discount rate  | 4.90%                | 5.40%                |
| Rate of return from equities   | 7.00%                | 7.50%                |
| Rate of return from Government bonds   | 4.30%                | 4.70%                |
| Rate of return from Other bonds  | 4.90%                | 5.40%                |
| Rate of return from Property   | 6.00%                | 6.50%                |
| Rate of return from Cash/Liquidity   | 4.50%                | 5.25%                |
| Rate of return from other investments  | n/a                  | n/a                  |
| Proportion of employees opting to take an increased lump sum/reduced pension | 50.00%               | 50.00%               |

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

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

### **13. Capital Expenditure – Financing**

During the financial year capital expenditure on fixed assets was £124.05 million, including £2.83 million accruals. In addition there was £2.51 million of deferred charges. This made a total of £126.56 million to finance in 2006/07 (£101.01 million in 2005/06). The methods of financing are set out below.

|  | <b>Note</b> | <b>2005/06</b><br><b>£000</b> | <b>2006/07</b><br><b>£000</b> |
|--|-------------|-------------------------------|-------------------------------|
| External Borrowing Approval                      |             | 26,315                        | 29,704                        |
| Prudential Borrowing                             |             | 20,197                        | 34,985                        |
| Government and European Grants and Contributions | 14          | 35,354                        | 43,000                        |
| Revenue Contributions                            |             | 8,447                         | 4,604                         |
| Capital receipts                                 | 36          | 10,697                        | 14,267                        |
|  |             | <b><u>101,010</u></b>         | <b><u>126,560</u></b>         |

The effect of capital expenditure upon the value of assets in the Balance Sheet varies according to the type of asset (see paragraph 7 of the Accounting Policies). The estimated commitments for capital expenditure in future years from schemes that had started and a legal contract had been entered into by 31 March 2007 are:-

|         | <b>£000</b>          |
|---------|----------------------|
| 2007/08 | 20,888               |
| 2008/09 | 1,962                |
| 2009/10 | -                    |
| 2010/11 | -                    |
| 2011/12 | -                    |
|         | <b><u>22,850</u></b> |

## 14. Specific Capital Government and European Grants and Contributions

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

## 15. Capital Grants to Other Bodies

Capital Grants to other bodies result in deferred charges which are amortised to the Income and Expenditure Account in the year in which they are made and therefore are not included in fixed assets in the Balance Sheet.

|  | 2005/06<br>£000 | 2006/07<br>£000 |
|--|-----------------|-----------------|
| <b>Balance at 1 April</b>                | -               |                 |
| Capital Grants                           | 1,456           | 2,511           |
| Amortised to Income and Expenditure Acc. | <u>(1,456)</u>  | <u>(2,511)</u>  |
| <b>Balance at 31 March</b>               | <u>-</u>        | <u>-</u>        |

## 16. Fixed Assets

|                                    | Op<br>Land &<br>Buildings<br>£000 | Vehicles<br>& Plant<br>£000 | Equip.<br>Furn.<br>& Fitts<br>£000 | Infra-<br>Structure<br>£000 | Under<br>Constrn<br>£000 | Comm-<br>unity<br>£000 | Intangible<br>Assets<br>£000 | Non-Op<br>Land &<br>Buildings<br>£000 | TOTAL<br>£000    |
|------------------------------------|-----------------------------------|-----------------------------|------------------------------------|-----------------------------|--------------------------|------------------------|------------------------------|---------------------------------------|------------------|
| <b>Gross Book Value</b>            |                                   |                             |                                    |                             |                          |                        |                              |                                       |                  |
| <b>As at 31 March 2006</b>         | <b>974,216</b>                    | <b>11,968</b>               | <b>53,539</b>                      | <b>338,283</b>              | <b>16,533</b>            | <b>35</b>              | <b>2,931</b>                 | <b>40,714</b>                         | <b>1,438,219</b> |
| Capital Expenditure                | 50,059                            | 2,619                       | 5,988                              | 32,299                      | 26,955                   |                        | 463                          | 5,666                                 | <b>124,049</b>   |
| Disposals                          | (12,208)                          | (977)                       | (127)                              |                             |                          |                        |                              | (9,417)                               | <b>(22,729)</b>  |
| Revaluations - Capital Expenditure | 95,376                            | (660)                       | (457)                              | 1                           | (10,549)                 |                        |                              | 29,344                                | <b>113,055</b>   |
| Reclassifications                  | (1,262)                           |                             |                                    | 31                          | (31)                     |                        |                              | 1,262                                 | <b>0</b>         |
| <b>Total as at 31 March 2007</b>   | <b>1,106,181</b>                  | <b>12,950</b>               | <b>58,943</b>                      | <b>370,614</b>              | <b>32,908</b>            | <b>35</b>              | <b>3,394</b>                 | <b>67,569</b>                         | <b>1,652,594</b> |
| <b>Depreciation</b>                |                                   |                             |                                    |                             |                          |                        |                              |                                       |                  |
| <b>As at 31 March 2006</b>         | <b>(59,530)</b>                   | <b>(4,340)</b>              | <b>(14,106)</b>                    | <b>(56,019)</b>             | -                        | (1)                    | <b>(991)</b>                 | -                                     | <b>(134,987)</b> |
| Amount charged in the year         | (14,370)                          | (903)                       | (6,019)                            | (8,847)                     |                          | -                      | (625)                        |                                       | <b>(30,764)</b>  |
| Disposals                          | 715                               | 723                         | 33                                 |                             |                          |                        |                              |                                       | <b>1,471</b>     |
| Revaluations                       | 21,385                            | 3                           | 60                                 |                             |                          |                        |                              |                                       | <b>21,448</b>    |
| Reclassifications                  |                                   |                             |                                    |                             |                          |                        |                              |                                       | -                |
| <b>Total as at 31 March 2007</b>   | <b>(51,800)</b>                   | <b>(4,517)</b>              | <b>(20,032)</b>                    | <b>(64,866)</b>             | -                        | (1)                    | <b>(1,616)</b>               | -                                     | <b>(142,832)</b> |
| <b>Net Fixed Assets</b>            |                                   |                             |                                    |                             |                          |                        |                              |                                       |                  |
| <b>As at 31 March 2007</b>         | <b>1,054,381</b>                  | <b>8,433</b>                | <b>38,911</b>                      | <b>305,748</b>              | <b>32,908</b>            | <b>34</b>              | <b>1,778</b>                 | <b>67,569</b>                         | <b>1,509,762</b> |
| <b>As at 31 March 2006</b>         | <b>914,686</b>                    | <b>7,628</b>                | <b>39,433</b>                      | <b>282,264</b>              | <b>16,533</b>            | <b>34</b>              | <b>1,940</b>                 | <b>40,714</b>                         | <b>1,303,232</b> |

### Notes:

- Assets are revalued in accordance with the rolling five-year programme. Where capital expenditure is 15% or more of an existing asset value, the asset is revalued in the year of expenditure.
- Revaluations show the net position after capital expenditure and the increased value of assets in the financial year.
- Intangible assets comprise software licences.
- Capital Expenditure for the financial year is set out in the table above. In addition capital grants were made to other bodies making capital expenditure of £126.6 million in total:

| <b>Capital Expenditure</b>     | <b>2006/07<br/>£000</b> |
|--------------------------------|-------------------------|
| County Council                 | 124,049                 |
| Capital Grants to other bodies | 2,511                   |
|                                | <u><b>126,560</b></u>   |

## 17. Valuation of Fixed Assets

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

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

## 18. Foundation Schools

Grant Maintained schools became Foundation schools from 1 September 1999 although the Authority became responsible for their funding from 1 April 1999. These schools continue to own the land and buildings but as the provision of schooling forms part of the Education Service of the Authority, their assets and liabilities have been included in the Authority's Balance Sheet. There are three such schools and the combined value of their land and buildings is £27.69 million.

## 19. Information on Assets

|  | Number of Buildings |                   |
|--|---------------------|-------------------|
|  | 31/3/06             | 31/3/07           |
| Nursery & Primary Schools                    | 307                 | 302               |
| Secondary Schools                            | 56                  | 56                |
| Special Schools                              | 15                  | 15                |
| Libraries                                    | 60                  | 58                |
| Community Homes & Family Centres             | 24                  | 27                |
| Homes for Elderly & Disabled                 | 20                  | 19                |
| Day Centres & Clubs for Elderly & Disabled   | 30                  | 33                |
| Staff and other houses                       | 148                 | 153               |
| Other, including Factories, Depots & Offices | 319                 | 294               |
|  | <b><u>979</u></b>   | <b><u>957</u></b> |

The Council owns approximately 5,315 hectares of land, of which some 900 hectares are used as Smallholdings. It also has 4,262 kilometres of roads. For insurance purposes, the reinstatement value of the Council's buildings is £1,400 million.

## 20. Investments

### Economic Development

There are equity holdings amounting to £ 0.26 million (£0.26 million 2005/06) that have been written off to the Income and Expenditure Account to reflect the high risk of the investment.



## 21. Long Term Advances

|                      | 31/3/06      | 31/3/07    |
|----------------------|--------------|------------|
|                      | £000         | £000       |
| Economic Development | 1,137        | 734        |
| House Purchases      | 4            | 3          |
| Other                | 55           | 42         |
|                      | <u>1,196</u> | <u>779</u> |

|                                 | 31/3/06      | 31/3/07    |
|---------------------------------|--------------|------------|
|                                 | £000         | £000       |
| Economic Development Breakdown: |              |            |
| One year or less                | 16           | 145        |
| More than one year              | 1,121        | 589        |
|                                 | <u>1,137</u> | <u>734</u> |

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

**House Purchases** are the amounts owed to the County Council on loans made for house purchase. No new advances were made in the year. Net repayments of capital amounted to £2,143 in the year (£80 in 2005/06). Interest charges to borrowers were £68 (£375 in 2005/06). Charges to borrowers are designed to cover the running costs. The surplus for the year was £2,436 (£182 deficit in 2005/06). There is an accumulated surplus of £881 at the end of 2006/07 (£1,555 accumulated deficit in 2005/06).

## 22. Debtors and Long Term Debtors

| <b>Debtors (less Bad Debt Provision)</b> | 31/3/06              | 31/3/07              |
|--|----------------------|----------------------|
|  | £000                 | £000                 |
| The analysis of debtors by category is:  |                      |                      |
| Government grants                        | 11,568               | 9,649                |
| Other short term debt                    | 37,908               | 34,384               |
| <b>Balance at 31 March</b>               | <u><b>49,476</b></u> | <u><b>44,033</b></u> |

| <b>Long Term Debtors</b>                     | 31/3/06             | 31/3/07              |
|--|---------------------|----------------------|
|  | £000                | £000                 |
| Adult Care Property Debt                     | 1,592               | 1,366                |
| Car Loans                                    | 1,061               | 820                  |
| East Leake/Bassetlaw PFI schools prepayments | -                   | 7,875                |
| Tram PFI                                     | 2,086               | 2,660                |
| Other  | 1,624               | 2,341                |
| <b>Balance at 31 March</b>                   | <u><b>6,363</b></u> | <u><b>15,062</b></u> |

## 23. Temporary investments with other local authorities and financial institutions

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

## 24. Creditors

|   | 31/3/06               | 31/3/07               |
|---|-----------------------|-----------------------|
|   | £000                  | £000                  |
| The analysis of creditors by category is: |                       |                       |
| Government grants                         | 26,981                | 41,078                |
| Other                                     | 78,113                | 87,884                |
| <b>Balance at 31 March</b>                | <u><b>105,094</b></u> | <u><b>128,962</b></u> |

## 25. Bank Overdraft

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

## 26. Landfill Allowances Trading Scheme

From 2005/06 the Authority receives a landfill tonnage allowance which is the maximum amount of waste which should be disposed of by landfill. This target reduces each year. From 2010 any landfill in excess of the cumulative targets will require the Authority to pay a penalty to the Government of £150 per tonne. For 2006/07 this allowance was 215,604 tonnes (222,000 in 2005/06) of which 146,588 (157,558 in 2005/06) were utilised. The Authority is allowed to trade its allowances with other Authorities. The market value of these for 2006/07 was £17.98 per tonne (£20.20 in 2005/06). The following entries have been made to the Income and Expenditure Account.

|  | <b>2005/06</b>        | <b>2006/07</b>        |
|--|-----------------------|-----------------------|
|  | <b>£000</b>           | <b>£000</b>           |
| Reserve b/fwd from 2005/06                                   |                       | (1,310)               |
| Adjustment due to audit of actual Allowances used in 2005/06 |                       | (92)                  |
| Revaluation of Reserve b/fwd to 2006/07 prices               |                       | 154                   |
| Provision - Payment due to Government                        | 3,183                 | 2,636                 |
| Income - Allowances from Government                          | <u>(4,493)</u>        | <u>(3,877)</u>        |
| <b>Trading Surplus to Revenue Reserves</b>                   | <b><u>(1,310)</u></b> | <b><u>(2,489)</u></b> |
| <b>(See Note 37)</b>   |                       |                       |

The movement in the value of allowances between 2005/06 and 2006/07 is as follows:-

|  | <b>2005/06</b> | <b>2006/07</b> |
|--|----------------|----------------|
|  | <b>£000</b>    | <b>£000</b>    |
| Allowances brought forward   | -              | 4,493          |
| Use of allowances to settle liability with DEFRA   | -              | (3,091)        |
| Revaluation of balance of 2005/06 allowances<br>(£20.20 per tonne) to 2006/07 value (£17.98 per tonne) | -              | (154)          |
| Allowances for year  | 4,493          | 3,876          |
| Allowances carried forward   | <u>4,493</u>   | <u>5,124</u>   |

## 27. Long Term Borrowing and Deferred Liabilities

|  | 2005/06<br>£000 | 2006/07<br>£000 |
|--|-----------------|-----------------|
| <b>(a) Long Term Borrowing</b>   |                 |                 |
| Amounts still owed on loans received from external sources to acquire capital assets such as roads, buildings & equipment. |                 |                 |
| Long term borrowing for repayment within 1 year  | 3,611           | 5,492           |
| Long term borrowing for repayment after 1 year   | <u>224,536</u>  | <u>249,043</u>  |
| <b>Total Long Term Borrowing at 31 March</b>   | <b>228,147</b>  | <b>254,535</b>  |

|                             | 2005/06<br>£000       | %                 | 2006/07<br>£000       | %                 |
|-----------------------------|-----------------------|-------------------|-----------------------|-------------------|
| Maturity date               |                       |                   |                       |                   |
| Within 1 year               | 3,611                 | 2                 | 5,492                 | 2                 |
| 1 year and up to 2 years    | 5,492                 | 2                 | 2,855                 | 1                 |
| 2 years and up to 5 years   | 10,980                | 5                 | 12,026                | 5                 |
| 5 years and up to 10 years  | 26,796                | 12                | 28,998                | 11                |
| 10 years and up to 15 years | 23,875                | 10                | 26,135                | 10                |
| 15 years and up to 20 years | 41,975                | 18                | 40,414                | 16                |
| 20 years and up to 25 years | 23,294                | 10                | 20,493                | 8                 |
| 25 years and over           | 92,124                | 40                | 118,122               | 46                |
|                             | <u><b>228,147</b></u> | <u><b>100</b></u> | <u><b>254,535</b></u> | <u><b>100</b></u> |
| <b>Source of Borrowing</b>  |                       |                   |                       |                   |
| Public Works Loan Board     | 158,147               |                   | 154,535               |                   |
| External Bonds and loans    | <u>70,000</u>         |                   | <u>100,000</u>        |                   |
|                             | <u><b>228,147</b></u> |                   | <u><b>254,535</b></u> |                   |

### (b) Deferred Liabilities

|   |       |       |
|---|-------|-------|
| Loan taken over from District Councils when the responsibility for services was transferred to the County Council on local government reorganisation in 1974. | 4,433 | 4,027 |
|---|-------|-------|

## 28. Interest paid on External Borrowing

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

|                              | 2005/06<br>£000      | 2006/07<br>£000      |
|------------------------------|----------------------|----------------------|
| Net Interest paid to lenders | 14,994               | 16,459               |
| Management Expenses          | 60                   | 81                   |
| Total Revenue Costs          | <u><b>15,054</b></u> | <u><b>16,540</b></u> |

The average cost of external borrowing was 6.30% (2005/06 6.75%).

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

## 29. Temporary Borrowing

Temporary Borrowing relates to loans raised for periods between 1 and 364 days. There was £225,000 outstanding at the end of the financial year 2006/07 (£85,000 2005/06.)

### 30. Leasing of Vehicles, Plant and Equipment

At 31 March 2007 the County Council had annual commitments under non-cancellable operating leases as set out below. There were no finance leases.

|         | £000 |
|---------|------|
| 2007/08 | 658  |
| 2008/09 | 430  |
| 2009/10 | 166  |
| 2010/11 | 96   |
| 2011/12 | 28   |

All operating lease costs are charged to the Income and Expenditure Account; for 2006/07 this amounted to £0.9 million (£1.5 million 2005/06).

### 31. Private Finance Initiative (PFI)

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

#### Greater Nottingham Light Rapid Transport (Tram)

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

#### East Leake Schools

The Council has a contract with East Leake Schools Limited for the provision of a new secondary and primary school and community leisure facilities in East Leake. £17.2 million of PFI credits have been approved. Service commenced during 2003/04. The charge to the County Council for 2006/07 was £3.1 million (2005/06 £2.5 million). The revenue contributions towards this charge from Rushcliffe Borough Council for the community leisure facilities amounted to £0.27 million (2005/06 £0.27 million).

The Authority has transferred land to the provider to be used within the scheme. This is a reversionary interest which was valued during 2003/04 at £15.0 million. It is estimated that this has reduced the annual unitary charge by £1.5 million. The Authority will not be required to make any payment over and above any unitary charge due at 31 July 2027 for the land and buildings to be transferred back to the Council at that date. The value of this reduction is recognised in the Balance Sheet as a deferred asset which was valued at £22.05 million as at 31 March 2007 (£22.75 million as at 31 March 2006). The deferred asset is being amortised to the Education Service Revenue Account in instalments using a Net Present Value basis. In 2006/07 the amortisation amounted to £0.70 million (£0.96 million 2005/06) and will rise to £1.4 million in 2027/28.

The Authority also made a prepayment of £3.1 million which is estimated to have reduced the annual unitary charge by £0.31 million. The value of this reduction is recognised in the balance sheet as a prepayment valued at £4.6 million as at 31 March 2007. It is being amortised to the Education Service revenue account in instalments using a Net Present Value basis. In 2006-07 the amortisation amounted to £0.14 million.

The Authority will not be required to make any payment over and above any unitary charge due at 31 July 2027 for the land and buildings to be transferred back to the Council at that date. The estimated value of the new assets at contract end (excluding the land) will be £12.6 million. This value is being built up by annual Balance Sheet entries of £0.55 million.

### **Boiler and Lighting Installation and Maintenance**

The Authority also has a £3.2 million Private Finance Initiative (PFI) contract for the supply of lighting and boilers. The value of individual items is included in the revaluation of buildings. £2.3 million was financed through a 10 year lease ending in March 2010 with annual rentals of £0.4 million in 2006/07 (£0.4 million 2005/06).

### **Bassetlaw Schools**

The Council has a contract with Transform Schools (Bassetlaw) Ltd for the provision of 5 secondary schools, 2 post-16 centres, 1 special school and 2 Community Leisure centres. PFI credits of £131.6 million have been allocated by government for the scheme in Bassetlaw that started interim operations during 2005/06. The new schools are becoming operational on a number of dates during 2007 and the charge to the County Council for 2006/07 was £15.5 million. The revenue contribution from Bassetlaw District Council towards this charge for the Community Leisure facilities amounted to £4.5 million.

The Authority has transferred land to the provider to be used within the scheme. This is a reversionary interest which was valued during 2006/07 at £20.0 million. It is estimated that this has reduced the annual unitary charge by £2.0 million. The value of this reduction is recognised in the balance sheet as a deferred asset which was valued at £33.78 million as at 31 March 2007. The deferred asset will be amortised to the Education Service Revenue Account in instalments using a Net Present Value basis from 2007-08.

The Authority also made a prepayment of government grant received of £9 million which is estimated to have reduced the annual unitary charge by £0.2 million. The value of this reduction is recognised in the balance sheet as a prepayment valued at £3.5 million as at 31 March 2007. It is being amortised to the Education Service revenue account in instalments using a Net Present Value basis. In 2006-07 the amortisation amounted to £0.08 million.

The Authority will not be required to make any payment over and above any unitary charge due at 31 July 2032 for the land and buildings to be transferred back to the Council at that date. The estimated value of the new assets at contract end (excluding the land) will be £75.6 million. This value is being built up by annual Balance Sheet entries of £3.02 million.

### **Waste Recycling**

The Authority has recently received government support for a Nottinghamshire Waste PFI scheme which involves, amongst others, the commissioning of Materials Recycling Facilities and an Energy Recovery Facility. A PFI credit of £38.3 million has been allocated. The contract was signed on 26 June 2006 and unitary charge payments have commenced. However, the main facilities are expected to become operational over the next five years. It is therefore anticipated that there will be a surplus in the early years which will be transferred to reserves to meet any excess costs in later years.

## **32. Government Grants Deferred**

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

|  | <b>2005/06</b>        | <b>2006/07</b>        |
|--|-----------------------|-----------------------|
|  | <b>£000</b>           | <b>£000</b>           |
| <b>Balance at 1 April</b>              | 161,139               | 188,312               |
| Grants and contributions due on        |                       |                       |
| Depreciable assets                     | 35,354                | 42,900                |
| Magistrates Courts transfer            | (1,583)               |                       |
| Adjustment for land transferred to CFA | -                     | (1,916) *             |
| Amortised during the year              | (6,598)               | (8,039)               |
| <b>Balance at 31 March</b>             | <b><u>188,312</u></b> | <b><u>221,257</u></b> |

\* See Note 39

### 33. Insurance Provision and Reserve

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

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

The amount set aside in the insurance provision is detailed in Note 34. The insurance reserve is shown below:

| <b>Insurance Reserve</b>     | <b>2005/06</b>        | <b>2006/07</b>      |
|------------------------------|-----------------------|---------------------|
|                              | <b>£000</b>           | <b>£000</b>         |
| Ring-fenced at 31 March 1998 | 1,269                 | 1,219               |
| Since 1 April 1998           | 5,871                 | 6,465               |
|                              | <b><u>7,140</u></b>   | <b><u>7,684</u></b> |
| <br>                         |                       |                     |
| <b>Insurance Account</b>     | <b>2005/06</b>        | <b>2006/07</b>      |
|                              | <b>£000</b>           | <b>£000</b>         |
| Premiums paid                | 2,657                 | 2,596               |
| Claims made                  | 6,615                 | 4,538               |
| Contribution to Provision    | 45                    | 1,917               |
|                              | 9,317                 | 9,051               |
| Less charges to Departments  | (7,891)               | (8,241) *           |
|                              | 1,426                 | 810                 |
| Miscellaneous charges        | 261                   | 231                 |
| Total Expenditure            | 1,687                 | 1,041               |
| <br>                         |                       |                     |
| External Premiums            | (26)                  | (27)                |
| Interest on Old Fund         | (105)                 | (107)               |
| Recoveries                   | (4,110)               | (1,451)             |
| Total Income                 | (4,241)               | (1,585)             |
| Net (surplus)/deficit        | <b><u>(2,554)</u></b> | <b><u>(544)</u></b> |

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

### 34. General Provisions

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

| <b>Description</b>                       | <b>31/3/06</b>       | <b>Movement</b>     | <b>31/3/07</b>       |
|--|----------------------|---------------------|----------------------|
|  | <b>£000</b>          | <b>£000</b>         | <b>£000</b>          |
| General Insurance Claims prior to 1/4/98 | 618                  | (20)                | 598                  |
| General Insurance Claims from 1/4/98     | 6,159                | 1,943               | 8,102                |
| Landfill Trading Allowances              | 3,183                | (547)               | 2,636                |
| Provision for Restructure                | -                    | 1,443               | 1,443                |
| S117 Mental Health Act                   | 36                   | (36)                | -                    |
| Provisions below £200,000                | 495                  | 148                 | 643                  |
| <b>Total</b>                             | <b><u>10,491</u></b> | <b><u>2,931</u></b> | <b><u>13,422</u></b> |

### 35. Capital Expenditure Reserve

This reserve is used to meet capital expenditure. The balance brought forward from 2005/06 was £1.8 million. During the financial year, the balance on the reserve was reviewed and increased by £1.4 million. £0.03 million was used to finance capital expenditure leaving a reserve of £3.2 million.

### 36. Capital Receipts and Grants Unapplied

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

|                                 | Capital Receipts | Grants and Contributions | Total    |
|---------------------------------|------------------|--------------------------|----------|
|                                 | £000             | £000                     | £000     |
| <b>Balance at 1 April 2006</b>  | -                | -                        | -        |
| Receivable                      | 14,267           | 43,000                   | 57,267   |
| Applied                         | (14,267)         | (43,000)                 | (57,267) |
| <b>Balance at 31 March 2007</b> | <u>-</u>         | <u>-</u>                 | <u>-</u> |

### 37. Revenue Reserves

|                              | 2005/06              | Movement             | 2006/07              |
|------------------------------|----------------------|----------------------|----------------------|
|                              | £000                 | £000                 | £000                 |
| Contracting Services         | 263                  | 262                  | 525                  |
| Other Trading Services       | 945                  | (3)                  | 942                  |
| Earmarked for Services       | 10,225               | 3,136                | 13,361               |
| Earmarked Reserves           | 7,202                | (1,870)              | 5,332                |
| Leasing Alternatives Reserve | 358                  | 225                  | 583                  |
| Landfill Reserve             | 1,310                | 1,179                | 2,489                |
| Bassetlaw PFI Reserve        | 5,929                | 2,941                | 8,870                |
| East Leake PFI Reserve       | 1,846                | (206)                | 1,640                |
| Tram PFI Reserve             | 2,336                | 574                  | 2,910                |
| NET Phase 2 Reserve          | -                    | 4,151                | 4,151                |
| Waste PFI Reserve            | -                    | 3,188                | 3,188                |
| Earmarked from Contingency   | -                    | 1,134                | 1,134                |
| Pay Review Reserve           | 18,073               | 5,578                | 23,651               |
|                              | <b><u>48,487</u></b> | <b><u>20,289</u></b> | <b><u>68,776</u></b> |

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

**Earmarked Reserves** carry forward unspent budget earmarked for use in the following financial year. The balance brought forward from 2005/06 was £7.2 million which was used in 2006/07. Another reserve of £5.3 million has been created in 2006/07 to cover unspent budget that has been approved for use in 2007/08.

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

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

**Landfill Allowance Trading Scheme (LATS) Reserve** is the value of allowances which have not been utilised or sold by the Authority. Each year the Government sets the number of tonnes of landfill which the Authority should not exceed. This target reduces each year. From 2010 any landfill in excess of the cumulative targets will require the Authority to pay a penalty to the Government of £150 per tonne. Where the Authority uses less landfill than the target, the excess allowances are held in a reserve at market value, which was £17.98 per tonne as at 31<sup>st</sup> March 2007.

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

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

**Earmarked from Contingency** are amounts set aside to cover allocations from 2006/07 contingency where expenditure has yet to be incurred.

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

### 38. Schools Statutory Reserve

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

During 2006/07 the overall reserve has increased by £12.4 million to £36.1 million. Within the total reserve school accumulated balances increased by £6.9m to £25.3 million; a further £8.3 million relates to unspent standards fund, the majority of which must be spent by the end of August 2007. The reserve also included £3.7 million relating to the non-ISB (Individual Schools Budgets) element of the Schools Budget.

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

|  | 31/03/06             | Movement 31/03/07<br>in year |                      |
|--|----------------------|------------------------------|----------------------|
|  | £000                 | £000                         | £000                 |
| <u>School Balances</u>                             |                      |                              |                      |
| Standards Fund balances held by schools            | 6,525                | 1,742                        | 8,267                |
| Other balances held by schools                     | 18,280               | 6,985                        | 25,265               |
| <b>Total School Balances (held by Governors)</b>   | <u>24,805</u>        | <u>8,727</u>                 | <u>33,532</u>        |
| Additional school budget balances to carry forward | 299                  | (298)                        | 1                    |
|  | <u>25,104</u>        | <u>8,429</u>                 | <u>33,533</u>        |
| <b>Non ISB Balances</b>                            | -                    | 3,701                        | 3,701                |
| <u>Borrowing Against the Reserve</u>               |                      |                              |                      |
| School Loan Scheme                                 | (1,342)              | 241                          | (1,101)              |
| <b>Total Borrowing Against Reserve</b>             | <u>(1,342)</u>       | <u>241</u>                   | <u>(1,101)</u>       |
| <b>School Statutory Reserve Total</b>              | <b><u>23,762</u></b> | <b><u>12,371</u></b>         | <b><u>36,133</u></b> |



### 39. Capital Financing Account

This account contains a number of capital accounting entries: a) the amount of capital expenditure financed from revenue and capital receipts; b) the difference between the amount of depreciation charged in the year and the amount required to be charged to revenue to repay the principal element of external loans (The Minimum Revenue Provision); c) the adjustments to the Income and Expenditure Account for residual and reversionary PFI assets; and d) the value of Government Grants amortised in the financial year.

|   | £000                  | £000                  |
|---|-----------------------|-----------------------|
| <b>Balance at 1 April</b>                       | <b>273,173</b>        | <b>286,000</b>        |
| MRP less depreciation and City contribution     | (15,040)              | (16,139)              |
| Capital Grants to other bodies                  | (1,456)               | (2,511)               |
| PFI Deferred Asset Bassetlaw                    | -                     | 33,782                |
| PFI Pre Payment Bassetlaw                       | -                     | 3,457                 |
| PFI Pre Payment East Leake                      | -                     | 4,641                 |
| PFI East Leake - Reversionary Interest          | (962)                 | (848)                 |
| PFI Bassetlaw - Reversionary Interest           | -                     | (79)                  |
| PFI East Leake - Residual Interest              | 548                   | 549                   |
| PFI Tram - Residual Interest                    | 207                   | 207                   |
| Reinstatement of Impaired Assets                | 2,205                 | -                     |
| Magistrates Courts Transfer                     | 1,583                 | -                     |
| <b>Capital Financing:</b>                       |                       |                       |
| Revenue Contributions                           | 8,447                 | 4,604                 |
| Capital Receipts Applied                        | 10,697                | 14,267                |
| <b>Amortisation of Government Grants:</b>       |                       |                       |
| Assets not depreciated                          | -                     | 100                   |
| Assets depreciated                              | 6,598                 | 8,039                 |
| Adjustment for land transferred from Government |                       |                       |
| Grants Deferred                                 | -                     | 1,916 *               |
| <b>Balance at 31 March</b>                      | <b><u>286,000</u></b> | <b><u>336,069</u></b> |

\* See Note 32

### 40. Fixed Asset Restatement Account

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

|                                    | 2005/06<br>£000       | 2006/07<br>£000       |
|------------------------------------|-----------------------|-----------------------|
| <b>Balance at 1 April</b>          | <b>596,318</b>        | <b>506,702</b>        |
| Revaluations/Capital Expenditure   | (49,649)              | 134,538               |
| Disposal of fixed assets           | (4,005)               | (21,290)              |
| Fixed Asset Impairment             | (2,205)               | -                     |
| Magistrates Courts assets transfer | (33,757)              | -                     |
| <b>Balance at 31 March</b>         | <b><u>506,702</u></b> | <b><u>619,950</u></b> |

### 41. Balances

|                       | 31/03/06<br>£000     | 31/03/07<br>£000     |
|-----------------------|----------------------|----------------------|
| County Fund           | 12,462               | 19,502               |
| Housing Act Advances* | (2)                  | 1                    |
|                       | <b><u>12,460</u></b> | <b><u>19,503</u></b> |

\* See note 21 on Long Term Advances

#### 42. Members' Allowances

The Authority makes payments to Councillors for work undertaken in the course of their duties. The cost during the financial year was £1,313,319 (£1,200,203 2005/06). In addition to this, Members were reimbursed a total of £161,275 (£150,500 2005/06) for expenses incurred on Council business.

#### 43. Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central government exercises control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of specific revenue grants are set out in Note 4.

Councillors have direct control over the Council's financial and operating policies. Grants totalling £809,140 were made to twenty-three organisations in which twenty-six members had an interest (2005/06 £1,661,818 to twenty-six organisations and nineteen members). The grants were made with proper consideration of declarations of interest.

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

#### 44. Trust Funds

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

|   | <b>Balance at<br/>31/03/06<br/>£000</b> | <b>Income<br/>£000</b> | <b>Expend-<br/>iture<br/>£000</b> | <b>Balance at<br/>31/03/07<br/>£000</b> |
|---|---|------------------------|-----------------------------------|---|
| Education                                 | 32                                      | 3                      | 13                                | 22                                      |
| Social Services                           | 117                                     | 246                    | 118                               | 245                                     |
| Community Services                        | 21                                      | 5                      | 2                                 | 24                                      |
| Nottinghamshire Charitable<br>Grants Fund | 77                                      | 4                      | 12                                | 69                                      |
|   | <b><u>247</u></b>                       | <b><u>258</u></b>      | <b><u>145</u></b>                 | <b><u>360</u></b>                       |

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

|                                  | <b>Value of Investments</b> |                   |
|----------------------------------|-----------------------------|-------------------|
|                                  | <b>£000</b>                 | <b>£000</b>       |
|                                  | <b>31/03/06</b>             | <b>31/03/07</b>   |
| Education                        | 23                          | 23                |
| Social Services                  | 234                         | 102               |
| Community Services               | 60                          | 60                |
| Nottinghamshire Charitable Funds | 12                          | 12                |
|                                  | <b><u>329</u></b>           | <b><u>197</u></b> |

#### 45. European Monetary Union

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

#### 46. Pooled Budgets

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

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

\* These PCT's became part of the Nottinghamshire County Teaching PCT from 1<sup>st</sup> October 2006

##### **Integrated Community Equipment Service (ICES) – North County**

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

| <b>Pooled Budgets Memo Account<br/>North County</b> | <b>2005/06<br/>£000</b> | <b>2006/07<br/>£000</b> |
|---|-------------------------|-------------------------|
| <b>Funding</b>                                      |                         |                         |
| Nottinghamshire County Council                      | 123                     | 764                     |
| Bassetlaw PCT                                       | 30                      | 306                     |
| Newark PCT  | 32                      | 295                     |
| Mansfield PCT                                       | 28                      | 362                     |
| Ashfield PCT  | 24                      | 229                     |
| <b>Total Funding</b>                                | <b><u>237</u></b>       | <b><u>1,956</u></b>     |
| <b>Expenditure</b>                                  |                         |                         |
| Partnership Management & Administration costs       | 17                      | 62                      |
| Project set up costs                                | 19                      | -                       |
| Specialist Equipment                                | 9                       | -                       |
| Equipment   | 171                     | 1,726                   |
| Minor Adaptations                                   | 21                      | 168                     |
| <b>Total Expenditure</b>                            | <b><u>237</u></b>       | <b><u>1,956</u></b>     |

##### **Integrated Community Equipment Service (ICES) – South County**

The partnership is established to provide health and social care equipment for children and adults who require assistance to perform essential activities in their daily living. The County Council contributed £0.73 million in 2006/07 (£0.72 million in 2005/06) to the partnership.

#### 47. Contingent Liabilities

- The Authority is aware of a substantial claim from the contractor on the Tram PFI scheme. This claim continues to be vigorously contested. Following an independent hearing on the Tram claim, an adjudicator, appointed under the terms of the concession agreement, found in favour of the Councils. However, the concessionaire has not accepted this ruling and continues to pursue a financial claim.

- The Authority has contingent liabilities relating to insurance – see Note 33.
- The Authority has made provision in the accounts for the implementation of the Single Status Agreement from 1 April 2002. However, there remains a potential low liability in relation to individuals pursuing equal pay claims – see Note 37.
- A potential dispute over rights of way/highways issues. The County Council continues to seek resolution by dialogue rather than litigation.

#### **48. Post Balance Sheet Events**

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

# NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

## FUND ACCOUNT FOR YEAR ENDED 31 March 2007

|  | Notes  | 2005/06<br>£000           | 2006/07<br>£000           |
|--|--------|---------------------------|---------------------------|
| <b>Contributions</b>   | 10     |                           |                           |
| Receivable from:   |        |                           |                           |
| Employees - normal   |        | 33,893                    | 35,389                    |
| - additional voluntary                                       |        | 472                       | 468                       |
| Employers - normal   |        | 85,521                    | 93,795                    |
| - special  |        | -                         | -                         |
| - additional   | 7      | 3,470                     | 6,102                     |
| Transfers In - individuals                                   |        | 18,505                    | 15,546                    |
| Transfers In - groups  |        | -                         | -                         |
| Other income   |        | -                         | -                         |
|  |        | <b>141,861</b>            | <b>151,300</b>            |
| <br><b>Benefits payable</b>                                  | <br>10 |                           |                           |
| Pensions   |        | 69,628                    | 74,280                    |
| Lump Sums Payable:   |        |                           |                           |
| Retiring Allowances  |        | 12,834                    | 17,478                    |
| Ill-health Retirement Grants                                 |        | 111                       | 189                       |
| Death Grants   |        | 1,340                     | 1,548                     |
| Compensation   |        | 109                       | 181                       |
|  |        | <b>84,022</b>             | <b>93,676</b>             |
| <br><b>Payments to and on account of Leavers</b>             |        |                           |                           |
| Transfers Out - individuals                                  |        | 19,831                    | 10,615                    |
| Transfers Out - groups                                       |        | -                         | -                         |
| Refunds  |        | 234                       | 78                        |
| State Scheme   |        | 168                       | 21                        |
|  |        | <b>20,233</b>             | <b>10,714</b>             |
| <br><b>Administration Expenses</b>                           |        | <br><b>1,384</b>          | <br><b>1,495</b>          |
| <br><b>Net additions from dealings with members</b>          |        | <br><b><u>36,222</u></b>  | <br><b><u>45,415</u></b>  |
| <br><b>Returns on Investments</b>                            |        |                           |                           |
| Investment Income  | 5      | 68,095                    | 74,580                    |
| Change in market value of investments                        |        | 348,722                   | 118,306                   |
| Taxation   | 1      | -                         | -                         |
| Investment management expenses                               |        | (3,997)                   | (5,420)                   |
|  |        | <b>412,820</b>            | <b>187,466</b>            |
| <br><b>Net Returns on Investments</b>                        |        | <br><b><u>412,820</u></b> | <br><b><u>187,466</u></b> |
| <br><b>Net increase/decrease in the Fund during the year</b> |        | <br><b>449,042</b>        | <br><b>232,881</b>        |
| Opening net assets of the scheme                             |        | 1,735,812                 | 2,184,854                 |
| <b>Closing net assets of the Fund</b>                        |        | <b><u>2,184,854</u></b>   | <b><u>2,417,735</u></b>   |

# NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

## NET ASSETS STATEMENT

|                                  | Notes | 31 March 2006<br>£000 | 31 March 2007<br>£000 |
|----------------------------------|-------|-----------------------|-----------------------|
| <b>Investments</b>               | 5     |                       |                       |
| Fixed Interest Securities:       |       |                       |                       |
| UK Public Sector                 |       | 141,073               | 127,026               |
| UK Other                         |       | 99,580                | 97,355                |
| Overseas Public Sector           |       | 43,970                | 40,155                |
| Overseas Other                   |       | 18,304                | 20,260                |
| Index Linked Securities          |       | 16,515                | 26,081                |
| Equities - listed                |       |                       |                       |
| UK                               |       | 810,546               | 866,391               |
| Overseas                         |       | 313,804               | 365,691               |
| Pooled Investment Vehicles       |       |                       |                       |
| Unit Trusts                      |       | 193,249               | 171,527               |
| Unitised Insurance Policies      |       | 79,045                | 105,426               |
| Other Managed Funds              |       | 78,426                | 117,638               |
| Property Unit Trusts             |       | 62,824                | 79,651                |
| Unlisted Investments             |       | 588                   | 403                   |
| Property                         | 5     | 260,530               | 308,705               |
| Hedging                          |       | -                     | -                     |
| Cash and Currency                | 8     | 56,766                | 76,929                |
| Total Investments                |       | 2,175,220             | 2,403,238             |
| Net Current Assets/(Liabilities) | 6     | 9,634                 | 14,497                |
|                                  |       | <b>2,184,854</b>      | <b>2,417,735</b>      |

# NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

#### **BASIS OF PREPARATION**

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

#### **DEBTORS AND CREDITORS**

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

#### **INVESTMENTS**

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

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

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

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

*Property investments* are stated at open market value based on an annual independent valuation at 31 December 2006, with subsequent purchases included at cost.

*Acquisition costs* are included in the purchase cost of investments.

*Overseas investment* values are translated at the closing exchange rate ruling at the Balance Sheet date.

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

#### **INVESTMENT INCOME**

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

#### **TAXATION**

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

#### **FOREIGN CURRENCIES**

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

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

### **CONTRIBUTIONS**

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

### **BENEFITS PAYABLE**

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

Other benefits are accounted for on the date the member leaves the 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.

There were no scheme mergers or group transfers, in or out, in either 2005/06 or 2006/07.

### **OTHER EXPENSES**

Administration and investment management expenses are accounted for on an accruals basis. Expenses are recognised net of any recoverable VAT. Nottinghamshire County Council charges the Fund with the costs it incurs in administering the scheme and investing the Fund.

## **2. CONSTITUTION OF THE FUND**

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

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

## **3. CONTRIBUTORS AND PENSIONERS**

|                        | <b>31/3/06</b> | <b>Numbers at 31/3/07</b> |                     |                          |              | <b>Total</b> |
|------------------------|----------------|---------------------------|---------------------|--------------------------|--------------|--------------|
|                        | <b>Total</b>   | <b>County Council</b>     | <b>City Council</b> | <b>District Councils</b> | <b>Other</b> |              |
| Contributors           | 39,655         | 17,470                    | 10,022              | 4,437                    | 7,553        | 39,482       |
| Deferred Beneficiaries | 17,764         | 9,309                     | 4,899               | 2,533                    | 3,791        | 20,532       |
| Pensioners             | 19,904         | 10,300                    | 4,065               | 3,797                    | 2,928        | 21,090       |



#### 4. OPERATION OF THE FUND

(a) **Contributions and Solvency**

Employees are required by the Regulations to make percentage contributions by deduction from earnings at the rate of 6% for officers and either 5% or 6% for manual workers. Employers are required to make such balancing contributions, determined by the Fund's Actuary, as will maintain the Fund in a state of solvency, having regard to existing and prospective liabilities. In 2006/07 18 authorities made additional contributions totalling £2.36 million above their normal employer's contributions (2005/06 : 13 Authorities : £3.47 million).

(b) **Actuarial Valuations**

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

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

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

Valuation of assets is based upon market values.

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

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

(c) **Investment Policy**

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

## 5. INVESTMENTS

The original values of investments are based on market values at 1 April 1974 for investments held at that date and at cost plus expenses for subsequent purchases. At 31 March 2007 an analysis of the management arrangements was as follows:

|  | <b>31/3/06</b>   |            | <b>31/3/07</b>   |            |
|--|------------------|------------|------------------|------------|
|  | <b>£000</b>      | <b>%</b>   | <b>£000</b>      | <b>%</b>   |
| In-house                                   | 861,790          | 39         | 953,357          | 40         |
| Aegon                                      | 319,442          | 15         | 310,877          | 13         |
| Schroder Investment Management             | 452,089          | 21         | 487,203          | 20         |
| Martin Currie                              | 126,104          | 6          | 142,448          | 6          |
| Arlington Property Investors UK Ltd        | 288,333          | 13         | 339,127          | 14         |
| Hermes Lens Asset Management               | 92,440           | 4          | 106,164          | 4          |
| Standard Life                              | 14,274           | 1          | 23,271           | 1          |
| Governance 4 Owners                        | -                | 0          | 14,833           | 1          |
| Noble Group                                | 20,748           | 1          | 25,958           | 1          |
| <b>Total Market Value</b>                  | <b>2,175,220</b> | <b>100</b> | <b>2,403,238</b> | <b>100</b> |
| Original Value                             | 1,597,226        |            | 1,772,472        |            |
| Excess of Market Value over Original Value | 577,994          |            | 630,766          |            |

The analysis of investment income by type of investment shows:

|                      | <b>2005/06</b>       | <b>2006/07</b>       |
|----------------------|----------------------|----------------------|
|                      | <b>£000</b>          | <b>£000</b>          |
| Fixed Interest       | 13,263               | 12,001               |
| Equities             | 36,214               | 43,378               |
| Index-linked         | 243                  | 66                   |
| Pooled Vehicles      | 846                  | 895                  |
| Property Unit Trusts | 516                  | 611                  |
| Property             | 13,724               | 13,965               |
| Cash                 | 3,289                | 3,664                |
| Joint Ventures       | -                    | -                    |
| Other                | -                    | -                    |
|                      | <b><u>68,095</u></b> | <b><u>74,580</u></b> |

Purchases and Sales of investments were as follows:

|  | <b>2005/06</b>        | <b>2006/07</b>        |
|--|-----------------------|-----------------------|
|  | <b>£000</b>           | <b>£000</b>           |
| Purchases at cost                          | 1,017,635             | 909,476               |
| Sales at market value net of cost of sales | 905,760               | 767,154               |
| Net Purchases/(Sales)                      | <b><u>111,875</u></b> | <b><u>142,322</u></b> |

### Individual Investments over 5% of the Fund

At 31 March 2007 the fund held no investment representing over 5% of the fund (2005/06 also nil).

### Property

Property is shown at open market value (as defined by the International Valuation Standards Committee) as determined by Savills Commercial Limited, as at 31 December 2006 with subsequent additions to 31 March 2007 at cost. The analysis of property is:

|                              | <b>31 March 2006</b>  | <b>31 March 2007</b>  |
|------------------------------|-----------------------|-----------------------|
|                              | <b>£000</b>           | <b>£000</b>           |
| Freehold                     | 245,955               | 292,980               |
| Leasehold more than 50 years | 14,575                | 15,725                |
|                              | <b><u>260,530</u></b> | <b><u>308,705</u></b> |
| Original Value               | 200,227               | 212,986               |

## 6. NET CURRENT ASSETS - DEBTORS AND CREDITORS

|                                     | 31 March 2006<br>£000 | 31 March 2007<br>£000 |
|-------------------------------------|-----------------------|-----------------------|
| Debtors - sale of investments       | 1,425                 | 1,263                 |
| - other                             | 13,381                | 14,663                |
| Creditors - purchase of investments | (4,112)               | 0                     |
| - other                             | (1,060)               | (1,429)               |
|                                     | <u>9,634</u>          | <u>14,497</u>         |

## 7. MEMBERS ADDITIONAL VOLUNTARY CONTRIBUTIONS

During the period the County Council received additional voluntary contributions (avc) from members amounting to £1,056,716 (2005/06 £973,038). These were separately invested with Prudential Assurance and Scottish Widows, and are not disclosed within the assets or liabilities of either the main or the admitted bodies funds.

## 8. RELATED PARTY TRANSACTIONS

The net assets statement includes cash of £77 million (2005/06 £57 million) which is held by Nottinghamshire County Council and earns interest at the 7-day local government rate. The cash is the property of the Pension Fund and is not used for the purposes of the County Council. The maximum amount held with the County Council during 2006/07 was £100 million (2005/06 £93 million).

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

## 9. MEMBERS' REPORT

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

## 10. ANALYSIS OF CONTRIBUTIONS AND BENEFITS

|                              | County Council |                | Scheduled Bodies |                |
|------------------------------|----------------|----------------|------------------|----------------|
|                              | 2005/6<br>£000 | 2006/7<br>£000 | 2005/6<br>£000   | 2006/7<br>£000 |
| Contributions from employers | 32,144         | 36,753         | 56,847           | 63,145         |
| Contributions from employees | 13,414         | 13,867         | 20,951           | 21,989         |
| Benefits payable             | 34,432         | 39,733         | 49,590           | 53,943         |

## 11. STATEMENT OF INVESTMENT PRINCIPLES

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

# ADMISSION AGREEMENT ETC. PENSION FUND

## FUND ACCOUNT FOR YEAR ENDED 31 March 2007

|  | Notes | 2005/06<br>£000      | 2006/07<br>£000      |
|--|-------|----------------------|----------------------|
| <b>Contributions</b>                                       |       |                      |                      |
| Receivable from:   |       |                      |                      |
| Employees - normal   |       | 1,232                | 1,312                |
| - additional voluntary                                     |       | 22                   | 23                   |
| Employers - normal   |       | 2,428                | 2,592                |
| - special  |       | -                    | -                    |
| - additional   |       | -                    | 10                   |
| Transfers In - individuals                                 |       | 1,149                | 445                  |
| Transfers In - groups                                      |       | -                    | -                    |
| Other income   |       | -                    | -                    |
|  |       | <b>4,831</b>         | <b>4,382</b>         |
| <b>Benefits</b>  |       |                      |                      |
| Pensions   |       | 1,324                | 1,411                |
| Lump Sums:   |       |                      |                      |
| Retiring Allowances  |       | 314                  | 520                  |
| Ill Health   |       | -                    | -                    |
| Death Grants   |       | 36                   | -                    |
| Compensation   |       | -                    | -                    |
|  |       | <b>1,674</b>         | <b>1,931</b>         |
| <b>Payments to and on account of Leavers</b>               |       |                      |                      |
| Transfers Out - individuals                                |       | 740                  | 326                  |
| Transfers Out - groups                                     |       | -                    | -                    |
| Refunds  |       | 23                   | 4                    |
| State Scheme   |       | -                    | -                    |
|  |       | <b>763</b>           | <b>330</b>           |
| <b>Administration expenses</b>                             |       | <b>53</b>            | <b>56</b>            |
| Net additions from dealings with members                   |       | <b><u>2,341</u></b>  | <b><u>2,065</u></b>  |
| <b>Returns on investments</b>                              |       |                      |                      |
| Investment Income  | 5     | 1,617                | 1,900                |
| Change in market value of investments                      |       | 10,927               | 3,772                |
| Taxation   | 1     | -                    | -                    |
| Investment management expenses                             |       | (92)                 | (101)                |
| <b>Net returns on investments</b>                          |       | <b><u>12,452</u></b> | <b><u>5,571</u></b>  |
| <b>Net increase/(decrease) in the Fund during the year</b> |       | <b>14,793</b>        | <b>7,636</b>         |
| Opening net assets of the scheme                           |       | 51,190               | 65,983               |
| <b>Closing net assets of the Fund</b>                      |       | <b><u>65,983</u></b> | <b><u>73,619</u></b> |

# ADMISSION AGREEMENT ETC. PENSION FUND

## NET ASSETS STATEMENT

|                                  | Notes | 31 March 2006<br>£000 | 31 March 2007<br>£000 |
|----------------------------------|-------|-----------------------|-----------------------|
| <b>Investments</b>               | 5     |                       |                       |
| Fixed Interest Securities:       |       |                       |                       |
| Public Sector                    |       | -                     | -                     |
| Other                            |       | -                     | -                     |
| Equities - listed                |       |                       |                       |
| UK                               |       | 23,421                | 24,422                |
| Overseas                         |       | 6,401                 | 7,646                 |
| Index Linked Securities          |       | -                     | -                     |
| Pooled investment vehicles:      |       |                       |                       |
| Fixed Interest OEICs             |       | 8,021                 | 7,899                 |
| Index Linked OEICs               |       | 904                   | 933                   |
| Unit Trusts                      |       | 9,674                 | 10,125                |
| Unitised Insurance Policies      |       | 4,806                 | 5,163                 |
| Other Managed Funds              |       | -                     | 3,459                 |
| Property                         |       | 9,389                 | 10,545                |
| Property                         |       | -                     | -                     |
| Cash                             | 7     | 2,986                 | 2,700                 |
| Total Investments                |       | 65,602                | 72,892                |
| Net Current Assets/(Liabilities) | 6     | 381                   | 727                   |
|                                  |       | <b><u>65,983</u></b>  | <b><u>73,619</u></b>  |

# ADMISSION AGREEMENT ETC. PENSION FUND

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

#### **BASIS OF PREPARATION**

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

#### **DEBTORS AND CREDITORS**

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

#### **INVESTMENTS**

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

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

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

*Acquisition costs* are included in the purchase cost of investments.

*Overseas investment* values are translated at the closing exchange rate ruling at the Balance Sheet date.

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

#### **INVESTMENT INCOME**

Income is accounted for on an accruals basis

#### **TAXATION**

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

#### **FOREIGN CURRENCIES**

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

#### **CONTRIBUTIONS**

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

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

### **BENEFITS PAYABLE**

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

Other benefits are accounted for on the date the member leaves the 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/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 investing the Fund.

## **2. CONSTITUTION OF THE FUND**

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

## **3. CONTRIBUTORS AND PENSIONERS**

|                        | <b>Number at<br/>31/3/06</b> | <b>Number at<br/>31/3/07</b> |
|------------------------|------------------------------|------------------------------|
| Contributors           | 1,074                        | 1,099                        |
| Deferred beneficiaries | 663                          | 741                          |
| Pensioners             | 329                          | 369                          |

## **4. OPERATION OF THE FUND**

### **(a) Contributions and Solvency**

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

### **(b) Actuarial Valuations**

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

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

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

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

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

(c) **Investment Policy**

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

## 5. INVESTMENTS

A comparison with original values of investments is given in the table below. The original values of investments are based on market values at 1 April 1974 for investments held at that date and at cost plus expenses for subsequent purchases. At 31 March 2007 an analysis of the management arrangements was as follows:

|   | <b>31/3/06</b>       |            | <b>31/3/07</b>       |            |
|---|----------------------|------------|----------------------|------------|
|   | <b>£000</b>          | <b>%</b>   | <b>£000</b>          | <b>%</b>   |
| In-house  | 27,874               | 43         | 28,822               | 40         |
| Arlington Property Investors                      | 3,551                | 5          | 3,810                | 5          |
| Aegon   | 8,925                | 14         | 8,832                | 12         |
| Martin Currie                                     | -                    | 0          | 3,459                | 5          |
| Schroder Investment Management                    | 25,252               | 38         | 27,555               | 38         |
| Total Market Value                                | <b>65,602</b>        | <b>100</b> | <b>72,478</b>        | <b>100</b> |
| Original Value                                    | 51,828               |            | 56,212               |            |
| <b>Excess of Market Value over Original Value</b> | <b><u>13,774</u></b> |            | <b><u>16,266</u></b> |            |

The analysis of investment income by type of investment shows:

|                      | <b>2005/06</b>      | <b>2006/07</b>      |
|----------------------|---------------------|---------------------|
|                      | <b>£000</b>         | <b>£000</b>         |
| Fixed Interest       | 4                   | -                   |
| Equities             | 1,115               | 1,350               |
| Index-linked         | -                   | -                   |
| Pooled vehicles      | 17                  | 17                  |
| Property Unit Trusts | 342                 | 415                 |
| Property rents       | -                   | -                   |
| Cash interest        | 138                 | 118                 |
| Joint ventures       | -                   | -                   |
| Other                | 1                   | -                   |
|                      | <b><u>1,617</u></b> | <b><u>1,900</u></b> |



Purchases and Sales of Investments were as follows:

|                              | <b>2005/06</b>      | <b>2006/07</b>      |
|------------------------------|---------------------|---------------------|
|                              | <b>£000</b>         | <b>£000</b>         |
| Purchases at cost            | 15,924              | 10,065              |
| Sales at market value        | 12,762              | 3,770               |
| <b>Net Purchases/(Sales)</b> | <b><u>3,162</u></b> | <b><u>6,295</u></b> |

#### **Individual Investments over 5% of the Fund**

At 31 March 2007 the Fund held, £6.85 million of Schroders' Property Unit Trust £6.26 million of Aegon Long Balanced Fund, £4.35 million of Schroder Institutional European Fund and £3.81 million of Arlington UK Balanced Property Fund representing 9.3%, 8.5%, 5.9% and 5.2% of the Fund respectively. (2005/06 the Fund held £6.30 million of Aegon Long Balanced Fund, £5.84 million of Schroders' Property Unit Trust, £3.55 million of Arlington UK Balanced Property Fund and £3.43 million of Schroder Institutional European Fund representing 9.5%, 8.9%, 5.4% and 5.2% of the Fund respectively.)

#### **6. NET CURRENT ASSETS - DEBTORS AND CREDITORS**

|                                     | <b>31 March 2006</b> | <b>31 March 2007</b> |
|-------------------------------------|----------------------|----------------------|
|                                     | <b>£000</b>          | <b>£000</b>          |
| Debtors - sale of investments       | -                    | 47                   |
| - other                             | 441                  | 699                  |
| Creditors - purchase of investments | (15)                 | -                    |
| - other                             | (45)                 | (19)                 |
| Net Current Assets/(Liabilities)    | <b><u>381</u></b>    | <b><u>727</u></b>    |

#### **7. RELATED PARTY TRANSACTIONS**

The net assets statement includes cash of £2.7 million (2005/06 £3.0 million) which is held by Nottinghamshire County Council and earns interest at the 7-day local government rate. The cash is the property of the Pension Fund and is not used for the purposes of the County Council. The maximum amount held with the County Council during 2006/07 was £3.9 million (2005/06 £4.0 million) There are no other related party transactions between members and officers of the Council and the Fund.

#### **8. MEMBERS' REPORT**

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

## 9. ADMITTED BODIES

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

| <b>Employer</b>   | <b>2004/05</b> | <b>2005/06 to<br/>2007/08</b> |
|---|----------------|-------------------------------|
|   | <b>%</b>       | <b>%</b>                      |
| Ashfield CAB  | 9.5            | 11.6                          |
| Ashfield Women's Centre                                   | 10.0           | 11.6                          |
| Bassetlaw CAB   | 10.3           | 11.6                          |
| Bestwood Advice Centre                                    | 9.5            | 11.6                          |
| Bestwood Partnership Forum                                |                | 11.6                          |
| Broxtowe Partnership Trust                                | 10.0           | 11.6                          |
| Bulwell Vision  | 10.3           | 11.6                          |
| Catholic Children's Society                               | 9.5            | 11.6                          |
| Child Migrants Trust                                      | 10.3           | 11.6                          |
| City Arts   | 10.3           | 11.6                          |
| City of Nottingham Scout District                         | 10.0           | 11.6                          |
| Clifton Advice Centre                                     | 9.5            | 11.6                          |
| Connexions Nottinghamshire (incl Guideline Careers)       | 12.1           | 12.8                          |
| Disabilities Living Centre                                | 10.0           | 11.6                          |
| Eastwood & District CAB                                   | 10.3           | 11.6                          |
| Eastwood Volunteer Bureau                                 | 10.0           | 11.6                          |
| EMFEC   | 9.5            | 11.6                          |
| EM Media  | 10.3           | 11.6                          |
| EMMLAC  | 10.3           | 11.6                          |
| Enviroenergy Ltd  | 10.3           | 11.6                          |
| Experience Nottingham Ltd                                 | 10.3           | 11.6                          |
| First Data (Training) Ltd                                 | 10.0           | 11.6                          |
| Greater Nottingham Partnership                            | 10.3           | 11.6                          |
| Greenfields Centre Ltd                                    | 9.5            | 11.6                          |
| Groundwork Ashfield and Mansfield                         | 9.5            | 11.6                          |
| Groundwork Greater Nottingham                             | 9.5            | 11.6                          |
| Hyson Green Boys Club                                     | 10.3           | 11.6                          |
| Institute of Burial Cremation Admin                       | 10.3           | 11.6                          |
| Jesse Boot Community Basketball & Sports                  | 10.3           | 11.6                          |
| Kirkby Youth Housing Trust                                | 10.0           | 11.6                          |
| Mansfield CAB   | 9.5            | 11.6                          |
| Mansfield Rd Baptist Housing                              | 10.0           | 11.6                          |
| Meadows Advice Group                                      | 9.5            | 11.6                          |
| Meadows Partnership Trust                                 | 10.3           | 11.6                          |
| Meden Valley Making Places Ltd                            | 10.3           | 11.6                          |
| NECTA   | 10.0           | 11.6                          |
| Newark Emmaus Trust                                       | 10.0           | 11.6                          |
| New Deal for Radford & Hyson Green                        | 10.3           | 11.6                          |
| NORSACA   | 9.5            | 11.6                          |
| Nottingham Association of Local Councils                  | 10.3           | 11.6                          |
| Nottingham & District Racial Equality Council             | 9.5            | 11.6                          |
| Nottingham CAB  | 9.5            | 11.6                          |
| Nottingham Deaf Society                                   | 9.5            | 11.6                          |
| Nottingham Development Enterprise                         | 9.5            | 11.6                          |
| Nottingham Independent Venture                            | 10.0           | 11.6                          |
| Nottingham Ice Centre                                     | 10.0           | 11.6                          |
| Nottingham Regeneration                                   | 10.3           | 11.6                          |
| Nottinghamshire County Scout Association                  | 9.5            | 11.6                          |
| Nottinghamshire Rural Community Council                   | 9.5            | 11.6                          |
| Ollerton and District CAB                                 | 9.5            | 11.6                          |
| Profile Nottingham  | 10.0           | 11.6                          |
| Pro-Vision Catering                                       | 10.5           | 14.0                          |
| Regeneration East Midlands                                | 10.3           | 11.6                          |
| Rushcliffe Homes (Metropolitan Housing Trust from 2.4.07) | 12.4           | 10.4                          |
| SLM Ltd   | 12.6           | 12.4                          |
| Southwell Council for Family Care                         | 9.5            | 11.6                          |

|  |      |      |
|--|------|------|
| Southwell Leisure Centre                 | 9.5  | 11.6 |
| Technical Aid for Nottingham Communities | 9.5  | 11.6 |
| The Carers' Federation                   | 10.3 | 11.6 |
| The Partnership Council                  | 10.0 | 11.6 |
| The Pearson Centre for Young People      | 10.0 | 11.6 |
| The Renewal Trust                        | 10.0 | 11.6 |
| Trent University Students' Union         | 9.5  | 11.6 |
| UPP (Nottm)                              | 12.6 | 13.2 |
| VOSE                                     | 10.0 | 11.6 |

## **10. STATEMENT OF INVESTMENT PRINCIPLES**

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

## Glossary of Terms

|   |  |
|---|--|
| <b>Accruals</b>                               | The concept that income and expenditure are recognised as they are earned or incurred, not as money happens to be received or paid.  |
| <b>Added Years</b>                            | Additional years of service awarded to increase benefits of employees taking early retirement.   |
| <b>Balance Sheet</b>                          | The accounting statement which sets out the Council's total net assets and how they were financed.   |
| <b>Budget</b>                                 | The Council's statement of spending plans and policies for a financial year, expressed in financial terms.   |
| <b>Capital Financing Account (CFA)</b>        | Contains the elements previously recorded in the Provision for Credit Liabilities, together with amounts to be set aside to repay debt and the amount of capital expenditure financed by capital receipts and revenue. It also contains the difference between the amounts provided for depreciation and the amount for Minimum Revenue Provision. |
| <b>Capital Receipts</b>                       | 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.  |
| <b>Cash Flow Statement</b>                    | Summarises the inflows and outflows of cash arising from transactions with third parties for capital and revenue purposes.   |
| <b>Creditors</b>                              | Persons or bodies owed monies by the Authority that have not been paid by the end of the financial year.   |
| <b>DEFRA</b>                                  | Department for Environment, Food and Rural Affairs   |
| <b>Debtors</b>                                | Persons or bodies owing sums to the Authority that have not been paid by the end of the financial year.  |
| <b>Direct Labour/Service Organisations</b>    | 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.  |
| <b>Earmarked Reserves</b>                     | Reserves set aside for a specific purpose.   |
| <b>Fixed Asset Restatement Account (FARA)</b> | Represents the difference between the revalued amount of fixed assets as shown in the accounts and actual costs.   |
| <b>Fixed Assets</b>                           | Tangible assets that yield benefits to the Authority and the services it provides for a period of more than one year.  |
| <b>General Fund</b>                           | This balance is a general revenue reserve, part of this fund is earmarked to provide a number of Reserves.   |

**Government Grants Deferred Account**

The amount of money given to the Council to spend on depreciable assets that have a lasting value, for example vehicles. This amount is reduced each year as the value of the asset reduces due to wear and tear.

**Income and Expenditure Account**

The account which sets out the Council's Income and Expenditure for the year.

**Infrastructure Assets**

Fixed assets such as roads and bridges.

**Leasing**

A method of financing capital expenditure where a rental charge for an asset is paid for a specific period. There are two forms of lease, 'finance leases' which transfer substantially all the risks and rewards of ownership to the lessee and other leases which are known as 'operating leases'.

**Minimum Revenue Provision (MRP)**

The minimum amount which must be charged to revenue in the year for the repayment of debt (credit liabilities and credit arrangements). An authority may voluntarily set aside amounts in excess of the minimum required.

**Non-Operational Assets**

Fixed assets held which are not used in the provision of services.

**Operational Assets**

Fixed assets held and occupied, used or consumed by the Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

**Precept Income**

County Councils obtain part of their income from precepts levied on the district councils in their area. Precepts, based on the 'council tax bases' of the district councils, are levied on each district's 'collection fund'.

**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.

**Trust Funds**

Funds established where the Authority acts as trustee. These amounts do not form part of the County Council's resources.