NOTTINGHAMSHIRE COUNTY COUNCIL
STATEMENT OF ACCOUNTS 2009/10

CONTENTS **PAGE**

EXPLANATORY FOREWORD

1. The County Council's Statement of Accounts for the year 2009/10 is set out on the following pages. It is prepared in accordance with the 2009/10 Code of Practice on Local Authority Accounting Statement of Recommended Practice (SORP) and Best Value Accounting Code of Practice (BVACOP), both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The statements also comply with appropriate guidance notes issued by CIPFA covering the Statements of Standard Accounting Practice (SSAPs), Financial Reporting Standards (FRSs), Urgent Issues Task Force Abstracts (UITFA) and International Financial Reporting Standards (IFRS) as they apply to local authorities.

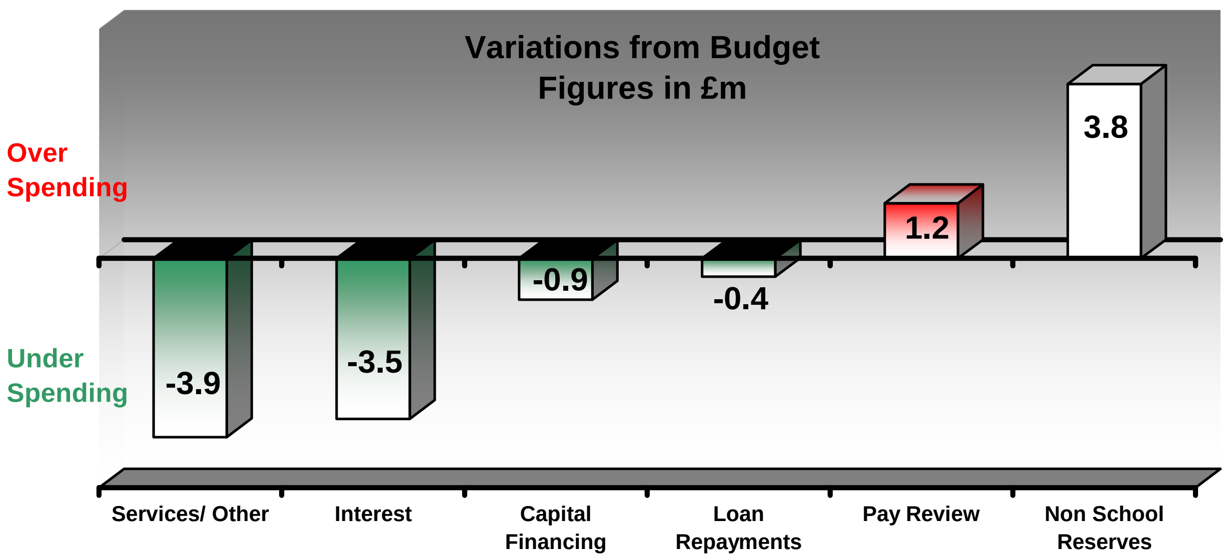
2. This foreword gives a brief summary of the Council's overall financial results for 2009/10. It also indicates the type of expenditure incurred and the ways in which money has been raised to pay for this.

Revenue Expenditure

3. The original budget estimated that there would be a £3.7 million use of General Fund balances. The final accounts show that there was no movement in balances.

	Original Budget £m	Actual £m	Variance from Budget £m
INCOME			
Income raised from taxation (Regulation amount)			
Precept Income (Council Tax)	305.0	305.0	-
Non Domestic Rate Income	136.2	136.2	-
Revenue Support Grant	31.4	31.4	-
	472.6	472.6	-
NET EXPENDITURE (inc appropriations)	**476.3**	**472.6**	**(3.7)**
Contribution (to)/from County Fund Balances	**3.7**	**-**	**(3.7)**

4. The main variations to net expenditure were:



In addition to the above Schools used £4.2 million of the Schools Statutory Reserve to fund spending in excess of the Dedicated Schools Grant.

	£m	£m
Areas where non-schools expenditure was reduced:		
Underspendings by services	(3.8)	
Interest	(3.5)	
Loan Repayments	(0.4)	
Capital Financed from Revenue	(0.9)	
Other	(0.1)	(8.7)
Areas where non-schools expenditure increased:		
Pay Review		1.2
Movement on reserves created from items above:		
Redundancy Reserve	3.1	
Carry Forwards	1.6	
Pay Review	(0.8)	
Other	(0.1)	3.8
Overall decrease in net expenditure compared with budget		**(3.7)**

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

	1.4.09 £m	Movement during year £m	31.3.10 £m
County Fund Balances	24.8	-	24.8
Reserves:			
Area Based Grant	3.6	(3.6)	–
Bassetlaw PFI	6.2	(1.9)	4.3
Capital Expenditure	3.2	(1.7)	1.5
Corporate Redundancy Reserve	–	3.1	3.1
Earmarked for Budget Carry Forwards	1.5	0.1	1.6
Earmarked for Services	18.4	2.7	21.1
Earmarked from Contingency	0.8	(0.8)	–
East Leake PFI	2.4	0.2	2.6
Improvement Programme	–	3.9	3.9
Invest to Save	2.0	(2.0)	–
Landfill Allowances	–	-	–
Leasing Alternatives	1.0	(1.0)	–
Lifecycle Maintenance	2.3	0.4	2.7
Pay Review Reserve	12.4	(7.4)	5.0
Performance Reward Grant	–	8.5	8.5
Schools Statutory Reserve	42.2	(4.2)	38.0
Trading Organisations	1.4	0.9	2.3
Tram PFI	3.6	0.3	3.9
Tram Phase 2	1.5	0.4	1.9
Waste PFI	15.4	2.7	18.1
	142.7	**0.6**	**143.3**

6. The gross revenue cost of County Council services was £1,414 million in 2009/10. The analysis by type of expenditure is:

	Amount £m	Proportion %
Employees:		
Teachers and Lecturers	282.7	19.9
Other Employees	344.9	24.3
Single Status Back Pay pre April 09	12.7	0.9
Other Running Costs	732.2	51.7
Capital Charges to service revenue accounts	44.8	3.2
	1,417.3	**100.0**

7. For 2010/11 budget reductions of £24.2 million have already been identified, including £12.9 million efficiency savings. The Authority's Medium Term Financial Strategy has identified the need for further significant savings over the next four years and the Authority will continue to prioritise efficiency savings to meet these budget reductions. An Improvement Programme has already been established to achieve cross-cutting savings in areas such as procurement, business systems, rationalisation of property and staffing structures. In addition a fundamental review of all the authority's services will be undertaken to identify the possibility of further savings.

8. This year the calculation of FRS17 liabilities has resulted in an increase in the assessment of the long-term pension liabilities (see Note 14 to the Accounts). The annual contribution required from the County Council gives the current impact of future liabilities and shows a moderate increase (see Note 13 to the Accounts).

9. The County Council continues to provide services and support to the Coroner's Service which is now a separate entity from the Authority. The revenue effect is shown under Contributions to Other Bodies within the Income and Expenditure Account.

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

	Amount £m	**Proportion %**
Specific Revenue Grants paid to County Council	618.9	43.7
Fees and Charges etc.	210.8	14.9
	829.7	58.5
Council Tax, National Non-Domestic Rate, Formula Grant, LABGI, ABG and PSA	535.1	37.8
Interest and Investment Income	2.1	0.1
Other Items	50.4	3.6
	1,417.3	**100.0**

Capital Expenditure and Financing

11. The County Council's capital expenditure in 2009/10 was £90.7 million excluding amounts counted as capital expenditure for control purposes. The external capital financing costs amounted to £11.9 million.

12. At 31 March 2010, the insured value of the County Council's buildings was £3,240 million. This sum excludes the considerable investment in roads and other infrastructure works that has taken place over the years. In addition the Council owns approximately 4,429 hectares of land. The book value of net fixed assets was £1,712 million.

13. The Council's borrowings, used to finance the past acquisitions of assets were £433.3 million at 31 March 2010. This includes long term borrowings, loans to be repaid within 1 year, deferred liabilities and finance leases related to PFI schemes. 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 2010 the amount owed of these type of borrowings was £101.3 million.

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

- The provision of a tram service by Arrow Consortium. The County and City Councils are 20% and 80% partners in the contract. The Tram became operational on 9th March 2004.
- The provision of schools at East Leake. Service commenced during 2003/04.
- The provision of schools and leisure facilities in Bassetlaw commenced during 2007/08.
- Waste recycling and energy recovery facilities. The waste recycling facility became operational in 2007/08.

Accounting for PFI schemes has been amended by the 2009 SORP. Further details of all PFI contracts are set out in Note 31 to the Accounts.

Explanation of the Statements

15. **Annual Governance Statement**

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

16. **Other Statements**

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

Income and Expenditure Account

This account summarises the resources that have been generated and consumed in providing services and managing the County Council during 2009/10. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets consumed and the real projected value of retirement benefits earned by employees in the year. This account shows how net expenditure was financed from the Council Tax, Revenue Support Grant, Area Based Grant, National Non Domestic Rates and other non-specific government grants.

Statement of the Movement on the General Fund Balance

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

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

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

Statement of Total Recognised Gains and Losses

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

Balance Sheet

The Balance Sheet sets out the financial position of the County Council as at the 31 March 2010**.** It shows the County Council's balances and reserves and its long term indebtedness, as well as the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held. The County Council's total liability to pay future retirement benefits to current pension recipients and to current employees who will retire in the future is also represented in the Balance Sheet.

Cash Flow Statement

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

Group Financial Statements and Notes
The Group Financial Statements consolidate the accounts of the Council together with those of the companies over which the County Council has a formal influence. The broad aim of consolidation is to provide readers of the financial statements with an overall picture of the Council by showing the totality of its operations and available resources.

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

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

17. **Changes in Accounting Policy**
Nottinghamshire County Council in line with other local authorities is required to adopt International Financial Reporting Standards (IFRS) from 1 April 2010. In view of the move towards IFRS reporting a decision was made by CIPFA to amend the SORP requirements for 2009/10 to ensure all relevant PFI schemes are assessed to see if they should be brought onto the Balance Sheet a year earlier than IFRS requirements. One of the most noticeable requirements under the conversion to IFRS is the need to revisit previous accounting treatment of all PFI schemes. It is now a requirement that these are brought onto the Balance Sheet, subject to passing the control test of IFRIC 12. Furthermore, the requirement is to retrospectively calculate what the position would have been if the PFI scheme had been brought onto the Balance Sheet at its inception. As a consequence, a number of PFI schemes have been assessed against the control test of IFRIC 12 and are deemed to be on Balance Sheet; namely East Leake Schools, Bassetlaw Schools and Waste Recycling schemes.

As a consequence a number of fixed assets have been added to the Balance Sheet matched by the relevant finance liability, net of any prepayments that had been made towards the various schemes. These have been shown as a prior period adjustment, which shows an adjustment to the previous overall Authority's Balance Sheet of £36.2 million.

In addition, the 2009 SORP has introduced changes in accounting for Council Tax, that require authorities to include appropriate shares of Council Tax debtors in the billing authorities' and major preceptors' Balance Sheets. This change has required a re-statement of the 2008/09 Balance Sheet of £2.5 million.

18. **Impact of Current Economic Climate**
Due to the current economic climate a general review of valuations has been undertaken in addition to the five-year rolling programme of revaluations of fixed assets. The result of this general review was a reduction in the carrying values of £133.4m. Of this amount £55.3m was written down against previous revaluation gains. The remaining £78.1m was written down through the Income & Expenditure Account.

19. **Post Balance Sheet Events**
The County Council was due to receive at least £11.0 million in performance reward grant from Central Government as a result of meeting various improvements in Local Area Agreement performance indicators. The Partnership agreed an initial payment to the relevant District Councils, leaving a balance of £8.5 million. In 2009/10 the County Council received the first instalment of the grant of £3.3 million. The District Councils were due to be paid £2.5 million, leaving the County Council with £0.8 million. As a result the Balance Sheet included a net accrual of £7.7 million and a reserve of £8.5 million since the County Council had not made decisions on spending its share of the grant in 2009/10.

On 10th June 2010 the Government provided details of grant reductions for 2010/11, as a result the County Council now expects to receive only £5.5 million, with the anticipated outstanding balance held by Nottinghamshire County Council being £4.2 million. Consequently, the net accrual and reserve will need to be written down by £4.3 million in 2010/11.

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial

Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the Fund by around 6-8%.

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

Independent auditor's report to Members of Nottinghamshire County Council
Opinion on the Authority and Group accounting statements

I have audited the Authority and Group accounting statements and related notes of Nottinghamshire County Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement and the related notes. The Authority and Group accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Nottinghamshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Service Director (Finance) and auditor

The Service Director's (Finance) responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the Authority and Group accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority and Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

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

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

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

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

Opinion

In my opinion:

- The Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and
- The Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Group as at 31 March 2010 and its income and expenditure for the year then ended.

Opinion on the Nottinghamshire County Council pension fund accounting statements

I have audited the Nottinghamshire County Council Pension Fund accounting statements for the year ended 31 March 2010 under the Audit Commission Act 1998. The Nottinghamshire County Council pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The Nottinghamshire County Council pension fund accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Nottinghamshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Service Director (Finance) and auditor

The Service Director’s (Finance) responsibilities for preparing the Nottinghamshire County Council pension fund accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the Nottinghamshire County Council pension fund accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Nottinghamshire County Council pension fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Nottinghamshire County Council pension fund during the year and the amount and disposition of the fund’s assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I read other information published with the Nottinghamshire County Council pension fund accounting statements and related notes and consider whether it is consistent with the audited Nottinghamshire County Council pension fund accounting statements. This other information comprises the Explanatory Foreword published in the financial statements and the content of the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Nottinghamshire County Council pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In my opinion the Nottinghamshire County Council pension fund accounting statements and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Nottinghamshire County Council Pension Fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Opinion on the Admission Agreement etc. Pension Fund accounting statements

I have audited the Admission Agreement etc. Pension Fund accounting statements for the year ended 31 March 2010 under the Audit Commission Act 1998. The Admission Agreement etc. pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The Admission Agreement etc. pension fund accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Nottinghamshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Service Director (Finance) and auditor

The Service Director's (Finance) responsibilities for preparing the Admission Agreement etc. pension fund accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the Admission Agreement etc. pension fund accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Admission Agreement etc. pension fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Admission Agreement etc. pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I read other information published with the Admission Agreement etc. pension fund accounting statements and related notes and consider whether it is consistent with the audited Admission Agreement etc. pension fund accounting statements. This other information comprises the Explanatory Foreword published in the financial statements and the content of the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Admission Agreement etc. pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In my opinion the Admission Agreement etc. pension fund accounting statements and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Admission Agreement etc. Pension Fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Ian Sadd
Officer of the Audit Commission
Rivermead House
7 Lewis Court
Grove Park
Enderby
Leicester
LE19 1SU
30 September 2010

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

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

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Nottinghamshire County Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Delay in certification of completion of the audit

The audit cannot be formally concluded yet for two reasons. Firstly, owing to a court case a local elector has been unable to exercise his rights in respect the Council's 2008/09 accounts. Secondly, objections made by another local elector as part of the 2008/09 audit have not been determined. The audit certificate for 2009/10 cannot be issued until both of these issues relating to the 2008/09 audit have been resolved and that year's audit has been formally concluded. I am satisfied that these matters do not have a material effect on the 2009/10 financial statements.

Ian Sadd
Officer of the Audit Commission
Rivermead House
7 Lewis Court
Grove Park
Enderby
Leicester
LE19 1SU
30 September 2010

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

* to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The Service Director (Finance) is the responsible officer;

* to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;

* to prepare and publish a Statement of Accounts in accordance with the Accounts and Audit Regulations 2003, as amended ("the Regulations").

Responsibilities of the Service Director (Finance)

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

In preparing this Statement of Accounts, the Service Director (Finance) has:

* selected suitable accounting policies and then applied them consistently;

* made judgements and estimates that were reasonable and prudent;

* complied with the Code and the Regulations.

The Service Director (Finance) has also:

* kept proper accounting records which were up to date;

* taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the accounts present a true and fair view of the financial position at the accounting date and its income and expenditure for the year ended on that date.

Alan Sumby CPFA
Service Director (Finance), Corporate Services
24 June 2010

STATEMENT OF APPROVAL OF THE STATEMENT OF ACCOUNTS

The Statement of Accounts was approved by a meeting of the County Council on 24 June 2010. The Service Director (Finance) is satisfied with the position set out in the Statement of Accounts. As Chairman of Nottinghamshire County Council I am satisfied that the approval process for the Statement of Accounts has now been completed satisfactorily and that the Statement of Accounts may now be issued.

Councillor Tom Pettengell
Chairman of the County Council
24 June 2010

ANNUAL GOVERNANCE STATEMENT

1. SCOPE OF RESPONSIBILITY

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

In discharging this overall responsibility, the County Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including the arrangements for the management of risk.

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

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework is made up from the systems, processes, culture and values put in place by the Authority. The Authority uses this framework to direct and control its work and ensure that it accounts to, engages with and leads the community. The framework enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost-effective services.

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

The governance framework has been in place at the County Council for the year ended 31 March 2010 and up to the date of approval of the Statement of Accounts.

3. THE GOVERNANCE FRAMEWORK

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

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

Elections were held in June 2009 which resulted in a new Administration for the Authority. A new Strategic Plan 2010/14 has been agreed which:-

- Provides a clear statement of the Authority's priorities, promises and values.
- Enables agreed political objectives and statutory requirements to drive the Authority's activities.
- Enables the communication of the Authority's priorities to staff, partner organisations and the community of Nottinghamshire.
- Provides a broad framework of objectives and targets to allow the performance management of the Authority.
- Meets the expectation of key external assessment agencies.

A Sustainable Community Strategy for 2010 to 2020 has also been agreed. The Strategy provides the overall guiding framework for organisations working for the benefit of Nottinghamshire.

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

The Strategic Plan provides the basis for future corporate and service planning over the period 2010 to 2014. Progress on the Authority's achievements are assessed by the setting and monitoring of targets by Cabinet. Two reports are submitted to Cabinet each year setting out the progress made. The Authority has a performance management framework which sets out in detail the individual factors that are required to manage performance and how they work together in the Authority.

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

The Authority carries out annual resident satisfaction surveys, annual budget consultations and has in place a robust complaints procedure. A Citizens Panel, 'Nottinghamshire Listens', made up of 8,000 people is in place and has been used to engage with citizens throughout the County. Progress against Strategic Plan commitments is monitored quarterly and reported to full Council every 6 months, including the commitment to ensure that all our services are good quality and provide value for money.

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

The Constitution sets out how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. Responsibility for decision making, the role of full Council, the Cabinet, Committees, Scrutiny Committees and the process for determining key decisions are defined in the Constitution. Delegations are detailed so that the functions of full Council, Cabinet, Cabinet Members, Committees and Officers are specified. Appropriate protocols are in place. The Annual Overview and Scrutiny Report provides a summary of the scrutiny work carried out during the year and highlights the recommendations made by Members to improve the delivery of public services to the communities of Nottinghamshire.

e) Developing, communicating and embedding codes of conduct, defining the standards of behaviour for Members and staff.

Codes of Conduct, for both Members and staff, are contained within the Constitution together with the Code on Member and Officer Relationships. The Constitution is posted on the Council's website. The Authority's Standards Committee is responsible for promoting and maintaining high standards of conduct by the County's Members and officers. As part of its annual work programme during 2009/10, the Standards Committee reviewed comments, compliments and complaints on the Authority's services and updates on a range of issues including Freedom of Information, Whistleblowing and the Regulation of Investigatory Powers Act.

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

The Monitoring Officer is responsible for keeping the Constitution under review and reporting any proposed amendments to Council. The most recent review was in December 2009. The Authority's Risk Register is reviewed on a regular basis to determine whether additional steps are required to mitigate key risks.

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

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

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

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

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

The Authority's Whistleblowing Policy was reviewed by the Standards Committee during 2007/8 and a number of changes made. These were approved by the County Council and the new Policy was implemented from 1 February 2008. The Authority's complaints procedure is well established and is monitored by the Standards Committee. In February 2010 the Standards Committee reviewed the Policy again and concluded that no changes were required but recommended that the effectiveness of the Council's arrangement be assessed against the BSI Code of Practice.

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

The Standards Committee has included a review of the Member Training Programme in its programme of work for 2009/10. Senior Officers' development needs are identified via the Authority's Performance and Development Review process. Additionally, during 2009/10, there have been a series of corporate leadership events designed to develop senior officers.

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

Communication channels include the County News civic newspaper delivered to every household in the County, the County website, the Citizens' Panel (made up of 8,000 residents) and targeted audiences e.g. service user and carer groups. An annual resident satisfaction survey is conducted and annual budget consultations take place. Specialist consultation forums have also been held covering a range of diversity issues and engagement with children and young people is guided by a participation plan. Regular consultation had occurred on service priorities, service improvements and environment initiatives in 2009/10.

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

The Constitution sets out policy guidance for County Council involvement in partnerships and guidance on entering into partnerships has also been produced. An Internal Audit review concluded that the Nottinghamshire Partnership has satisfactory governance in place and the Government Office for the East Midlands reported good progress was being made by the Partnership on the LAA delivery arrangements.

4. REVIEW OF EFFECTIVENESS

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

Throughout 2009/10, the Authority has maintained and reviewed the effectiveness of the governance framework. In particular:-

a) The County Council has considered its executive arrangements deciding on the election of a Leader for a 4 year period of office in June 2009. In addition it has received or agreed:-

- Annual Performance Report 2009/10 and Performance Management Framework
- Some changes to the Constitution
- A report from the Chair of Overview and Scrutiny
- Statement of Accounts 2008/09
- Lending Policy
- Budget Report 2010/11.

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

- The Nottinghamshire Improvement Programme
- Machinery of Government Changes
- Building Schools for the Future governance arrangements
- Budget Proposals
- Local Transport Plan capital programme
- Revenue Budget Monitoring
- Capital Programme Monitoring
- Annual Performance Assessment of Adult Social Care
- The Annual Audit Letter 2009

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

- Internal Audit Annual Plan 2009/10
- National Fraud Initiative
- Annual Governance Statement
- Audit Commission Audit and Inspection Plan
- External Audit Governance Report
- Critical Infrastructure Review
- Implementation of Flooding Review recommendations
- Managing Attendance in Schools
- Budget Consultation process

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

- Engaging Leadership – promoting the ethical well-being of the Authority
- Corporate complaints procedure – a summary of complaints
- Procedure for local investigation and determination of Code of Conduct complaints
- Regulation of Investigatory powers inspection
- Annual Work Programme and timetable

e) Internal Audit has undertaken planned reviews of internal control procedures across all departments and across a range of functions in the Authority. Each review contains an opinion on the internal controls in place and Internal Audit's overall opinion of the Authority's system of internal control, based on the audits completed in 2009/10, is that it is adequate.

f) External Audit's Annual Audit Letter 2009, stated that the Auditor did not identify any significant weaknesses in the internal control arrangements. The External Auditor has issued an unqualified opinion on the Authority's accounts for 2008/9 though the audit is not yet formally completed owing to two outstanding matters. The Authority is assessed as performing well.

5. SIGNIFICANT GOVERNANCE ISSUES

The Authority faces a challenging year in 2010/11 and the following represent the key issues to be addressed in relation to significant governance issues:-

a) The Medium Term Financial Strategy presented to Council on 25th February 2010 sets out the Economic Outlook for the public sector. Major reductions in public spending will be necessary as the country moves out of recession. This will impact significantly on the Authority and the annual budget process will take this into account in determining the budgets for 2011/12 and beyond.

b) An Improvement Programme has been approved by Council. The programme will generate cumulative savings of £200 million over a five year period by delivering comprehensive change within a very compressed timescale. The changes include:-

- A complete overhaul of the Authority's approach to procurement
- Implementation of an integrated Business Management System
- Rationalisation of the Authority's property portfolio
- A fundamental review of all services

Key programme level risks have been identified and will be regularly reviewed by the Programme Board to ensure appropriate action is taken to mitigate risks in order to deliver the Programme objectives.

c) National Job Evaluation for schools-based staff is still on-going. The cost of this could be £10-15 million which will need to be funded. Provision for this is contained in the Pay Review Reserve and close monitoring will be essential to ensure this sum is sufficient to cover the costs involved.

d) The Pension Fund valuation in 2010 may result in the need to make additional employer contributions to the Pension Fund. A provision for this eventuality has been included in the 2010/11 budget and will need to be reviewed once the valuation results are known.

e) The Building Schools for the Future programme may result in additional, unfunded, costs. Existing provisions will need to be reviewed as full costs become known.

The Audit Committee reviewed the governance framework detailed in this statement at their meeting on 27 April 2010. We are aware of the steps that are being and will be taken to address the above significant governance issues and are satisfied that these are appropriate. We will monitor their implementation during the course of 2010/11.

Councillor Kay Cutts
Leader of the County Council
24 June 2010

Mick Burrows
Chief Executive
24 June 2010

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL POLICIES

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

2. COSTS OF SUPPORT SERVICES

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

3. PENSIONS

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

a) Teachers Pension Scheme
This is an unfunded scheme administered by the Teachers Pension Agency. The pension cost charged to the Children's and Education Services is the contribution rate set by the Department for Children, Schools and Families (DCSF) on the basis of a notional fund. This scheme is accounted for on a defined contribution basis.

b) Local Government Pension Scheme
This is a funded pension scheme. Non-teaching employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. The Council's Actuary calculates, every three years, the amount of the Employer's Contribution Rate for each of the following three financial years. This is the statutory amount charged to the Accounts each year and paid over in full to the Pension Fund.
FRS17 requires an annual snapshot of the assets and liabilities of the Fund. This is undertaken by the Council's Actuary. The Actuary also calculates the charges to be made to the Revenue Accounts under FRS17. These are split into the Current Service Cost (CSC), the Past Service Cost (PSC), the Interest Cost (IC) and the Expected Return on Assets (ERA). The CSC is charged to the Service Revenue Accounts with the PSC charged to Non-Distributed Costs, both of which are grouped within the Net Cost of Services. The IC and ERA are charged to Net Operating Expenditure. The Balance Sheet shows the calculated actuarial position of the assets and liabilities of the Fund as at 31 March each year. The bases for the actuarial calculations are set out in the Notes to the Accounts.

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

In assessing liabilities for retirement benefits at 31 March 2010 for the 2009/10 Statement of Accounts, the actuary made a number of changes in the assumptions underlying the present value of the scheme liabilities. These include changes in the assumed discount rate and inflation. Application of these revised assumptions has resulted in an increase in liabilities measured at today's prices of £644.1 million (£630.3 million LGPS, £13.8 million Teachers). These adjustments together with other actuarial gains and losses are recognised for the year in the Statement of Total Recognised Gains and Losses.

4. DEPRECIATION

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

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

5. REVENUE EXPENDITURE FINANCED FROM CAPITAL UNDER STATUTE

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

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

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 2010 issued by the Council's Head of Service (Estate Management & Valuation), D. Buckland MRICS, on 31 May 2010. A rolling five year revaluation programme is in place to maintain the accuracy of the valuations and when significant changes occur in any year they are included in the revaluation work undertaken during that year. Operational assets have been included in the Balance Sheet at the lower of net current replacement cost and net realisable value in existing use. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income & Expenditure Account where they arise from the reversal of an impairment loss previously charged to a Service revenue account. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account. Non-operational assets have been included at the lower of net current replacement cost and net realisable value.

b) Infrastructure and equipment have been included at debt outstanding at 31 March 1994 plus actual expenditure since that date.

c) Vehicles and plant have been included at written down valuation at 1 April 1994 with subsequent acquisitions included at cost as an appropriate approximation of valuation.

d) Intangible assets comprise software licences which are included at cost and are not subject to revaluation. They are amortised in equal amounts over their useful lives.

e) Furniture and fittings are included at cost, plus the value of items as at 31 March 2004 which are still in operational use.

f) Assets under construction are included at actual cost.

g) Community assets are included at nil except recent acquisitions which are held at cost.

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

The de minimis levels used for 2009/10 in compiling the assets are as follows:

Land and Buildings	£10,000
Infrastructure	All are included
Community Assets	£10,000
Vehicles and Plant	£ 6,000
Intangible	£ 6,000
IT and Communications Equipment	£ 6,000
Finance Leased Equipment	£ 6,000
Other Equipment	£ 6,000
Furniture and Fittings	£ 6,000
Under Construction	All are included

8. FINANCIAL ASSETS

Financial assets are classified into two types:

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

Loans and Receivables

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

However, the Council for policy reasons can make loans to voluntary organisations etc. at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the external organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

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

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

Available-for-sale Assets

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

Dividends are credited to revenue when the Authority has a right to receive them. For dividends from quoted securities, this is when they are quoted ex-dividend. For unquoted securities, this is when the dividend is declared, unless the security is sold before it becomes receivable.

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

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

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

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

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

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

9. STOCKS AND WORK IN PROGRESS

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

10. DEBTORS AND CREDITORS

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

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

11. FINANCIAL LIABILITIES

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

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

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

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

12. LEASING OF VEHICLES, PLANT AND EQUIPMENT

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

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

13. PRIVATE FINANCE INITIATIVE (PFI)

The Authority has entered a number of Private Finance Partnerships. PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the service passes to the PFI contractor. As the County Council is deemed to control the services that are provided under its PFI and as ownership of the fixed assets will pass to the County Council at the end of the contracts for no additional charge, the County Council carries the fixed assets used under the contracts on the Balance Sheet.

The original recognition of these assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. The assessment as to whether the assets and finance liability appears on the Balance Sheet is determined under IFRIC 12.

For the Bassetlaw Schools PFI scheme and East Leake Schools PFI scheme, the liability was written down by an initial capital contribution of £9.0 million and £2.9 million respectively.

Fixed assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the County Council.

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

- fair value of the services received during the year – debited to the relevant service in the Income and Expenditure Account
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Interest Payable and Similar Charges in the Income and Expenditure Accounts
- contingent rent – increase in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income and expenditure Account
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- lifecycle replacement costs – where possible these are recognised as fixed assets on the Balance Sheet.

14. GRANTS RECEIVED

Grants received for capital purposes are taken to the Government Grants Deferred Account. Where the associated asset is depreciated the grant is amortised over its useful life through a contribution to service revenue accounts. The zero impact on the Income and Expenditure Account is achieved by a transfer to the Capital Adjustment Account.

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

15. PROVISIONS AND RESERVES

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

16. CAPITAL RECEIPTS

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

17. LIQUID RESOURCES

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

18. VAT

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

INCOME AND EXPENDITURE ACCOUNT

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

Service	Note	2008/09 As re-stated Net Expenditure £000	2009/10 Gross Expenditure £000	2009/10 Income £000	2009/10 Net Expenditure £000
Continuing County Council Services					
Children's and Education Services		218,570	914,192	(689,532)	224,660
Environmental Services		33,572	36,340	(3,341)	32,999
Highways, Roads and Transportation	3	53,475	79,739	(17,308)	62,431
Leisure		6,920	14,898	(5,888)	9,010
Libraries		17,106	16,005	(1,756)	14,249
Planning and Development		7,629	7,399	(1,551)	5,848
Adult Social Care		192,642	297,093	(96,225)	200,868
Democratic Representation and Management		4,508	4,374	(2)	4,372
Corporate Management		6,250	17,010	(11,792)	5,218
Non Distributed Costs		25,753	12,663	(1,368)	11,295
Central Services to the Public		3,045	4,222	(966)	3,256
Exceptional Items					
Single Status - Back Pay		5,277	12,701	-	12,701
Contributions to Other Bodies					
Coroner		633	643	-	643
Net Cost of Services		**575,380**	**1,417,279**	**(829,729)**	**587,550**
Interest and Investments Income	23	(7,926)	-	(2,106)	(2,106)
Net (surplus)/deficit of Trading Undertakings		2,526	43,874	(43,875)	(1)
Pensions Interest Costs and Expected Return on Pensions Assets	14	33,978	90,056	(47,768)	42,288
Loss on Disposal of Fixed Assets *		5,664	2,097	-	2,097
Other Operating Income and Expenditure		(225)	3,472	(163)	3,309
Interest Payable	23	33,321	31,081	-	31,081
Insurance Revenue	33	(3,856)	(1,829)	(45)	(1,874)
Net Operating Expenditure		**638,862**	**1,586,030**	**(923,686)**	**662,344**
Income from Council Tax	7	(294,546)			(305,975)
General Government Grants	7	(34,710)			(46,771)
National Non-domestic Rates Redistribution	7	(139,174)			(136,194)
Local Authority Business Growth Incentive		(630)			(313)
Flood Restoration Grant		(726)			-
Area Based Grant	7	(32,310)			(34,881)
Public Service Agreement Reward Grant		-			(11,021)
(Surplus)/Deficit for the Year		136,766			127,189

* The loss on the disposal of fixed assets in the Income and Expenditure Account in 2009/10 relates principally to the transfer of assets relating to All Saints C of E Infant School (£1.6m)

The 2008/09 figures have been restated to show the effects of changes to the Code of Practice on Local Authority Accounts, see explanation of prior period adjustments.

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

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

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed;

- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

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

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

	Note	2008/09 As re-stated £000	2009/10 £000
(Surplus)/Deficit for the Year:		**136,766**	**127,189**
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	(136,420)	(122,990)
Decrease/ (increase) in General Fund Balance for the year		346	4,199
General Fund Balance brought forward		(67,406)	(67,060)
General Fund Balance carried forward		(67,060)	(62,861)
Amount of General Fund Balance held by governors under schemes to finance schools	38	(38,361)	(32,018)
Other General Fund balances held by schools	38	(3,862)	(6,006)
Amount of General Fund Balance generally available for new expenditure		(24,837)	(24,839)
		(67,060)	(62,863)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

	2008/09 As re-stated £000	2009/10 £000
(Surplus)/Deficit for the year on the Income and Expenditure Account	136,766	127,189
(Surplus)/Deficit arising on revaluation of fixed assets	(80,165)	41,044
Actuarial (gains)/losses on Pension Fund assets/liabilities	(54,094)	444,803
Any other (gains) and losses	(1,090)	(468)
Total recognised (gains)/losses for the year	**1,417**	**612,568**
Re-stated Balance Sheet at 31 March 2009	513,327	
Previous published Balance Sheet 31 March 2009	474,594	
Additional (gain)/loss arising from Prior Period Adjustment	**(38,733)**	

BALANCE SHEET

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

		31 March 2009		31 March 2010	
		As re-stated			
	Note	£000	£000	£000	£000
Long Term Assets					
Intangible Fixed Assets		1,434		943	
Tangible Fixed Assets					
Operational					
Land and Buildings		1,365,912		1,175,621	
Vehicles and Plant		11,440		12,266	
Equipment, Furniture and Fittings		43,701		45,621	
Community Assets		33		33	
Infrastructure		374,070		392,006	
Non Operational					
Land and Buildings		63,571		60,162	
Under Construction		19,340		24,921	
Net Fixed Assets	17		**1,879,501**		**1,711,573**
Long Term advances	22	2,537		2,729	
Long Term debtors	26	5,674		6,419	
Long Term Investments	22	-		-	
Total Long-Term Assets			**1,887,712**		**1,720,721**
Current Assets:					
Landfill Trading Allowances	29	-		-	
Stocks and Work in Progress		5,095		3,707	
Debtors	26	64,089		80,397	
Less Bad Debt Provision		(7,917)		(7,685)	
		56,172		72,712	
Temporary Investments	22	133,990		124,691	
			195,257		201,110
Current Liabilities:					
Creditors	27	(158,645)		(180,164)	
Bank Overdraft	28	(108,491)		(73,343)	
Deferred Income		-		-	
Loans to be repaid within 1 year	22	(9,430)		(11,962)	
Short Term Finance Lease Liability	22	(3,643)		(4,227)	
Temporary Borrowing	22	-		-	
			(280,209)		(269,696)
Total Assets less Current Liabilities			**1,802,760**		**1,652,135**
Long Term Borrowing	22	(242,013)		(275,062)	
Long Term Finance Lease Liability	22	(138,806)		(139,298)	
Deferred Liability	23	(3,166)		(2,729)	
Government Grants Deferred	32	(282,120)		(251,259)	
Provisions	35	(9,686)	(675,791)	(11,321)	(679,669)
FRS17 Pensions Liability	14		(613,642)		(1,071,707)
Total Assets less Liabilities			**513,327**		**(99,241)**
Available Reserves					
Capital Receipts and Grants Unapplied	36		-		1,370
Revenue Reserves	37		75,675		80,558
General Insurance	33		12,692		14,566
Other Reserves					
Schools Statutory Reserve	38		42,223		38,024
Capital Adjustment Account	39		765,365		655,962
Revaluation Reserve	40		203,813		153,740
FRS17 Pensions Reserve	14		(613,642)		(1,071,707)
Financial Instruments Adjustment Account	22		(189)		(175)
Collection Fund Adjustment Account	7		2,553		3,582
Balances (including Housing Act Advances)	41		24,837		24,839
			513,327		**(99,241)**

The 2008/09 figures have been restated to show the effects of changes to the Code of Practice on Local Authority Accounts, see explanation of prior period adjustments.

CASH FLOW STATEMENT

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

	Note	2008/09 As re-stated £000		2009/10 £000	
Revenue Activities					
Cash Outflows:					
Cash paid Employees		624,770		642,390	
Other Operating Costs		863,553		1,041,320	
		1,488,323		1,683,710	
Cash Inflows:					
Precept Income		(293,954)		(304,946)	
Revenue Support Grant/NNDR/GGG		(173,884)		(182,965)	
LABGI		(630)		(313)	
Public Service Agreement Reward Grant		-		(11,021)	
Flood Restoration Grant		(726)		-	
Area Based Grant		(32,310)		(34,881)	
Other Government Grants	5	(585,220)		(618,850)	
Cash Received for Goods & Services		(456,551)		(595,114)	
		(1,543,275)		(1,748,090)	
Revenue Activities Net Cash Flow:			**(54,952)**		**(64,380)**
Returns on Investments and Servicing of Finance					
Cash Outflows:					
Interest Paid		20,548		11,971	
Interest on Finance Leases		16,400		18,771	
Cash Inflows:					
Interest Received		(8,397)		(4,956)	
			28,551		**25,786**
Capital Activities					
Cash Outflows:					
Capital Payments		104,550		89,165	
Purchase of Long Term Investments		-		-	
Long Term Advances		1,165		415	
Capital Grants		-		-	
		105,715		89,580	
Cash Inflows:					
Sale of Fixed Assets		(5,294)		(2,218)	
Capital Grants and Contributions Received		(37,725)		(45,865)	
Sale of Long Term Investments		-		-	
Other Capital Income		(704)		(439)	
		(43,723)		(48,522)	
Capital Activities Net cash flow:			**61,992**		**41,058**
Total Net cash flow before financing:			**35,591**		**2,464**
Management of Liquid Resources:					
Increase/(Decrease) in short term deposits			(32,000)		(6,450)

Financing

Cash Outflows:				
Repayments of amounts borrowed	3,401		5,195	
Capital Element of Finance Lease Repaid	2,372		3,643	
Cash Inflows:				
New loans raised	(10,000)		(40,000)	
		(4,227)		**(31,162)**
(Increase)/Decrease in cash		**(636)**		**(35,148)**

RECONCILIATION TO THE CASH FLOW STATEMENT

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

	2008/09 As re-stated £000	**2009/10 £000**
Net (Surplus)/Deficit	136,766	127,189
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(136,420)	(122,990)
Increase in General Fund Balance for the year		
External Interest Paid	(36,948)	(30,742)
Minimum Revenue Provision	(17,460)	(17,486)
Finance Lease Liability	(2,372)	(3,643)
REFfCUS	9,707	20,166
Grants used to fund REFfCUS	(5,099)	(17,543)
Revenue Contributions to Capital Outlay	(8,209)	(2,978)
Contributions (to)/from provisions and reserves	20,175	(5,222)
Other	55	54
Increase/(decrease) in Capital Grants unapplied	-	(1,370)
Increase/(decrease) in revenue debtors	2,723	14,031
Increase/(decrease) in stocks/w.i.p.	717	(1,388)
Increase/(decrease) in Long term investments (interest)	(1,585)	(339)
Increase/(decrease) in Temporary lending (interest)	1,114	(2,849)
Increase/(decrease) in PWLB & Long term borrowing (interest)	(67)	-
Increase/(decrease) in Landfill Trading Allowances	(1,735)	-
Increase/(decrease) in revenue creditors	(21,799)	(20,027)
Increase/(decrease) in schools balances	(2,912)	(4,199)
Increase/(decrease) in other balances	-	-
Deduct interest and investment income	8,397	4,956
Revenue Activities Net Cash Flow	**(54,952)**	**(64,380)**

The 2008/09 cashflow statement has been amended as a consequence of the Prior Period Adjustments and change in accounting for interest paid to the Pension Fund

Movement in current assets and liabilities

	31/3/09 £000	**31/3/10 £000**	**Moved 09/10 £000**
Debtors	70,881	91,419	20,538
Creditors	(168,264)	(191,276)	(23,012)
Stocks and Work in Progress	5,095	3,707	(1,388)
Temporary Borrowing	-	-	-
Temporary Loan Investments	131,050	124,600	(6,450)
Landfill Trading Allowances	-	-	-

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

	31/3/09 £000	31/3/10 £000	Moved 09/10 £000
Imprests	83,275	86,828	3,553
Cash & bank	(87,254)	(74,286)	12,968
Amounts owed to the Pensions Fund	(104,512)	(85,885)	18,627
Net Cash Flow	**(108,491)**	**(73,343)**	**35,148**

Reconciliation of cash movement to net debt

	£000
Increase/(decrease) in cash in the period	35,148
Cash inflow from (increase)/decrease in debt	(31,162)
Cash inflow from increase/(decrease) in liquid resources	(6,450)
Movement in net debt for the period	(2,464)
Non Cash Movement	(7,907)
Net debt at 1 April 2009	(371,559)
Net debt at 31 March 2010	**(381,930)**

Analysis of net debt

	Balance as at 1 April 2009 £000	Cash flow £000	Non Cash £000	Balance as at 31 March 2010 £000
Cash in hand/(overdrawn)	(108,491)	35,148	-	(73,343)
Short term deposits	133,990	(6,450)	(2,849)	124,691
Debt due after 1 year	(388,705)	(32,612)	4,228	(417,089)
Debt due within 1 year	(8,353)	1,450	(9,286)	(16,189)
	(371,559)	**(2,464)**	**(7,907)**	**(381,930)**

Reconciliation of Financing and Management of Liquid Resources

	Repayments of Amounts Borrowed £000	New Loans Raised £000	Repayment of Short Term Deposits £000	(Increase)/Decrease in Cash and Cash Equivalents £000
Short term deposits	-	-	6,450	(6,450)
Temporary Borrowing	-	-	-	-
PWLB	4,758	(40,000)	-	(35,242)
Finance Leases	3,643	-	-	3,643
LOBO	-	-	-	-
City and District Councils	437	-	-	437
	8,838	**(40,000)**	**6,450**	**(37,612)**

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

SUMMARY REVENUE ACCOUNTS OF TRADING UNDERTAKINGS

	2008/09			2009/10		
	Turnover	**Expend-iture**	**Surplus/ (Deficit)**	**Turnover**	**Expend-iture**	**Surplus/ (Deficit)**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Direct Services *Cleaning, catering, vehicle maintenance, building and grounds maintenance and highways maintenance to the Authority. Some work is undertaken on behalf of external clients.*	87,467	90,245	(2,778)	85,076	85,721	(645)
Legal Services *Provision of legal services to the Authority*	3,025	2,967	58	3,548	3,229	319
County Supplies *A purchasing and supply service to the Authority and some external public bodies*	6,316	6,193	123	6,243	6,117	126
Design, Publications & Print *A design and printing service to the Authority*	2,509	2,513	(4)	1,920	2,075	(155)
Clayfields Secure Unit *Specialist childrens' services to the Youth Justice Board and Local Authorities*	4,218	4,143	75	4,210	3,854	356
Total	103,535	106,061	(2,526)	100,997	100,996	1

Notes:

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

EXPLANATION OF PRIOR PERIOD ADJUSTMENTS

The County Council's Statement of Accounts for the year 2009/10 is prepared in accordance with the 2009 Code of Practice on Local Authority Accounting (SORP) and Best Value Accounting Code of Practice (BVACOP), both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). Nottinghamshire County Council in line with other local authorities are required to adopt International Financial Reporting Standards from 1 April 2010. In view of the move towards IFRS reporting a decision was made by CIPFA to amend the SORP requirements for 2009/10 to ensure all relevant PFI schemes are assessed to see if they should be brought onto the Balance Sheet a year earlier than IFRS requirements.

One of the most noticeable requirements under the conversion to IFRS is the need to revisit previous accounting treatment of all PFI schemes. It is now a requirement that these are brought onto the Balance Sheet, subject to passing the control test of IFRIC 12. Furthermore, the requirement is to retrospectively calculate what the position would have been if the PFI scheme had been brought onto the Balance Sheet at its inception. The following PFI schemes have been assessed against the control test of IFRIC 12 and are deemed to be on Balance Sheet:

East Leake Schools
Bassetlaw Schools
Waste Recycling

In addition, the 2009 SORP has introduced changes in accounting for Council Tax, that require authorities to include appropriate shares of Council Tax debtors in the billing authorities' and major preceptors' Balance Sheets. This change has required a re-statement of the 2008/09 accounts.

The above changes have had the following impact on the comparative figures for 2008/09 compared with those published in the 2008/09 Statement of Accounts (only figures that have changed are included in the table in detail).

Impact on the Balance Sheet is as follows:

	Balance Sheet 2008/09 Statement of Accounts £000	Change due to IFRIC 12 £000	Changes to Council Tax £000	2008/09 Comparatives Balance Sheet £000
Operational Land and Buildings	1,177,086	188,826		1,365,912
Non-operational Land and Buildings	63,592	(21)		63,571
Under Construction	13,369	5,971		19,340
Net Fixed Assets	**1,684,725**	**194,776**		**1,879,501**
Long Term Debtors	21,821	(16,147)		5,674
Impact on Total Long Term Assets	**1,709,083**	**178,629**		**1,887,712**
Current Assets				
Debtors	49,396		14,693	64,089
Less Bad Debt Provision	(2,051)		(5,866)	(7,917)
	47,345		8,827	56,172
Total Current Assets	**186,430**		**8,827**	**195,257**
Current Liabilities				
Creditors	(152,371)		(6,274)	(158,645)
Short Term Finance Lease Liability	-	(3,643)		(3,643)
Total Current Liabilities	**(270,292)**	**(3,643)**	**(6,274)**	**(280,209)**
Impact on Total Assets less Current Liabilities	**1,625,221**	**174,986**	**2,553**	**1,802,760**
Long Term Finance Lease Liability	-	(138,806)		(138,806)
Total Long Term Liabilities	**(536,985)**	**(138,806)**		**(675,791)**
Impact on Total Assets less Liabilities	**474,594**	**36,180**	**2,553**	**513,327**
Reserves and Balances				
Revenue Reserves	83,726	(8,051)		75,675
Collection Fund Adjustment Account	-		2,553	2,553
Capital Adjustment Account	736,579	28,786		765,365
Revaluation Reserve	188,368	15,445		203,813
Impact on Total Reserves & Balances	**474,594**	**36,180**	**2,553**	**513,327**

Impact on the Income and Expenditure Account is as follows:

	Income and Expenditure Account 2008/09 Statement of Accounts £000	Change due to IFRIC 12 £000	Changes to Council Tax £000	2008/09 Comparatives Income and Expenditure Account £000
Continuing Council Services				
Children's and Education Services	217,309	1,261		218,570
Environmental Services	30,573	2,999		33,572
Impact on Net Cost of Services	**571,120**	**4,260**	**-**	**575,380**
Interest Payable *	20,615	12,706		33,321
Impact on Net Operating Expenditure	**621,896**	**16,966**	**-**	**638,862**
General Government Grants	(19,374)	(15,336)		(34,710)
Precept Income**	(293,954)		(592)	(294,546)
(Surplus)/Deficit for the Year	**135,728**	**1,630**	**(592)**	**136,766**

Notes

* Interest Payable figure has been amended to include interest owed to the Pension Fund during 2008/09 of £4.9 million.

** Precept Income renamed Income from Council Tax

Impact on the Statement of Movement on the General Fund Balance is as follows:

	2008/09 Statement of Accounts £000	Change due to IFRIC 12 £000	Changes to Council Tax £000	2008/09 Comparatives £000
(Surplus)/Deficit for the Year	**135,728**	**1,630**	**(592)**	**136,766**
Net Additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(135,382)	(1,630)	592	(136,420)
Increase in General Fund Balance for the Year	346			346
General Fund Balance carried forward	**(67,060)**	**-**	**-**	**(67,060)**

Note The above figures have been reflected in the restatement of the Reconciliation to the Cash Flow Statement

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	2008/09 As re-stated £000	2008/09 £000	2009/10 £000	2009/10 £000
Amounts included in the Income and Expenditure Account but required by statute to be exluded when determining the movement on the General Fund Balance for the year.					
Amortisation of Intangible Fixed Assets			(487)		(507)
Depreciation of Fixed Assets			(40,815)		(44,266)
Impairment of Fixed Assets			(103,181)		(172,960)
Profit/Loss on disposal of Fixed Assets			(5,664)		(2,097)
Government Grants Deferred Amortisation			11,533		79,708
Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute			(9,706)		(20,166)
Amortisation of REFfCUS Grants			5,099		17,543
Net Charges made for retirement benefits in accordance with FRS17.			(72,570)		(67,657)
Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt			13		14
Amount by which Council Tax income included in the Income and Expenditure Account is different from the amount taken to the General Fund in accordance with regulation			592		1,029
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the General Fund Balance for the year.					
Minimum Revenue Provision			19,832		21,129
Capital Expenditure charged to the General Fund			8,209		2,978
PFI Adjustments			207		207
Employers Contribution to Pension Fund and retirement benefits payable direct to pensioners			50,436		53,928
Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year					
Capital Recipts Unapplied	36	-		1,370	
Insurance Revenue Reserves	33	3,856		1,873	
Revenue Reserves	37	(3,774)		4,884	
Net Transfer to Earmarked Reserves			82		8,127
Net additional amount to be debited/(credited) to the General Fund Balance for the year			(136,420)		(122,990)

2. Exceptional Item

Exceptional items are ones that are material in terms of the Council's overall expenditure and not expected to recur frequently or regularly. Exceptional items are included on the face of the Income and and Expenditure Account where it is felt that the costs are so significant as to warrant a separate disclosure. The back pay costs related to service prior to 1 April 2009, as a consequence of adopting the Single Status Agreement (£12.7 million for 2009/10) fall into this category and have therefore been included on the face of the Income and Expenditure Account as an exceptional item.

3. Agency Work

The County Council carries out work on behalf of the Highways Agency, mainly relating to traffic signal maintenance and payment of energy charges for Area 7 of the Trunk Road network. Expenditure is fully reimbursed by the Highways Agency and the amount for 2009/10 was £405,000 (£442,000 for 2008/09).

4. Audit Fees

The Authority has been advised of the following fees payable to the Audit Commission. All fees have been included in the accounts for the period to which they relate except grant claims. The fees included for grant claims are an estimate of the cost of the certification of grant claims and returns relating to 2009/10 which will be paid to the Audit Commission in 2010/11.

	2008/09	**2009/10**
	£000	**£000**
External Audit	224	230
Inspection	85	17
Grant Claims	15	15
Other Services	-	28
	324	290

The other services relates to objections and queries from electors.

5. Specific Revenue Grants

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

	2008/09	**2009/10**
	As re-stated	
Service	**£000**	**£000**
Leisure	593	791
Environmental Services	248	491
Highways, Roads and Transportation	5,102	5,408
Children and Education Services	546,279	575,363
Adult Social Care	28,890	28,835
Planning and Development	110	742
Corporate Management	2,642	6,907
General	1,356	313
	585,220	**618,850**
Funding Body		
Dept. for Communities and Local Govt.	34,536	36,931
Department for Children, Schools and Families	539,341	569,901
Department of Health	1,941	4,170
Department for Transport	502	836
Department for Works and Pensions	1,598	1,266
European Grants	131	-
Home Office	1,182	1,101
Milk Intervention Board	119	87
Arts Council	45	76
Department for Innovation, Universities and Skills (DIUS)	5,149	3,767
Sport England	345	649
Other	331	66
	585,220	**618,850**

The 2008/09 figures have decreased by £15.3 million to the previous accounts as a consequence of the changes in the 2009 SORP relating to the treatment of grants associated with PFI schemes.

6. Minimum Revenue Provision

Regulations require local authorities to set aside money to provide for redemption of outstanding debt. This amount is offset against the level of depreciation already charged to the Authority's Income and Expenditure Account to ensure that depreciation charges do not increase the net expenditure of the Authority. The MRP Policy agreed by the Authority on 25 February 2010 requires that:

- MRP for capital expenditure financed by borrowing prior to 1 April 2007 continues to be based on the previous regulatory method and the Authority continues to set aside 4% of outstanding debt.

- MRP for capital expenditure financed by borrowing after 1 April 2007 is made on the basis of equal annual instalments over the estimated lives of assets; and

- For "on Balance Sheet" PFI contracts the MRP requirement is regarded as met by a charge equal to the element of the unitary charge applied to write down the liability.

The amount required under the MRP regulations for 2009/10 is £21.1million (£19.8 million for 2008/09) of which £3.6 million (£2.4 million 2008/9) relates to repayment of the PFI finance liablilty.
The amount of depreciation charged was £44.8 million (£38.0 million for 2008/09).

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

Revenue Support Grant, Area Based Grant, National Non-Domestic Rates and credits towards on Balance Sheet PFI schemes are paid to the County Council directly by the Government. The County Council set the 2009/10 Tax for a Band D property at £1,193.18 (£1,158.43 in 2008/09). 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.

Changes brought about by the SORP 2009 entail the figure for income from Council Tax now includes accruals for the year-end position for the County Council's share of the various Disctrict Council Collection Funds. The value of the accrual in 2009/10 is £1.0 million (£0.6 million for 2008/09) which is reversed out through the Statement of Movement in the General Fund Balance (see Note 1) and held in the Balance Sheet in the Collection Fund Adjustment Account.

8. Dedicated Schools Grant

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

Details of the deployment of DSG receivable for 2009/10 are as follows:

Schools Budget Funded by Dedicated Schools Grant

	Central Expenditure	**Individual Schools Budget**	**Total**
	£000	**£000**	**£000**
Final DSG for 2009/10	37,525	388,749	426,274
Brought Forward 2008/09	4,650	-	4,650
Carry Forward to 2009/10 agreed in advance	-	-	-
Agreed budgeted distribution	**42,175**	**388,749**	**430,924**
Actual central expenditure	35,162	-	35,162
Actual ISB deployed to schools	-	388,749	388,749
Local Authority Contribution	-	-	-
Carried forward to 2010/11	**7,013**	**-**	**7,013**

9. Employee Remuneration

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

Pay Band		**Number of Staff** 2008/09	2009/10
£180,000	£184,999	0	1
£175,000	£179,999	1	0
£170,000	£174,999	0	0
£165,000	£169,999	0	0
£160,000	£164,999	0	0
£155,000	£159,999	0	0
£150,000	£154,999	0	0
£145,000	£149,999	0	0
£140,000	£144,999	1	0
£135,000	£139,999	2	1
£130,000	£134,999	0	0
£125,000	£129,999	0	1
£120,000	£124,999	1	3
£115,000	£119,999	2	2
£110,000	£114,999	0	2
£105,000	£109,999	2	1
£100,000	£104,999	1	3
£95,000	£99,999	6	5
£90,000	£94,999	6	7
£85,000	£89,999	12	15
£80,000	£84,999	12	14
£75,000	£79,999	10	15
£70,000	£74,999	17	10
£65,000	£69,999	20	29
£60,000	£64,999	59	77
£55,000	£59,999	144	136
£50,000	£54,999	240	155
		536	**477**

2008-09

Post Holder information (Post title and name (where applicable))	Note	Salary (including fees & allowances)	Expense Allowances	Total remuneration excluding pensions contributions	Employer Pension contributions	Total Remuneration
		£	£	£	£	£
Chief Executive - M Burrows	1	179,682	196	179,878	21,020	200,898
Director of CYP		134,908	224	135,132	15,287	150,419
Director of ASCH		124,816	0	124,816	13,972	138,788
Director of Corp Serv		142,788	55	142,843	16,280	159,123
Director of Communities	3	5,220	0	5,220	840	6,060
Director of Communities (Acting)	2	116,695	44	116,739	12,938	129,677
Assistant Chief Executive		79,846	73	79,919	8,222	88,141
Service Director (Finance)		87,038	16	87,054	9,139	96,193
Senior Executive Officer		49,605	0	49,605	4,345	53,950

1. M Burrows took up the post of Chief Executive on 28th April 2008, prior to that he was the Director of Communities. The annualised salary for each post is £184,410 (Chief Executive) and £ 124,622 (Director of Communities).
2. The acting Director of Communities was in post for the nine months prior to that he was a Service Director. The annualised salary was £ 121,371
3. The Director of Communities took up their post in 16th March 2009. Their annualised salary was £ 121,371

2009-10

Post Holder information (Post title and name (where applicable))	Note	Salary (including fees & allowances)	Expense Allowances	Total remuneration excluding pensions contributions	Employer Pension contributions	Total Remuneration
		£	£	£	£	£
Chief Executive - M Burrows		183,613	234	183,847	30,796	214,643
Director of CYP		134,908	263	135,171	22,530	157,701
Director of ASCH		125,836	0	125,836	21,104	146,940
Director of Corp Serv - A	1	11,114	0	11,114	1,856	12,970
Director of Corp Serv - B	2	102,121	125	102,246	17,054	119,300
Director of Communities		121,371	133	121,504	20,269	141,773
Assistant Chief Executive		81,744	75	81,819	13,651	95,470
Service Director (Finance)		91,370	0	91,370	15,259	106,629
Senior Executive Officer		53,199	0	53,199	8,884	62,083

1. The previous Director of Corporate Services left their post on 30th April 2009. Their annualised salary was £133,368
2. The Director of Corporate Services took up their post in 29th May 2009. Their annualised salary was £121,371

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

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

	2008/09		2009/10	
	£000	**£000**	**£000**	**£000**
	Exp	Income	Exp	Income
Administration and Professional Services				
NHS Trusts	25,368	25,368	26,619	26,619
Other Authorities	6,446	6,464	6,660	6,659
Schools and Colleges	343	346	221	225
Maintenance works				
NHS Trusts	18	27	13	12
Other Authorities	914	963	763	805
Schools and Colleges	386	440	75	78
	33,475	**33,608**	**34,351**	**34,398**

11. Section 137 of the Local Government Act 1972

Local authorities are empowered by Section 137 of the Local Government Act 1972, as amended, to make contributions to certain charitable funds, not for profit bodies providing a public service and mayoral appeals. During 2009/10 these powers were not used.

12. Publicity Work

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

	2008/09	2009/10
	£000	**£000**
Advertising for staff	1,983	1,571
Other advertising, including education courses	807	746
Public Relations - salaries and running costs	710	799
Economic Development promotions	-	-
Other publicity expenditure	662	614
Strategic Services (Publications Group)	266	272
	4,428	**4,002**
As a percentage of gross expenditure	0.34%	0.28%

13. Pensions – Contributions

Teachers
In 2009/10 the County Council paid £32.9 million to the Teacher's Pension Agency (£31.9 million in 2008/09) in respect of teachers' pension costs, which represents 14.1% of teachers' pensionable pay (14.1% in 2008/09). In addition, the County Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2009/10 these amounted to £5.1 million (£4.8 million in 2008/09), representing 2.17% of pensionable pay (2.10% in 2008/09).

Other Employees
During 2009/10 the net cost of pensions and other benefits amounted to £47.4 million (£43.8 million in 2008/09), which represented 16.7% of pensionable pay (16.1% in 2008/09). The actuarial report upon which the 2009/10 accounts have been prepared was for a 3 year period commencing 1 April 2008. The report indicated that the cost of providing for 100% of pension funding in accordance with SSAP 24 ''Accounting for Pension Costs'' was 16.7% of pensionable pay. The report sets out the following pension fund contribution rates for the County Council:

2008/09	16.1% of pensionable pay
2009/10	16.7% of pensionable pay
2010/11	17.4% of pensionable pay

The County Council is responsible for all pension payments relating to discretionary added years benefits it has awarded, together with the related inflation increases. The annual costs are funded by charges to Services. In 2009/10 these amounted to £1.7 million, (£1.6 million in 2008/09) representing 0.59% of pensionable pay (0.59% in 2008/09). The County Council also paid £1.7 million into the Pension Fund in 2009/10 (£1.7 million for 2008/09) to fund the non-discretionary additional strain on the pension fund of early retirements.

14. Pensions – FRS17

The FRS17 postion as at 31 March 2010 was a net liability as set out in the table below :

	2008/09 **£000**	**2009/10** **£000**
Local Government Pension Scheme	542,395	986,240
Teachers Unfunded Defined Benefit Scheme	71,247	85,467
Total Net Liability	**613,642**	**1,071,707**

Assets have been valued using the market value at 31 December 2009 increased by market index returns for the last three months of the accounting period. Liabilities have been valued using the projected unit method which assesses the future liabilities of the fund discounted to their present value. This work was undertaken by Barnett Waddingham LLP, an independent firm of actuaries, based upon the estimated position at 31 March 2010 provided by the County Council during March 2010. The actual figures for 2009/10 are not considered materially different to the estimates provided.

Local Government Pension Scheme

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

	2008/09 **£000**	**2009/10** **£000**
Income and Expenditure Account		
Net cost of Service:		
- current service cost	(34,863)	(23,432)
- past service cost	-	-
- Gains (losses) on curtailments	(1,383)	(1,057)
Net Operating Expenditure		
- interest cost	(90,736)	(85,449)
- expected return on scheme assets	61,291	47,768
Net Charge to the Income and Expenditure Account	**(65,691)**	**(62,170)**

Statement of Movement on the General Fund Balance:		
- reversal of net charges made for retirement benefits in accordance with FRS17	65,691	62,170
Actual amount charged against the General Fund Balance for pensions in the year:		
- employers benefits payable to pensioners	**45,592**	**48,859**

In addition to the recognised gains and losses included in the Income and Expenditure Account , the following actuarial gains / loses were included in the Statement of Total Recognised Gains and Losses.

	2008/09 £000	**2009/10 £000**
Actuarial gains / (losses)	46,626	(430,972)

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	2008/09 £000	**2009/10 £000**
Deficit at 1 April	**1,449,008**	**1,280,309**
Current service cost	34,863	23,432
Interest cost	90,736	85,449
Actuarial (gains) / losses	(270,134)	630,289
Gain (loss) on curtailments	1,383	1,060
Liabilities extinguished on settlements	-	(129)
Benefits paid	(39,486)	(48,508)
Contributions by scheme participants	16,201	17,334
Past service costs	-	-
Unfunded pension payments	(2,262)	(2,308)
Deficit at 31 March	**1,280,309**	**1,986,928**

Reconciliation of fair value of the scheme assets:

	2008/09 £000	**2009/10 £000**
At 1 April	**879,632**	**737,914**
Expected return on Scheme assets	61,291	47,768
Actuarial gains / (losses)	(223,508)	199,317
Employer contributions	46,046	49,297
Contributions by scheme participants	16,201	17,334
Benefits paid	(41,748)	(50,816)
Receipt/(Payment) of bulk transfer	-	(126)
At 31 March	**737,914**	**1,000,688**
Opening Net Position	**(569,376)**	**(542,395)**
Closing Net Position	**(542,395)**	**(986,240)**

The expected return on scheme assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2009 for the year to 31 March 2010). The return on gilts and other bonds are assumed to be gilts yield and corporate bond yields (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields.

Scheme History

	2005/06	2006/07	2007/08	2008/09	2009/10
	£m	£m	£m	£m	£m
Present Value of liabilities	(1,237.5)	(1,263.7)	(1,449.0)	(1,280.3)	(1,986.9)
Fair value of scheme assets	803.7	883.1	879.6	737.9	1,000.7
Surplus/(deficit) in the scheme	(433.8)	(380.6)	(569.4)	(542.4)	(986.2)
Cummulative actuarial gain (loss)	(25.6)	58.7	(113.2)	(66.6)	(497.6)

FRS17 requires the Authority to determine the surplus or deficit of its Pension Fund on an annual basis. In the short-term, changes in the value of investments can lead to a significant variation to the surplus or deficit on the fund which might be expected to show a smoother trend over the longer term. Every three years the Authority reviews its contributions to the fund based upon a detailed actuarial exercise which takes account of existing liabilities and likely investment returns and sets out an approach to meeting 100% of liabilities over a period of time. This takes a longer-term view of the fund position than that required by FRS17 and is expected to be less prone to significant changes in fund value as a result of short-term fluctuations in market values. The Authority does not expect the deficit shown to make a significant impact upon reserves or revenue funding requirements in the short term. The triennial revaluation effective 1 April 2008 showed that the Authority's contributions to the fund would be increasing by 0.6% of pensionable pay in each of the next 2 financial years and increasing by 0.7% in the final year of the valuation.

The total contributions expected to be made to the Local Government Pensions Scheme by the Council in the year to 31 March 2011 is £47.7million.

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

	31 March 2009	31 March 2010
Rate of inflation	3.00%	3.90%
Rate of increase in salaries	4.50%	5.40%
Rate of increase in pensions	3.00%	3.90%
Discount rate	6.70%	5.50%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men (years)	20.3	20.3
Women (years)	23.9	23.9
Longevity at 65 for future pensioners:		
Men (years)	21.2	21.2
Women (years)	24.9	24.9
Rate of return from equities	6.90%	7.40%
Rate of return from government bonds	4.00%	4.50%
Rate of return from other bonds	6.50%	5.50%
Rate of return from property	6.40%	6.90%
Rate of return from cash/liquidity	3.00%	3.00%
Proportion of employees opting to take an increased lump sum/reduced pension	50.00%	50.00%

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

	31 March 2009	31 March 2010
	%	%
Market Value of Assets:		
Equities	59.0	68.0
Government bonds	15.0	9.0
Other bonds	6.0	6.0
Property	16.0	15.0
Cash/Liquidity	4.0	2.0
Total Assets	100.0	100.0

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

History of experience of gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010:

	2005/06	2006/07	2007/08	2008/09	2009/10
	%	%	%	%	%
Experience adjustments on Scheme assets	12.8	2.1	(9.5)	(30.3)	19.9
Experience adjustments on Scheme liabilities	(2.3)	-	(2.5)	-	-

Teachers

Under FRS17 the Teachers added years scheme is classed as an unfunded defined benefit scheme. The Authority recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	2008/09 £000	2009/10 £000
Income and Expenditure Account		
Net cost of Service:		
- past service cost	(2,346)	(880)
- Gains (losses) on curtailments	-	-
Net Operating Expenditure		
- interest cost	(4,533)	(4,607)
Net Charge to the Income and Expenditure Account	**(6,879)**	**(5,487)**
Statement of Movement on the General Fund Balance:		
- reversal of net charges made for retirement benefits in accordance with FRS17	6,879	5,487
Actual amount charged against the General Fund Balance for pensions in the year:		
- employers benefits payable to pensioners	**4,844**	**5,069**

In addition to the recognised gains and losses included in the Income and Expenditure Account , the following actuarial gains / losses were included in the Statement of Total Recognised Gains and Losses.

	2008/09 £000	2009/10 £000
Actuarial gains / (losses)	7,468	(13,831)

Liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	2008/09 £000	2009/10 £000
Deficit at 1 April	**76,603**	**71,247**
Interest cost	4,533	4,607
Actuarial (gains) / losses	(7,468)	13,831
Gain (loss) on curtailments	-	-
Past service costs	2,346	880
Unfunded pension payments	(4,767)	(5,098)
Deficit at 31 March	**71,247**	**85,467**

Scheme History

	2005/06	2006/07	2007/08	2008/09	2009/10
	£m	£m	£m	£m	£m
Present Value of liabilities	(68.3)	(67.0)	(76.6)	(71.2)	(85.5)
Fair value of scheme assets	-	-	-	-	-
Surplus/(deficit) in the scheme	(68.3)	(67.0)	(76.6)	(71.2)	(85.5)

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

	31 March 2009	31 March 2010
Rate of inflation	3.00%	3.90%
Rate of increase in salaries	4.50%	5.40%
Rate of increase in pensions	3.00%	3.90%
Discount rate	6.70%	5.50%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men (years)	20.3	20.3
Women (years)	23.9	23.9
Longevity at 65 for future pensioners:		
Men (years)	21.2	21.2
Women (years)	24.9	24.9

15. Specific Capital Government and European Grants and Contributions

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

16. Capital Grants to Other Bodies (REFfCUS)

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

	2008/09	2009/10
	£000	£000
Balance at 1 April	-	-
Capital Grants	9,707	20,166
Amortised to revenue	(9,707)	(20,166)
Balance at 31 March	-	-

17. Fixed Assets

	Op Land & Buildings £000	Vehicles & Plant £000	Equip. Furn. & Fitts £000	Infra-Structure £000	Under Constrn £000	Comm-unity £000	Intangible Assets £000	Non-Op Land & Buildings £000	TOTAL £000
Gross Book Value									
As at 31 March 2009	**1,379,484**	**17,333**	**68,635**	**459,454**	**19,340**	**35**	**3,546**	**63,571**	**2,011,398**
Additions	32,850	2,180	9,689	32,908	14,757		16	2,978	**95,378**
Donations		89							**89**
Disposals	(3,544)	(341)	(1,528)					(944)	**(6,357)**
Impairments	(247,411)			(5,410)	(71)			(10,538)	**(263,430)**
Revaluations	22,088							1,074	**23,162**
Reclassifications	3,152			1,932	(9,105)			4,021	**-**
Total as at 31 March 2010	**1,186,619**	**19,261**	**76,796**	**488,884**	**24,921**	**35**	**3,562**	**60,162**	**1,860,240**
Depreciation									
As at 31 March 2009 Depn	**(13,572)**	**(5,893)**	**(24,934)**	**(85,384)**	-	**(2)**	**(2,112)**	-	**(131,897)**
Depn charged in the year	(23,316)	(1,315)	(7,761)	(11,875)			(507)		**(44,774)**
Disposals	7	213	1,520						**1,740**
Adj of depn on impairment	14,960			381					**15,341**
Revaluations	10,923								**10,923**
Reclassifications									-
Total as at 31 March 2010	**(10,998)**	**(6,995)**	**(31,175)**	**(96,878)**	**-**	**(2)**	**(2,619)**	**-**	**(148,667)**
Net Fixed Assets									
As at 31 March 2010	**1,175,621**	**12,266**	**45,621**	**392,006**	**24,921**	**33**	**943**	**60,162**	**1,711,573**
As at 31 March 2009	**1,365,912**	**11,440**	**43,701**	**374,070**	**19,340**	**33**	**1,434**	**63,571**	**1,879,501**
Nature of asset holding									
Owned	938,789	12,266	45,621	392,006	17,631	33	943	59,843	**1,467,132**
Leased	38,100							319	**38,419**
PFI	198,732				7,290				**206,022**
	1,175,621	**12,266**	**45,621**	**392,006**	**24,921**	**33**	**943**	**60,162**	**1,711,573**
Analysis of Net Assets Employed									
General Fund	1,172,509	8,357	45,266	392,006	24,921	33	943	60,162	1,704,197
Trading Operations	3,112	3,909	355						7,376
	1,175,621	**12,266**	**45,621**	**392,006**	**24,921**	**33**	**943**	**60,162**	**1,711,573**

Notes:

1. Assets are revalued in accordance with the rolling five–year programme.
2. Revaluations show the net position after capital expenditure and the increased value of assets in the financial year
3. Intangible assets comprise software licences.
4. An additional general impairment review has been undertaken in 2009/10 to take account of the current economic climate
5. The net assets at 31 March 2009 have been re-stated as a consequence of the assessment of PFI schemes against IFRIC 12
6. Please refer to Accounting Policy 4 for our policy on depreciating assets

18. Capital Expenditure and Financing

	Note	2008/09 As re-stated £000	2009/10 £000
Opening Capital Financing Requirement (CFR)		585,511	628,410
Capital Investment			
Operational assets		99,321	87,681
Non-operational assets		5,364	2,978
Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute	16	9,707	20,166
Additions to PFI Finance Liability		4,040	4,720
Sources of finance			
Capital receipts	36	(3,382)	(2,520)
Less capital receipts brought forward		-	-
Government grants and other contributions	15	(43,903)	(66,305)
Sums set aside from revenue (inc. MRP) *		(25,876)	(20,668)
Repayment of PFI finance liabilty		(2,372)	(3,643)
		628,410	**650,819**

	2008/09 £000	2009/10 £000
Explanation of movements in year		
Increase in underlying need to borrow (supported by Government financial assistance)	21,738	18,338
Increase in underlying need to borrow (unsupported by Government financial assistance)	21,161	4,071
	42,899	**22,409**

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 2010 are:-

	£000
2010/11	42,692
2011/12	4,870
2012/13	-
2013/14	-
2014/15	-
	47,562

19. Valuation of Fixed Assets

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

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

Fixed assets under construction	Included at cost.
Community Assets	Included at cost.
Intangible Assets	Included at cost.

Valuation of fixed assets carried at current value

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

	Op Land & Bldgs	Other Land & Buildings	Vehicles, Plant & Equipment	Total
	£000	£000	£000	£000
Valued at historical cost		33	45,929	45,962
Valued at current value in				
2009/10	645,735	10,709	11,958	668,402
2008/09	502,992	47,447		550,439
2007/08		-		-
2006/07		330		330
2005/06	26,894	1,676		28,570
Total	**1,175,621**	**60,195**	**57,887**	**1,293,703**

Other Land & Buildings includes Community Assets

Impact of the current economic climate

Due to the current economic climate a general review of valuations has been undertaken in addition to the five-year rolling programme of revaluations of fixed assets. The result of this general review was a reduction in the carrying values of £133.4m (£48.0m for 2008/09). Of this amount £55.3m (£23.4m for 2008/09) was written down against previous revaluation gains. The remaining £78.1m (£24.6m for 2008/09) was written down through the Income & Expenditure Account.

20. Foundation Schools

The School Standards and Framework Act 1998 allows schools to obtain Foundation status. In so doing the land and property assets transfer to the governing body, however, since the provision of schooling forms part of the Education Service of the Authority, their assets and liabilities have been included in the Authority's Balance Sheet as per FRS5. At 31 March 2010 there are 13 such Foundation Schools and the combined value of their land and buildings is £87.9 million.

21. Information on Assets

	Number of Buildings 31/3/09	31/3/10
Nursery & Primary Schools*	299	297
Secondary Schools*	47	42
Special Schools & Pupil Referral Units	14	14
Foundation Schools**	11	14
Libraries	60	60
Family & Childrens Centres	20	19
Youth & Community Centres	37	38
Residential Homes For The Elderly & Disabled	20	18
Day Centres & Clubs For Elderly & Disabled	29	30
Children's Residential Homes	8	8
Staff & Other Houses	145	146
Other, Including Factories, Depots & Offices	206	198
	896	**884**

* The 31/3/09 figures have been restated to include PFI's etc.
** 13 Foundation schools including one split-site school

The Council owns approximately 4,429 hectares of land, of which some 579 hectares are used as Smallholdings. It also has over 4,326 kilometres of roads. For insurance purposes, the reinstatement value of the Council's buildings is £3,240 million.

22. Financial Instruments Balance

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

	Long-term		Current	
	As re-stated 31/3/09	31/3/10	As re-stated 31/3/09	31/3/10
	£000	£000	£000	£000
Financial liabilities at amortised cost	380,819	414,360	98,997	96,031
Financial liabilities at fair value through profit and loss	-	-	-	-
Total borrowings	**380,819**	**414,360**	**98,997**	**96,031**
Loans and receivables	2,537	2,729	172,328	168,761
Available-for-sale financial assets	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
Total investments	**2,537**	**2,729**	**172,328**	**168,761**

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

The County Council's borrowings include finance leases associated with PFI schemes and borrowings with the Public Works Loans Board (PWLB) and with UK and European banks through 'Lender's Option, Borrower's Option' loans (LOBOs). These are both classed as 'other liabilities' and measured at amortised cost.

Financial liabilties at amortised cost

Long-term

	2008/09 As re-stated £000	2009/10 £000
(a) Long Term Borrowing Amounts still owed on loans received from external sources to acquire capital assets such as roads, buildings & equipment.		
Long term borrowing for repayment after 1 year	242,013	275,062
(b) Finance Lease Liability Amounts still owed on finance leases taken with external sources to acquire capital assets for PFI Schemes.		
Long term finance leases for repayment after 1 year	138,806	139,298
Total Long Term Borrowing at 31 March	**380,819**	**414,360**

Current

	2008/09 As re-stated £000	2009/10 £000
(c) Borrowing		
Long term borrowing for repayment within 1 year	9,430	11,962
Finance leases related to PFI schemes for repayment within 1 year	3,643	4,227
Total Borrowing at 31 March	**13,073**	**16,189**

	2008/09 £000	2009/10 £000
(d) Trade Creditors	85,924	79,842

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

Financial Assets - Loans & Receivables

Long-term

	2008/09 £000	2009/10 £000
Long-term Investments	-	-
Economic Development	-	-
King Edward VI Trustess	-	94
Car Loans	625	598
Nottinghamshire Cricket Club	1,041	1,055
Adult Care Property Debt - Deferred Payment Scheme	824	973
Private Street Works	9	9
Robin Hood Theatre	38	-
	2,537	**2,729**

	2008/09 £000	2009/10 £000
Economic Development Breakdown:		
One year or less	-	-
More than one year	-	-
	-	-

	2008/09 £000	2009/10 £000
Car Loans Breakdown:		
One year or less	44	44
More than one year	581	554
	625	**598**

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

On the 4 February 2009 Cabinet gave approval of a loan of £94,931 for 2 years to the King Edward VI Trustees as a consequence of the County Council no longer requiring the use of a building owned by the Trustees following the operation of the Bassetlaw PFI Scheme. The loan is to enable time for the Trustees to dispose of the redundant building.

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

A loan of £50,000 was made to the Robin Hood Theatre in 2002. This loan has been written off due to the theatre becoming insolvent.

Current

Temporary investments

	2008/09 £000	2009/10 £000
Temporary investments with other local authorities and financial institutions	133,990	124,691

The County Council manages its cash in line with its approved treasury management policy and in accordance with prevailing statutory requirements. The amount invested at the year end depends on the cash flow position at that date.

Short-term Trade Debtors

	2008/09 £000	2009/10 £000
Trade Debtors (less bad debt provision)	38,338	44,070

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

Financial Assets - unquoted equity investment at cost

Economic Development: There are equity holdings amounting to £ 0.26 million (£0.26 million in 2008/09) that have been written off to the Income and Expenditure Account to reflect the high risk of the investment. Consequently, their fair value has been assessed as nil in the Balance Sheet.

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

Interests in Companies

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

23. Financial Instruments Gains/Losses

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

	2008/09			2009/10		
	Financial Liabilities	As re-stated Financial Assets	Total	Financial Liabilities	Financial Assets	Total
	£000	£000	£000	£000	£000	£000
Interest expense	(33,321)	-	(33,321)	(31,081)	-	(31,081)
Losses on derecognition	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Interest payable and similar charges	(33,321)	-	(33,321)	(31,081)	-	(31,081)
Interest income	-	7,926	7,926	-	2,106	2,106
Gains on derecognition	-	-	-	-	-	-
Interest and investment income	-	7,926	7,926	-	2,106	2,106

The average cost of external borrowing was 5.95% (6.11% in 2008/09).

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

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

The balance outstanding on these deferred liabilities is as follows:

	2008/09	**2009/10**
	£000	**£000**
Loan taken over from District Councils when the responsibility for services was transferred to the County Council on local government reorganisation in 1974.	3,166	2,729

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

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

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

For long term borrowings and investments, fair values have been calculated by reference to relevant interest rates in force as at 31 March 2009 and 2010 as follows:

- for PWLB loans, the relevant PWLB rate in force;
- for LOBO loans, the PWLB rate applicable to new loans in excess of 50 years;
- for long term investments, the market rate for a loan of similar value and profile;
- for finance leases, the PWLB rate for an annuity commencing on 31 March 2010 of equal length to the remaining scheduled length.
- for loans and receivables, the PWLB rate for an annuity commencing on 31 March 2010 of length equal to the remaining scheduled length of the relevant instrument, plus 1% to recognise risk on loans and receivables.

	2008/09 As re-stated		**2009/10**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	£000	**£000**	**£000**	**£000**
Financial liabilities	479,816	650,388	510,391	645,179

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

	2008/09 Carrying Amount	2008/09 Fair Value	2009/10 Carrying Amount	2009/10 Fair Value
	£000	£000	£000	£000
Loans and receivables	174,865	174,977	171,490	171,499

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

The fixed rate loans within the Authority's portfolio of investments at the end of 2009/10 had maturity dates within 3 months of the Balance Sheet date and so the carrying amount has been taken as a reasonable approximation of fair value.

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

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

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

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

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

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

Credit Risk

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

	Amounts at 31/03/10	Historical experience of default	Historical experience adjusted for market conditions at 31/03/10	Estimated maximum exposure to default and uncollect-bility
	£000	%	%	£000
Deposits with banks and financial institutions	124,691	-	-	-
Customers	20,765	0.12	0.12	25
				25

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

Customers are assessed, taking into account their financial position, past experience and other factors. The Council's policy is to set aside a provision for bad debt in order to minimise the effect of default. At the end of 2009/10 the provision for bad and doubtful debt was £7.69m (£7.19m in 2008/09).

The Authority does not generally allow credit for customers, such that £8.4m (£5.5m in 2008/09) of the £20.8m (£14.4m in 2008/09) balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£'000
Less than three months	4,470
Three to six months	925
Six months to one year	2,478
More than one year	577
	8,450

Liquidity risk

As the Authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that a significant proportion of borrowings will mature at a time of unfavourable interest rates. Current borrowings are spread over 70 years with a maximum of any one year's maturity around 11% of the total. However, since the Authority's future borrowing requirement is fairly sizeable in relation to current debt, the prudential indicator for debt maturity has been set with an upper limit of 25% in any one year. The strategy for new loans is to borrow each year close to the lowest rate available and, where economic circumstances make it favourable, early repayment of fixed rate loans will be considered.

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

The maturity analysis of financial liabilities is as follows:

	2008/09		**2009/10**	
	£000	**%**	**£000**	**%**
Maturity date				
Within 1 year	10,845	3	16,189	4
1 year and up to 2 years	(224)	(0)	12,135	3
2 years and up to 5 years	30,850	8	40,571	9
5 years and up to 10 years	54,680	14	65,254	15
10 years and up to 15 years	63,205	16	82,428	19
15 years and up to 20 years	71,702	18	72,153	17
20 years and up to 25 years	52,979	13	44,818	10
25 years and over	109,855	28	97,001	23
	393,892	**100**	**430,549**	**100**

	2008/09	**2009/10**
	£000	**£000**
Source of Borrowing		
Public Works Loan Board	150,096	185,678
External Bonds and loans	101,347	101,346
Finnace Leases related to PFI schemes	142,449	143,525
	393,892	**430,549**

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

Market risk

Interest rate risk

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

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

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

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

The Authority has no variable rate borrowings and minimal variable rate investments. A 1% change in interest rates would therefore have no material impact on the Income and Expenditure account. If interest rates had been 1% higher at 31 March 2010, with all other variables held constant, the fair value of fixed rate borrowings would be lower but with no impact on the Income and Expenditure Account or STRGL.

Price risk

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

Foreign exchange risk

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

26. Debtors and Long Term Debtors

Debtors (less bad debt provision)	**31/3/09 As re-stated £000**	**31/3/10 £000**
The analysis of debtors by category is:		
Government grants	4,168	15,820
Statutory debtors	13,666	12,822
Trade debtors	38,338	44,070
Balance at 31 March	**56,172**	**72,712**

Long Term Debtors	**31/3/09 £000**	**31/3/10 £000**
Adult Care Property Debt	989	1,278
East Leake/Bassetlaw PFI schools prepayments	-	-
Tram PFI	3,593	3,843
PFI Residual Interest	1,033	1,240
Other	59	58
Balance at 31 March	**5,674**	**6,419**

27. Creditors

	31/3/09 As re-stated £000	**31/3/10 £000**
Analysis of creditors by category is:		
Government grants	49,509	79,998
Statutory creditors	23,212	20,324
Trade creditors	85,924	79,842
Balance at 31 March	**158,645**	**180,164**

28. Bank Overdraft

The Authority monitors cash balances on a daily basis to make maximum use of the funds available and invests any surplus cash identified. The bank account overdraft at 31 March will consist of an overdraft with the Authority's main bank, short term amount to the Pension Funds and school deposits either with the Authority's main bank or held with other banks. The Authority makes use of the Pension Fund Cash under regulation 3(4) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 [the Investment Regulations] in support of its capital expenditure which has not yet been financed by external borrowing. The Authority pays interest to the Pension Funds for this use at the Local Authority 7-day notice rate, as allowed by regulation 16 of the Investment Regulations. From 1 April 2010 such use of Pension Funds cash is no longer permitted.

The analysis of the bank overdraft is as follows:

	2008/09 £000	2008/09 £000	2009/10 £000	2009/10 £000
Main overdraft		(87,254)		(74,286)
Amounts owed to Pension Funds		(104,512)		(85,885)
School bank accounts:				
Main County Council accounts	15,920		61,702	
Other bank accounts	67,355	83,275	25,126	86,828
		(108,491)		**(73,343)**

29. Landfill Allowances Trading Scheme

Since 2005/06 the Authority has received an annual landfill tonnage allowance which is the maximum amount of waste which should be disposed of by landfill. This target reduces each year. From 2010 any landfill in excess of the cumulative targets will require the Authority to pay a penalty to the Government of £150 per tonne. For 2009/10 this allowance was 181,603 tonnes (192,376 in 2008/09) of which 123,318 (126,054 in 2008/09) were utilised. The Authority is allowed to trade its allowances with other Authorities. The market value of these for 2009/10 was £0.00 per tonne (£0.00 in 2008/09). The following entries have been made to the Income and Expenditure Account.

	2008/09 £000	2009/10 £000
Reserve b/fwd	(1,073)	-
Adjustment due to audit of actual Allowances used	13	-
Revaluation of Reserve b/fwd to current prices	1,060	-
Provision - Payment due to Government	-	-
Income - Allowances from Government	-	-
Reserve carried forward (see Note 37)	-	-

The movement in the value of allowances between 2008/09 and 2009/10 is as follows:-

	2008/09 £000	2009/10 £000
Allowances brought forward	1,735	-
Use of allowances to settle liability with DEFRA	(675)	-
Revaluation of balance of allowances	(1,060)	-
Allowances for year	-	-
Allowances carried forward	-	-

30. Leasing of Vehicles, Plant and Equipment

At 31 March 2010 the County Council had annual commitments under non-cancellable operating leases as set out below. There were no finance leases.

	£000
2010/11	620
2011/12	397
2012/13	187
2013/14	9
2014/15	-

All operating lease costs are charged to the Income and Expenditure Account; for 2009/10 this amounted to £0.76million (£0.37 million 2008/09).

31. Private Finance Initiative (PFI)

Changes arising from SORP 2009 has required all the PFI contracts to be assessed under International Financial Reporting Standards (IFRIC 12) which in the majority of cases has resulted in most of the assets acquired under a PFI agreement to be included in the County Council's Balance Sheet. This has required the restating of the Balance Sheet from the date the assets became operational (the inception date) and has resulted in prior period adjustments.

Where possible lifecylce replacement costs have been recognised as fixed assets on the Balance Sheet. Where this has not been possible they have been written off to the Income and Expenditure Account as they have been incurred.

East Leake Schools
The Council has a contract with East Leake Schools Limited for the provision of a secondary and primary schools and community leisure facility in East Leake. Service commenced during 2003/04 and the contract finishes on 31 July 2027 when the buildings transfer back to the County Council. In accordance with the SORP the schools and the community leisure facility are included as assets in the Balance Sheet at inception with a value of £17.0 million with the initial finance liability set at £14.1 million as a consequence of capital contributions by the County Council of £2.9 million to the scheme. The assets have subsequently been revalued.

The County Council retained the freehold of the land which is valued and included in the Balance Sheet as a fixed asset.

Analysis of carrying values of assets and liabilities

	£000
Net Book Value of PFI Assets at 31 March 2009	18,903
Depreciation 2009/10	(376)
Net Book Value of Assets at 31 March 2010	18,527

	£000
Value of liability at 31 March 2009	12,369
Movement in 2009/10	(341)
Value of liability at 31 March 2010	12,028

The details of payments due under the PFI agreement are as follows:

	Service	Lifecycle	Finance	Interest	Contingent	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Payable within 1 year	606	166	347	1,219	494	2,832
Within 2-5 years	2,581	1,126	1,439	4,525	2,381	12,052
Within 6-10 years	3,606	1,450	2,878	4,656	4,250	16,840
Within 11-15 years	4,080	2,222	4,253	2,951	5,546	19,052
Within 16-20 years	2,086	597	3,111	527	3,420	9,741
	12,959	**5,561**	**12,028**	**13,878**	**16,091**	**60,517**

In the above table the RPI is assumed at 2.5% as per the Operators Financial Model. The financial liability indicated is based upon the profile of investment as per the Operator's Model

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. These became fully operational during 2007/08 and the contract finishes on 31 July 2032 when the buildings transfer back to the County Council. In accordance with the SORP the schools are included as assets in the Balance Sheet at inception with a value of £119.0 million with the initial finance liability set at £110.0 million as a consequence of capital contributions by the County Council of £9.0 million to the scheme. The assets have subsequently been revalued.

An agreement has been entered into between Nottinghamshire County Council and Bassetlaw District Council with regards to the 2 leisure facilities which form part of the PFI Scheme. A lease has been granted to Bassetlaw District Council for a term of 60 years secured on both the leisure facilities. Consequently these facilities are not included as assets on the County Council's Balance Sheet.

The County Council retained the freehold of the land which is valued and included in the Balance Sheet as a fixed asset.

Analysis of carrying values of assets and liabilities

	£000
Net Book Value of PFI Assets at 31 March 2009	127,570
Depreciation 2009/10	(2,551)
Net Book Value of Assets at 31 March 2010	125,019

	£000
Value of liability at 31 March 2009	110,360
Movement in 2009/10	(2,188)
Value of liability at 31 March 2010	108,172

The details of payments due under the PFI agreement are as follows:

	Service **£000**	Lifecycle **£000**	Finance **£000**	Interest **£000**	Contingent **£000**	Total **£000**
Payable within 1 year	4,710	212	2,249	10,365	301	17,837
Within 2-5 years	20,425	2,158	9,857	39,313	1,317	73,070
Within 6-10 years	28,975	6,018	15,691	43,354	1,513	95,551
Within 11-15 years	33,413	8,271	23,279	34,481	1,360	100,804
Within 16-20 years	38,572	12,959	33,902	21,471	(156)	106,748
Within 21-25 years	20,487	6,315	23,194	3,815	178	53,989
	146,582	**35,933**	**108,172**	**152,799**	**4,513**	**447,999**

In the above table the RPI is assumed at 2.5% as per the Operators Financial Model. The financial liability indicated is based upon the profile of investment as per the Operator's Model

Waste Recycling
The Authority has received Government support for a Nottinghamshire Waste PFI scheme which involves the commissioning of Materials Recycling Facilities and an Energy Recovery Facility. A PFI credit of £38.3 million has been allocated. The contract was signed on 26 June 2006 with Veolia Environmental Services and the contract ends on 31 March 2033 when the assets transfer to the County Council. The first main new facility became operational in January 2009, the Materials Recycling Facility (MRF). The MRF site is subject to a rental agreement with the County Council, 50 years, which is then recharged to Veolia Environmental Services at the same rates.

In accordance with the SORP the MRF is included as an asset in the Balance Sheet at inception with a value of £13.7 million. In addition, the assessed value of assets under construction is £6.1 million. Consequently, the initial finance liability has been set at £19.8 million.

On 26 June 2006 the County Council signed an additional PFI contract with Veolia Environmental Services (VES), which ends on 31 March 2033, for the construction and operation of the Rufford Energy Recovery Facility (ERF). In addition to other factors, this contract is conditional upon VES obtaining satisfactory planning permission and obtaining a satisfactory environmental permit to operate the facility. This latter permit has been obtained; however, there have been delays in obtaining planning permission. The planning application is subject to a Public Inquiry, which itself has been subject to delays, that inevitably impact upon the date the ERF will become operational. The County Council's Balance Sheet does not include that value of the ERF nor the associated finance liability as the contract is not in operation.

The County Council retained the freehold of the land which is valued and included in the Balance Sheet as a fixed asset.

Analysis of carrying values of assets and liabilities

	£000
Net Book Value of PFI Assets at 31 March 2009	19,720
Additions	4,720
Depreciation 2009/10	(287)
Net Book Value of Assets at 31 March 2010	24,153

	£000
Value of liability at 31 March 2009	19,720
Additions	4,720
Movement in 2009/10	(1,115)
Value of liability at 31 March 2010	23,325

The details of payments due under the PFI agreement are as follows:

	Service £000	Lifecycle £000	Finance £000	Interest £000	Contingent £000	Total £000
Payable within 1 year	14,520	-	1,632	2,463	633	19,248
Within 2-5 years	62,794	3,136	1,579	13,963	3,490	84,962
Within 6-10 years	87,579	9,236	2,097	16,184	6,615	121,711
Within 11-15 years	98,099	6,885	5,311	14,771	11,027	136,093
Within 16-20 years	110,995	1,323	13,036	10,680	17,941	153,975
Within 21-25 years	73,478	-	12,040	2,627	13,786	101,931
	447,465	**20,580**	**35,695**	**60,688**	**53,492**	**617,920**

In the above table the RPI is assumed at 2.5% as per the Operators Financial Model. The financial liability indicated is based upon the profile of investment as per the Operator's Model

The following PFI contract have been assessed under IFRIC 12 and the assets were already assessed as being on Balance Sheet:-

Boiler installation and maintenance

The Authority has also signed a £3.2 million Private Finance Initiative (PFI) contract for the supply and maintenance of school boilers. The value of individual items is included in the revaluation of buildings. £2.3 million was financed through a 10 year lease which ended in March 2010, with annual rentals of £0.4 million in 2009/10 (£0.4 million in 2008/09).

The following PFI contract has been assessed under IFRIC 12 and has been assessed as being off Balance Sheet:-

Greater Nottingham Light Rapid Transport (Tram)

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

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

As at the 31 March 2009 there were plans for two more tram routes - one to Clifton via Wilford and one to Chilwell via Beeston and QMC. The Transport and Works Act Order for the new integrated system was approved in March 2009. The DfT granted conditional approval for the scheme at the end of July 2009; however, the County Council withdrew from lines 2 and 3 of the scheme in late September 2009. As a consequence balances relating to these lines; expenditure of £5.1 million and grants of £50,000 have been written out in 2009/10.

The County Council's decision in September 2009 also included approval to explore the potential to withdraw from Net Line 1. As at the 31 March 2010 the County Council's Balance Sheet held the following balances relating to these lines; expenditure of £1.9 million and grants of £37,000, which may need to be written out if the agreement to withdraw is reached during 2010/11.

The details of unitary payments due under the PFI agreement are as follows:

	Total **£000**
Payable within 1 year	4,404
Within 2-5 years	18,515
Within 6-10 years	25,304
Within 11-15 years	27,872
Within 16-20 years	17,027
Within 21-25 years	1,007
	94,129

32. Government Grants Deferred

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

	2008/09 **£000**	**2009/10** **£000**
Balance at 1 April	**254,635**	**282,120**
Grants and contributions due on depreciable assets	38,805	48,459
On non depreciable assets	-	300
Donated assets	213	88
Impaired	-	(69,957)
Amortised during the year	(11,533)	(9,751)
Balance at 31 March	**282,120**	**251,259**

33. Insurance Reserve and Account

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

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

The amount set aside in the Insurance Provision is detailed in Note 35. The Insurance Reserve is shown below:

Insurance Reserve	**2008/09** **£000**	**2009/10** **£000**
Ring-fenced at 31 March 1998	870	411
Since 1 April 1998	11,822	14,155
	12,692	**14,566**

Insurance Account	**2008/09** **£000**	**2009/10** **£000**
Premiums paid	2,522	3,222
Claims made	4,041	2,706
Contribution (from)/to Provision **	(1,116)	1,717
	5,447	7,645
Less charges to Departments *	(9,237)	(9,672)
	(3,790)	(2,027)
Miscellaneous charges	203	198
Total Expenditure	**(3,587)**	**(1,829)**

External Premiums	(31)	(31)
Interest on Old Fund	(112)	(64)
Flood Loss Grant	-	-
Recoveries	(126)	50
Total Income	**(269)**	**(45)**
Net (surplus)/deficit	**(3,856)**	**(1,874)**

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

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

34. Single Status Provision and Reserve

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

Significant Single Status costs were incurred in 2009/10 relating to prior years. This has been shown as an exceptional item on the face of the Income and Expenditure Account of £12.7 million (£5.3 million 2008/09). As at 31 March 2010 a total of £28.9 million had been paid out as a consequence of back dating upgradings to 1 April 2002. The total number of employees included in the first phase of Single Status programme is over 28,000 (including former employees) and as at 31 March approximately 98% of the required calculations relating to Single Status had been completed. It is anticipated that this phase of the exercise will be completed by 31 March 2011. It is expected that the balance on the Single Status Reserve will be sufficient to meet the cost of this phase of the programme.

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

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

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

The balance on the Single Status Provision is shown below.

	2008/09 £000	2009/10 £000
Balance Brought Forward	14,267	-
Additional Contributions	-	-
Payments made during the year	(14,267)	-
Balance Carried Forward	-	-

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

	2008/09 £000	2009/10 £000
Balance brought forward	18,998	12,396
Appropriation from the reserve	(8,602)	(14,409)
Appropriation to the reserve	2,000	7,040
Balance carried forward	**12,396**	**5,027**

35. General Provisions

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

Description	**31/3/09 £000**	**Movement £000**	**31/3/10 £000**
General Insurance Claims prior to 1/4/98	716	297	1,013
General Insurance Claims from 1/4/98	8,744	1,420	10,164
Landfill Trading Allowances	-	-	-
Single Status Back Pay Provision	-	-	-
Provisions below £200,000	226	(82)	144
Total	**9,686**	**1,635**	**11,321**

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 £000	**Grants and Contribut-ions £000**	**Total £000**
Balance at 1 April 2009	-	-	-
Receivable	2,520	48,759	51,279
Applied	(2,520)	(47,389)	(49,909)
Balance at 31 March 2010	**-**	**1,370**	**1,370**

37. Revenue Reserves

	2008/09 As re-stated £000	**Movement £000**	**2009/10 £000**
Area Based Grant	3,609	(3,609)	**-**
Bassetlaw PFI Reserve	6,181	(1,876)	**4,305**
Capital Projects Reserve	3,252	(1,782)	**1,470**
Contracting Services	462	760	**1,222**
Corporate Redundancy Reserve	-	3,119	**3,119**
Earmarked for Services	18,362	2,755	**21,117**
Earmarked from Contingency	787	(787)	**-**
Earmarked Reserves	1,461	110	**1,571**
East Leake PFI Reserve	2,413	195	**2,608**
Improvement Programme	-	3,885	**3,885**
Invest to Save	2,000	(2,000)	**-**
Leasing Alternatives Reserve	1,040	(1,040)	**-**
Lifecycle Maintenance	2,289	422	**2,711**
NET PFI Reserve	3,632	250	**3,882**
NET Phase 2 Reserve	1,496	421	**1,917**
Other Trading Services	951	187	**1,138**
Pay Review Reserve	12,396	(7,369)	**5,027**
Performance Reward Grant	-	8,448	**8,448**
Waste PFI Reserve	15,344	2,794	**18,138**
	75,675	**4,883**	**80,558**

Area Based Grant: 2008/09 was the first year of the new Local Area Agreement (LAA) arrangements. Under these arrangements the Area Based Grant is distributed among the partners with an expectation that any underspendings would be carried forward by the services involved to spend in the new year. This reserve is no longer required in 2010/11.

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

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

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

Corporate Redundancy Reserve: was created in 2009/10 to help meet redundancy costs in excess of the amount already held in contingency for future years.

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

Earmarked from Contingency are amounts set aside to cover allocations from 2009/10 contingency where expenditure has yet to be incurred.

Earmarked Reserves carry forward unspent budget earmarked for use in the following financial year. The balance brought forward from 2008/09 was £1.5 million which was used in 2009/10. Another reserve of £1.6 million has been created in 2009/10 to cover unspent budget that has been approved for use in 2010/11.

Improvement Programme has been established towards funding the improvement programme approved in the Budget Report to County Council on 25 February 2010

The Invest to Save Reserve has been established to provide funding for projects that needed initial investment in order to yield budget savings in future. This reserve is no longer required in 2010/11.

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

Leasing Alternatives Reserve was set up to allow for equipment to be financed by outright purchase rather than lease arrangements. This reserve is no longer required in 2010/11.

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

NET Phase 2 Reserve was originally established to fund the anticipated development costs for phase 2 of the Tram Network. See Post Balance Sheet Events (Note 49)

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.

Performance Reward Grant: in 2009/10 the Authority received grant as a result of achieving performance targets agreed with central government. It has been agreed with our LAA partners that this grant should be available to services covered by the LAA and subsequently the whole of the grant has been put into a reserve pending agreement to where this should be spent.

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 2009/10 the overall reserve has decreased by £4.2 million to £38.0 million. Within the total reserve school accumulated balances decreased by £7.5m to £23.3 million; a further £7.7 million relates to unspent standards fund, £1.4 million of which must be spent by the end of August 2010. The remaining balance of £6.3 million is to fund capital schemes. There is an additional £1.0 million ISB balance which has been carried forward to fund BSF costs in future years. The reserve also includes £6.9 million relating to the non-ISB (Individual Schools Budget) element of the Schools Budget.

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

	31/03/09	Movement in year	31/03/10
	£000	**£000**	**£000**
School Balances			
Standards Fund balances held by schools	7,586	154	7,740
Other balances held by schools	30,775	(7,497)	23,278
Total School Balances (held by Governors)	**38,361**	**(7,343)**	**31,018**
Additional school budget balances to carry forward	-	1,000	1,000
	38,361	**(6,343)**	**32,018**
Non ISB Balances	**4,650**	**2,205**	**6,855**
Borrowing Against the Reserve			
School Loan Scheme	(788)	(61)	(849)
Total Borrowing Against Reserve	**(788)**	**(61)**	**(849)**
School Statutory Reserve Total	**42,223**	**(4,199)**	**38,024**

39. Capital Adjustment Account

The account contains a number of capital accounting entries:

- the amount of capital expenditure financed from revenue and capital receipts;
- the difference between the amount of depreciation charged in the year and the amount required to be charged to revenue to repay the principal element of external loans (The Minimum Revenue Provision);
- the adjustments to the Income and Expenditure Account for residual PFI assets;
- the value of Government Grants amortised in the financial year;
- impairments, disposals / losses on sales and other adjustments.

	2008/09 As re-stated	2009/10
	£000	**£000**
Balance at 1 April	**876,562**	**765,365**
MRP less depreciation	(20,932)	(23,644)
Capital Grants to other bodies	(9,707)	(20,166)
PFI Tram - Residual Interest	207	207
Revenue Contributions	8,209	2,978
Capital Receipts Applied	3,382	-
Capital Receipts to Repay Debt Outstanding	-	2,520
Amortisation of Government Grants	11,533	79,708
Amortisation of Government Grants (REFfCUS)	5,099	17,543
Impairments	(103,181)	(172,960)
Disposals / Losses on Sales	(6,837)	(3,421)
Impairment of Revaluation Reserve	-	4,907
Revaluation Reserve depreciation	1,030	2,925
Balance at 31 March	**765,365**	**655,962**

40. Revaluation Reserve

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

	2008/09 As re-stated £000	2009/10 £000
Balance at 1 April	**126,168**	**203,813**
Revaluations	112,676	34,086
Depreciation	(1,030)	(2,605)
Impairments of fixed assets	(32,510)	(80,039)
Disposal of fixed assets	(1,491)	(1,196)
PFI Amortisation	-	(319)
Balance at 31 March	**203,813**	**153,740**

41. Balances

	2008/09 £000	2009/10 £000
General Fund	24,837	24,839
Housing Act Advances	-	-
	24,837	**24,839**

The variation between years is caused by a rounding adjustment.

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 £1,468,138 (£1,420,092 in 2008/09). In addition to this, Members were reimbursed a total of £110,187 (£174,467 in 2008/09) for expenses incurred on Council business.

43. Related Party Transactions

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

Central Government exercises control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of specific revenue grants are set out in Note 5.

Councillors have direct control over the Council's financial and operating policies.
Grants totalling £6,424,120 were made to 24 organisations in which 25 Members and 1 Chief Officer had an interest (£1,093,160 in 2008/09 to 38 organisations, 30 Members and 4 Chief Officers). The grants were made with proper consideration of declarations of interest.

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

44. Trust Funds

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

Department/Service	Balance at 31/03/09 £000	Income £000	Expend-iture £000	Investment Movement £000	Balance at 31/03/10 £000
Children and Young People	141	12	41	2	114
Adult Social Care & Health	144	8	56	-	96
Community Services	43	5	-	-	48
Nottinghamshire Charitable Grants Fund	75	-	-	-	75
	403	25	97	2	333

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

	Value of Investments £000 31/03/09	Movement £000	Value of Investments £000 31/03/10
Children and Young People	29	(2)	27
Adult Social Care & Health	91	-	91
Community Services	50	-	50
Nottinghamshire Charitable Grants Fund	12	-	12
	182	(2)	180

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 it's financial management. The details are set out below:

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

Integrated Community Equipment Service (ICES) – North County
The partnership is established to provide an integrated service providing equipment and minor adaptations for home nursing and daily living needs in line with Department of Health Guidance. The funding of the partnership, which commenced in February 2006, is set out in the statement below.

Pooled Budgets Memo Account North County	**2008/09 £000**	**2009/10 £000**
Funding		
Balance brought forward	93	196
Nottinghamshire County Council ASCH	763	870
Nottinghamshire County Council CYP	106	131
Bassetlaw PCT	339	375
Nottinghamshire County Teaching PCT	940	1,113
British Red Cross Compensation funding	160	-
	2,308	**2,489**
Total Funding	**2,401**	**2,685**

Expenditure	**2008/09 £000**	**2009/10 £000**
Partnership Management & Administration costs	69	68
Project & One-off set up costs	57	58
Contract Management Fee	55	57
Specialist Equipment	-	31
Equipment	1,786	2,047
Minor Adaptations	238	254
	2,205	**2,515**
Balance Carried forward	196	170
Total Expenditure	**2,401**	**2,685**

Integrated Community Equipment Service (ICES) – South County

The partnership is established to provide health and social care equipment for children and adults who require assistance to perform essential activities in their daily living. The County Council contributed £0.9 million in 2008/09 (£0.9 million in 2008/09) to the partnership.

47. Movement on Reserves

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

Reserve	Purpose of the Reserve	Balance at 1 April 2009 As re-stated	Movement in Year	Balance at 31 March 2010
		£000	£000	£000
Revaluation Reserve	Store of gains on revaluation of fixed assets not yet realised through sales	203,813	(50,073)	153,740
Capital Adjustment Account	Store of capital resources set aside to meet past expenditure	765,365	(109,403)	655,962
Usable Capital Receipts & Grants Unappled Reserve	Proceeds of fixed asset sales and grants received available to meet future capital investment	-	1,370	1,370
Financial Instruments Adjustment Account	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	(189)	14	(175)
Collection Fund Adjustment Account	Balancing account to allow for differences in statutory requirements and proper accounting practices for Income from Council Tax	2,553	1,029	3,582
Pensions Reserve	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	(613,642)	(458,065)	(1,071,707)
General Fund	Resources available to meet future running costs	67,060	(4,197)	62,863
Other Reserves	Earmarked Reserves, inc. insurance, collection fund and capital reserves	88,367	6,757	95,124
Total		**513,327**	**(612,568)**	**(99,241)**

48. Contingent Liabilities

- The Authority has contingent liabilities relating to insurance.
- The Authority has set aside a reserve in the accounts for the implementation of the Single Status Agreement from 1 April 2002. Harmonisation of a new pay and grading structure began in April 2008. The process began with non-school based staff and was rolled out across the Authority in 2008/09. However, there remains a potential low liability in relation to individuals pursuing equal pay claims. There will be additional costs with the roll-out of Single Status to non-teaching posts in schools, see note 34.
- The Authority is committed to withdraw from NET Line 2 and a negotiated settlement is being pursued to achieve that withdrawal. Until any settlement is concluded there is ongoing liability on the Authority to meet its obligations under the City/County Joint Agreement and there may be some residual liabilities arising out of any inability to reach agreement regarding the withdrawal, best estimates for which can be met from PFI reserves

49. Post Balance Sheet Events

The County Council was due to receive at least £11.0 million in performance reward grant from Central Government as a result of meeting various improvements in Local Area Agreement performance indicators. The Partnership agreed an initial payment to the relevant District Councils, leaving a balance of £8.5 million. In 2009/10 the County Council received the first instalment of the grant of £3.3 million. The District Councils were due to be paid £2.5 million, leaving the County Council with £0.8

million. As a result, the Balance Sheet included a net accrual of £7.7 million and a reserve of £8.5 million since the County Council had not made decisions on spending its share of the grant in 2009/10.

On 10th June 2010 the Government provided details of grant reductions for 2010/11. As a result the County Council now expects to receive only £5.5 million, with the anticipated outstanding balance held by Nottinghamshire County Council being £4.2 million. Consequently, the net accrual and reserve will need to be written down by £4.3 million in 2010/11.

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the Fund by around 6-8%.

GROUP FINANCIAL STATEMENTS AND NOTES

Introduction

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

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

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

Group Financial Statements

The following statements have been prepared:

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

Group Accounting Policies

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

GROUP INCOME AND EXPENDITURE ACCOUNT

Service	2008/09 Net Expenditure As re-stated £000	2009/10 Gross Expenditure £000	Income £000	Net Expenditure £000
Continuing County Council Services				
Children's and Education Services	218,570	914,192	(689,532)	224,660
Environmental Services	33,572	36,340	(3,341)	32,999
Highways, Roads and Transportation	53,475	79,739	(17,308)	62,431
Leisure	6,920	14,898	(5,888)	9,010
Libraries	17,106	16,005	(1,756)	14,249
Planning and Development	7,629	7,399	(1,551)	5,848
Adult Social Care	192,642	297,093	(96,225)	200,868
Democratic Representation and Management	4,508	4,374	(2)	4,372
Corporate Management	6,250	17,010	(11,792)	5,218
Non Distributed Costs	25,753	12,663	(1,368)	11,295
Central Services to the Public	3,045	4,222	(966)	3,256
Share of Operating Result of Associate	(279)	120	-	120
Exceptional Items				
Single Status - Back Pay	5,277	12,701	-	12,701
Contributions to Other Bodies				
Coroner	633	643	-	643
Net cost of services	**575,101**	**1,417,399**	**(829,729)**	**587,670**
Interest and Investment Income	(7,926)	-	(2,106)	(2,106)
Share of interest and investment income of Associate	(307)	-	(185)	(185)
Net (Surplus)/Deficit of Trading Undertakings	2,526	43,874	(43,875)	(1)
Pensions Interest Costs and Expected Return on Pensions Assets	33,978	90,056	(47,768)	42,288
Share of Pensions Interest Costs and Expected Return on Pensions Assets of Associate	37	624	(435)	189
Loss on Disposal of Fixed Assets	5,664	2,097	-	2,097
Other Operating Income and Expenditure	(225)	3,472	(163)	3,309
Interest Payable	33,321	31,081	-	31,081
Insurance Revenue	(3,856)	(1,829)	(45)	(1,874)
Share of taxation of Associate	84	-	(35)	(35)
Net operating expenditure	**638,397**	**1,586,774**	**(924,341)**	**662,433**
Income from Council Tax	(294,546)			(305,975)
General Government Grants	(34,710)			(46,771)
Non-Domestic Rates Distribution	(139,174)			(136,194)
Local Authority Business Growth Initiatives	(630)			(313)
Flood Restoration Grant	(726)			-
Area Based Grant	(32,310)			(34,881)
Public Service Agreement	-			(11,021)
(Surplus)/Deficit for the Year	136,301			127,278

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

Reconciliation of NCC Income and Expenditure Surplus or Deficit to Group Surplus or Deficit	**2008/09 As re-stated £000**	**2009/10 £000**
(Surplus)/deficit on Nottinghamshire County Council's Income & Expenditure Account for the year	136,766	127,189
Add: (Surplus)/Deficit arising from other entities included in the group accounts:		
- Nottingham and Nottinghamshire Futures Ltd	(465)	89
Group Accounts (surplus)/deficit for the year	136,301	127,278

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Group Statement of Total Recognised Gains and Losses	**2008/09**	**2009/10**
	£000	**£000**
(Surplus)/Deficit for the year on the Group Income and Expenditure Account	136,301	127,278
(Surplus)/Deficit arising on revaluation of fixed assets	(64,308)	41,044
Actuarial (gains)/losses on pension fund assets/liabilities	(54,591)	446,647
Any other (gains) and losses	(951)	(1,011)
Total recognised (gains)/losses for the year	16,451	613,958

Re-stated Balance Sheet at 31 March 2009	512,937
Previous published Balance Sheet 31 March 2009	474,204
Additional (gain)/loss arising from Prior Period Adjustment	**(38,733)**

GROUP BALANCE SHEET

	31 March 2009 As re-stated £000	31 March 2009 As re-stated £000	31 March 2010 £000	31 March 2010 £000
Long Term Assets				
Intangible Fixed Assets	1,434		943	
Tangible Fixed Assets				
Operational				
Land & Buildings	1,365,912		1,175,621	
PFI - Reversionary Interest	-		0	
Vehicles & Plant	11,440		12,266	
Equipment, Furniture & Fittings	43,701		45,621	
Community	33		33	
Infrastructure	374,070		392,006	
Non-Operational				
Land & Buildings	63,571		60,162	
Under Construction	19,340		24,921	
Net Fixed Assets		**1,879,501**		**1,711,573**
Deferred Assets	-		0	
Long Term advances	2,537		2,729	
Long Term debtors	5,674		6,419	
Long Term Investments	552		428	
Total Long-term Assets		**1,888,264**		**1,721,149**
Current Assets				
Landfill Useage Allowances	-		-	
Stocks and work in progress	5,095		3,707	
Debtors	64,089		80,397	
Less Bad Debts Provision	(7,917)		(7,685)	
	56,172		72,712	
Temporary Investments	133,990		124,691	
		195,257		201,110
Current Liabilities				
Creditors	(158,645)		(180,164)	
Bank Overdraft	(108,491)		(73,343)	
Deferred Income	0		0	
Loans to be repaid within 1 year	(9,430)		(11,962)	
Short Term Finance Lease Liability	(3,643)		(4,227)	
Temporary Borrowing	0		0	
		(280,209)		(269,696)
Total Assets less Current Liabilities		**1,803,312**		**1,652,563**
Long Term borrowing	(242,013)		(275,062)	
Long Term Finance Lease Liability	(138,806)		(139,298)	
Deferred Liability	(3,166)		(2,729)	
Government Grants Deferred	(282,120)		(251,259)	
General Provisions	(9,686)		(11,321)	
		(675,791)		(679,669)
FRS17 Pensions Liability		(614,584)		(1,073,915)
Total Assets less Liabilities		**512,937**		**(101,021)**
Available Reserves				
Capital Receipts & Grants Unapplied		-		1,370
Revenue Reserves		75,285		78,778
General Insurance		12,692		14,566
Other Reserves etc				
Schools Statutory Reserves		42,223		38,024
Capital Adjustment Account		765,365		655,962
Revaluation Reserve		203,813		153,740
FRS17 Pensions Reserves		(613,642)		(1,071,707)
Financial Instruments Adj Account		(189)		(175)
Collection Fund Adjustment Account		2,553		3,582
Balances		24,837		24,839
		512,937		**(101,021)**

GROUP CASH FLOW STATEMENT

	2008/09 As re-stated £000	2009/10 £000
Net Cash(Inflow)/Outflow from Revenue Activities	**(55,417)**	**(64,290)**
Dividends from Associates		
Cash inflows		
Dividends received	-	-
Returns on Investments and Servicing of Finance		
Cash outflows		
Interest Paid	20,548	11,971
Interest on Finance leases	16,400	18,771
Cash inflows		
Interest received	(8,397)	(4,956)
Taxation	-	-
Capital Expenditure and Financial Investment		
Cash outflows		
Purchase of fixed assets	104,550	89,165
Purchase of long-term investments	-	0
Other capital payments	1,165	415
Cash inflows		
Sale of fixed assets	(5,294)	(2,218)
Capital Grants and Contributions Received	(37,725)	(45,865)
Other capital cash receipts	(704)	(439)
Total Net cash flow before financing	**35,126**	**2,554**
Management of Liquid Resources		
Net (increase)/decrease in short-term deposits	(32,000)	(6,450)
Financing		
Cash outflows		
Repayments of amounts borrowed	3,401	5,195
Capital Element of Finance Lease Repaid	2,372	3,643
Cash inflows		
New loans raised	(10,000)	(40,000)
(Increase)/Decrease in cash	**(1,101)**	**(35,058)**

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

	2008/09 As re-stated £000	2009/10 £000
(Surplus)/deficit for the year on the Group Income and Expenditure Account	**136,301**	**127,278**
Net additional amount required by statute and non-statutory proper practices to be debited or (credited) to the General Fund	(136,420)	(122,990)
Adjustments for Non-Cash Transactions	359	(29,242)
Items classified elsewhere in the Cashflow statement		
Adjust for Returns on Investment and Servicing of Finance	(37,298)	(31,952)
Cash Movements		
Increase/(decrease) in Stocks	717	(1,388)
Increase/(decrease) in Debtors	2,723	14,031
Increase/(decrease) in Creditors	(21,799)	(20,027)
Revenue Activities Net Cash Flow	**(55,417)**	**(64,290)**
checksum	-	-

NOTES TO GROUP ACCOUNTS

Details of Associates included in the Group Accounts

Nottingham and Nottinghamshire Futures Limited (formerly Connexions Nottinghamshire Limited) (Registered Number 4172770)

Nature of Business and Relationship with the Authority

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

Accounts

Copies of the accounts of Nottingham and Nottinghamshire Futures Limited (formaly Connexions Nottinghamshire Limited) can be obtained from Companies House, Crown Way, Maindy, Cardiff.

Audit Opinion

The 2009/10 accounts of this company are awaiting an audit opinion.

NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

Introduction

Nottinghamshire County Council is the administering authority for the Local Government Pension Scheme (LGPS) within Nottinghamshire. It invests and administers two separate pension funds with over 100 contributing employers and 41,000 contributing members. The two Funds are:

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

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

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

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

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

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

All new employees are brought into the pension scheme automatically, unless a positive election not to participate is received from the employee. The membership of the funds at 31 March 2010 was:

	Main Fund	**Admitted Bodies**
Contributors	41,168	1,112
Deferred Benefits	28,984	941
Pensioners	25,166	687

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

NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

FUND ACCOUNT FOR YEAR ENDED 31 March 2010

	Notes	2008/09 £000	2009/10 £000
Dealings with members, employers and others directly involved in the scheme			
Contributions	5		
Receivable from:			
Employees - normal		42,454	43,960
- additional		427	422
Employers - normal		85,431	89,002
- augmentation		6,125	7,879
- deficit funding		23,828	28,177
- other		-	-
Transfers In - individuals		10,070	15,378
Transfers In - groups		-	-
Other income		-	-
		168,335	**184,818**
Benefits payable	5		
Pensions		87,835	96,127
Lump Sums Payable:			
Retiring Allowances		21,377	25,845
Ill-health Retirement Grants		13	7
Death Grants		2,580	2,706
Compensation		1	1
		111,806	**124,686**
Payments to and on account of leavers			
Transfers Out - individuals		4,876	14,336
Transfers Out - groups		-	-
Refunds		92	71
State Scheme		36	30
		5,004	**14,437**
Administration Expenses		**1,372**	**1,380**
Net additions from dealings with members		**50,153**	**44,315**
Returns on Investments			
Investment Income	6	82,910	76,631
Change in market value of investments		(541,051)	567,157
Taxation		(1,012)	(769)
Investment management expenses		(3,745)	(3,646)
Net Returns on Investments		**(462,898)**	**639,373**
Net increase/(decrease) in the Fund during the year		**(412,745)**	**683,688**
Opening net assets of the Fund		2,373,203	1,960,458
Closing net assets of the Fund		**1,960,458**	**2,644,146**

NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

NET ASSETS STATEMENT

	Notes	31 March 2009 £000	31 March 2010 £000
Investments	7		
Fixed Interest Securities			
UK Public Sector		150,913	81,230
UK Other		120,677	100,616
Overseas Public Sector		81,522	54,167
Overseas Other		30,238	13,152
Index Linked Securities			
Public Sector		13,202	26,665
Other		12,744	21,869
Equities			
UK		522,678	871,494
Overseas		275,147	453,925
Unlisted		1,095	1,487
Pooled Investment Vehicles			
Unit Trusts		127,892	192,128
Unitised Insurance Policies		86,663	183,418
Other Managed Funds		126,986	169,475
Pooled Vehicles Invested in Property			
Property Unit Trusts		24,365	37,889
Other Managed Funds		57,033	91,577
Property		213,195	248,085
Cash and Currency	11	103,294	84,777
Total Investments		**1,947,644**	**2,631,954**
Net Investment Liability	8	(522)	-
Net Current Assets/(Liabilities)	9	13,336	12,192
		1,960,458	**2,644,146**

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

NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

BASIS OF PREPARATION
The Pension Fund accounts have been prepared in accordance with the accounting recommendations of the Financial Reports of Pension Schemes - a Statement of Recommended Practice (the Pensions SORP). Disclosures in the Pension Fund accounts have been limited to those required by the Code of Practice on Local Authority Accounting in the United Kingdom: a Statement of Recommended Practice.

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

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

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

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

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

Property investments are stated at open market value based on a quarterly independent valuation at the Net Assets Statement date.

Acquisition costs are included in the purchase cost of investments.

Overseas investment values are translated at the closing exchange rate ruling at the Net Assets Statement 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.

Forward foreign exchange contracts are over the counter contracts under which two parties agree to exchange two currencies on a specified future date at an agreed rate of exchange. These are used to manage the economic exposure to bond markets and hedge against foreign currency movements. These contracts are included at fair value by determining the gain or loss that would arise from closing out the contract at the Net Assets Statement date by entering into an equal and opposite contract at that date. The movements on these contracts during the year are shown in the reconciliation of opening and closing balances of investments at note 7.

INVESTMENT INCOME
Income is accounted for on an accruals basis.

TAXATION
UK equity dividends are quoted and accounted for at the net rate. The tax credit, which the Fund is unable to recover, is not recognised (in accordance with the Pensions SORP). From 2008/09, overseas equity dividends are accounted for gross of withholding tax, where this is deducted at source. Partial reclaims of withholding tax, where allowed, are adjusted at the year end by outstanding claims.

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

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

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

TRANSFERS TO AND FROM OTHER SCHEMES
Transfer values represent the capital sums either receivable (in respect of members from other pension schemes of previous employers) or payable (to the pension schemes of new employers for members who have left the Scheme). They take account of transfers where the trustees (or administering authority) of the receiving scheme have agreed to accept the liabilities in respect of the transferring members before the year end, and where the amount of the transfer can be determined with reasonable certainty. Late changes to regulations adversely affected the calculation of transfer values relating to 2008/09. There were no scheme mergers or group transfers, in or out, in either 2008/09 or 2009/10.

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

2. CONSTITUTION OF THE FUND

The Nottinghamshire County Council Pension Fund is governed in accordance with the various Local Government Pension Scheme Regulations. The Fund covers 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 Fund. Both funds are operated on a similar basis and separate accounts are produced for each fund. A summarised version of the accounts is circulated to all members of the Fund. A separate annual report for the Nottinghamshire Funds is also produced and this, along with previous years' reports, will be accessible via the pension fund website (www.nottspf.org.uk).

From 1 April 2010, the two funds will merge and the assets and accrued liabilities of the Admission Agreement etc Fund will transfer back into the Main Fund. From 2010/11, therefore, only one set of accounts will be produced for the Nottinghamshire Fund.

3. OPERATION OF THE FUND

(a) **Contributions and Solvency**

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

Employees are required by the combined Regulations to make percentage contributions by deduction from earnings at a rate between 5.5% and 7.5% depending on salary. Employers are required to make such balancing contributions, determined by the Actuary, as will maintain the fund in a state of solvency, having regard to existing and prospective liabilities. In 2009/10, 23 authorities made additional contributions totalling £7.9 million in addition to the contributions determined by the actuary (2008/09 : 17 Authorities : £6.1 million).

(b) **Actuarial Valuations**

As required by the Regulations an Actuarial Valuation of the Fund was carried out as at 31 March 2007. The market value of the Fund's assets at the valuation date was £2,417.7 million. The Actuary has estimated that the value of the Fund was sufficient to meet 83.3% of its expected future liabilities in respect of service completed to 31 March 2007. The new contribution rates are expected to improve this to 100% within a period of 20 years.

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

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

Valuation of assets is based upon market values.

The employers' contribution rates paid in 2008/09 and 2009/10 were set by the 31 March 2007 valuation as well as those to be paid in 2010/11. The next triennial valuation will be carried out as at 31 March 2010 and this will determine the rates to be paid in 2011/12. The following list shows the rates payable by the main employers:

Percentages of Pensionable Pay		**2008/09**	**2009/10**	**2010/11**
		%	**%**	**%**
Nottinghamshire County Council		16.1	16.7	17.4
Nottingham City Council		16.3	16.8	17.4
Ashfield District Council		21.8	22.1	22.4
Bassetlaw District Council		20.9	21.0	21.1
	Plus	£604,000	£637,000	£670,000
Broxtowe Borough Council		17.3	17.5	17.7
Gedling Borough Council		17.6	17.6	17.6
Mansfield District Council		19.8	20.0	20.3
Newark and Sherwood District Council		20.1	21.0	21.9
Rushcliffe Borough Council		19.2	19.2	19.2
	Plus	£163,600	£163,600	£163,600

(c) **Investment Strategy**

The investment strategy of the Fund is designed to maximise growth within acceptable risk parameters to help meet the future liabilities. The powers of investment are governed by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. Strategic decisions on investment policy are made by the Pensions Committee, advised by a Pensions Investment Sub-Committee. The policy is set out in the Fund's Statement of Investment Principles, a copy of which is available on the pension fund website (www.nottspf.org.uk) or by writing to:

Service Director (Finance), County Hall, West Bridgford, Nottingham, NG2 7QP.

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

The investments are managed by officers of the County Council or by organisations specialising in the management of pension fund assets. The Sub-Committee meets on a quarterly basis to review the investments of the Fund.

(d) **External Audit**

From 2008/09, a separate fee is payable to the Audit Commission for audit of the pension fund. All fees have been included in the accounts for the period to which they relate. The fee for 2009/10 is £47,966 (2008/09 £47,274).

4. CONTRIBUTORS AND PENSIONERS

	31/3/09	Numbers at 31/3/10				
	Total	County Council	City Council	District Councils	Other	Total
Contributors	40,289	19,140	8,948	4,005	9,075	41,168
Deferred Beneficiaries	25,837	13,138	6,935	3,092	5,819	28,984
Pensioners	23,255	12,103	4,952	4,063	4,048	25,166

5. ANALYSIS OF CONTRIBUTIONS AND BENEFITS

	County Council		Scheduled Bodies	
	2008/09 £000	2009/10 £000	2008/09 £000	2009/10 £000
Contributions from employees	17,017	18,004	25,864	26,378
Contributions from employers	45,519	48,599	69,865	76,459
Benefits payable	46,410	48,765	65,396	75,921

6. INVESTMENT INCOME

Analysis by type of investment	**2008/09 £000**	**2009/10 £000**
Fixed Interest	12,972	17,473
Index-linked	170	774
Equities	44,667	35,992
Pooled Vehicles	891	5,057
Property Pooled Vehicles	1,916	570
Property	17,487	16,365
Cash	4,791	289
Other	16	111
	82,910	**76,631**

7. INVESTMENTS

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

	31/3/09 £000	31/3/10 £000
Market Value	1,947,644	2,631,954
Original Value	2,097,865	2,234,116
Excess/(Deficit) of Market Value over Original Value	**(150,221)**	**397,838**

At 31 March 2010 the fund held no investment representing over 5% of the fund (2008/09 also nil).

Management Arrangements
The Pensions Committee, advised by the Pensions Investment Sub-Committee, is responsible for determining the investment strategy of the Fund and the type of investment management to be used. An analysis of the investment management arrangements as at the Net Assets Statement date is shown below:

	31/3/09 £000	%	31/3/10 £000	%
In-house	692,980	35.5	998,027	37.9
Schroder Investment Management	410,374	21.1	683,144	26.0
Aegon Asset Management	409,296	21.0	301,164	11.4
Aberdeen Property Investors	225,994	11.6	284,703	10.8
Legal & General	80,942	4.2	173,730	6.6
Hermes Asset Management	61,155	3.1	89,092	3.4
Standard Life	44,234	2.3	54,969	2.1
Keills	7,392	0.4	23,499	0.9
Governance 4 Owners	7,203	0.4	12,379	0.5
Martin Currie	8,074	0.4	11,247	0.4
Total	**1,947,644**	**100.0**	**2,631,954**	**100.0**

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

	31/3/09 £000	%	31/3/10 £000	%
UK Fixed Interest	271,590	14.0	181,846	6.9
Overseas Fixed Interest	111,760	5.8	67,320	2.6
Index Linked Securities	25,947	1.3	48,534	1.8
UK Equities	567,291	29.1	929,866	35.3
Overseas Equities:				
US	179,178	9.2	298,790	11.4
Japan	65,101	3.3	89,747	3.4
Europe	164,795	8.5	284,225	10.8
Pacific Basin	64,525	3.3	121,700	4.6
Emerging Markets	45,250	2.3	88,364	3.4
Global	8,074	0.4	11,247	0.4
UK Property	237,560	12.2	285,974	10.9
Overseas Property	57,033	2.9	91,577	3.5
Private Equity	46,246	2.4	47,987	1.8
Cash	103,294	5.3	84,777	3.2
Total	**1,947,644**	**100.0**	**2,631,954**	**100.0**

Analysis of Pooled Investment Vehicles

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

	31/3/09 £000	31/3/10 £000
UK Equities	56,637	82,050
Overseas Equities:		
US	64,449	106,524
Japan	42,695	61,962
Europe	26,783	50,351
Pacific Basin	64,525	121,700
Emerging Markets	33,227	64,687
Global	8,074	11,247
UK Property	24,365	37,889
Overseas Property	57,033	91,577
Private Equity	45,151	46,500
Total	**422,939**	**674,487**

Property

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

The analysis of property is:

	31/3/09 £000	31/3/10 £000
Freehold	205,470	239,835
Leasehold more than 50 years	7,725	8,250
	213,195	**248,085**
Original Value	252,404	266,132

Reconciliation of Opening and Closing Values of Investments

	Value at 1/4/09 £000	Purchases at Cost £000	Proceeds of Sales £000	Change in Market Value £000	Value at 31/3/10 £000
Fixed Interest Securities	383,350	294,053	(432,377)	4,139	249,165
Index Linked Securities	25,946	25,782	(13,580)	10,386	48,534
Forward Foreign Exchange	(522)	256,311	(259,009)	3,220	0
Equities	798,920	313,586	(165,308)	379,708	1,326,906
Pooled Investment Vehicles	341,541	110,066	(26,175)	119,589	545,021
Property Pooled Vehicles	81,398	20,000	0	28,068	129,466
Property	213,195	12,781	62	22,047	248,085
	1,843,828	**1,032,579**	**(896,387)**	**567,157**	**2,547,177**
Cash deposits	103,294				84,777
Other investment balances	13,336				12,192
	1,960,458				**2,644,146**

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

Transaction costs are included in the cost of purchases and sale proceeds. The costs charged directly to the fund, such as fees, commissions and stamp duty, amounted to £1,826,994 in 2009/10 (£1,166,516 in 2008/09). In addition, indirect costs are incurred through the bid-offer spread on investments. This amount is not separately provided.

8. NET INVESTMENT LIABILITY

	31 March 2009 £000	31 March 2010 £000
Forward foreign exchange unrealised gain	58	-
Forward foreign exchange unrealised loss	(580)	-
	(522)	**0**

9. NET CURRENT ASSETS/(LIABILITIES)

	31 March 2009 £000	31 March 2010 £000
Debtors		
- sale of investments	3,884	844
- contributions due from employers	7,648	8,096
- other	6,751	8,781
Creditors		
- purchase of investments	-	-
- other	(4,947)	(5,529)
	13,336	**12,192**

10. MEMBERS ADDITIONAL VOLUNTARY CONTRIBUTIONS

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

	31 March 2009 £000	31 March 2010 £000
Prudential	29,678	30,126
Scottish Widows	3,198	3,709
	32,876	**33,835**

During 2009/10 the County Council paid over additional voluntary contributions from members amounting to £1,326,664 (2008/09 £1,191,425).

11. RELATED PARTY TRANSACTIONS

The Net Assets Statement includes cash of £84.8 million (2008/09 £103.3 million) which is used by Nottinghamshire County Council under regulation 3(4) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. This use counts as an investment for the pension fund and, in accordance with regulation 16 of the same regulations, the Fund received interest on this cash at the 7-day local government rate. The maximum amount used by the County Council during 2009/10 was £145 million (2008/09 £153 million). From 1 April 2010, such use no longer counts as an investment and from that date, pension fund cash will be invested in line with the County Council's Treasury Management Policy.

During the financial year 2009/10 County Councillors Mr J Carter and Mr D Taylor were members of Nottinghamshire County Council Pensions Committee and were in receipt of pensions from this fund. There are no other related party transactions between members and officers of the Council and the Fund.

ADMISSION AGREEMENT ETC. PENSION FUND

FUND ACCOUNT FOR YEAR ENDED 31 March 2010

	Notes	2008/09 £000	2009/10 £000
Dealings with members, employers and others directly involved in the scheme			
Contributions			
Receivable from:			
Employees - normal		1,560	1,560
- additional		12	8
Employers - normal		3,101	3,146
- augmentation		266	259
- deficit funding		455	767
- other		-	-
Transfers In - individuals		749	1,000
Transfers In - groups		-	-
Other income		-	-
		6,143	**6,740**
Benefits			
Pensions		1,934	2,178
Lump Sums:			
Retiring Allowances		681	741
Ill Health		-	-
Death Grants		7	15
Compensation		-	-
		2,622	**2,934**
Payments to and on account of Leavers			
Transfers Out - individuals		40	96
Transfers Out - groups		-	-
Refunds		-	1
State Scheme		-	-
		40	**97**
Administration expenses		**50**	**49**
Net additions from dealings with members		**3,431**	**3,660**
Returns on investments			
Investment Income	5	1,945	1,526
Change in market value of investments		(16,445)	20,728
Taxation		(18)	(13)
Investment management expenses		(110)	(130)
Net returns on investments		**(14,628)**	**22,111**
Net increase/(decrease) in the Fund during the year		**(11,197)**	**25,771**
Opening net assets of the Fund		73,106	61,909
Closing net assets of the Fund		**61,909**	**87,680**

ADMISSION AGREEMENT ETC. PENSION FUND

NET ASSETS STATEMENT

	Notes	31 March 2009 £000	31 March 2010 £000
Investments	6		
Equities - listed			
UK		16,706	26,281
Overseas		6,324	8,848
Pooled Investment Vehicles			
Unit Trusts		9,631	16,872
Unitised Insurance Policies		4,007	6,422
Other Managed Funds		16,329	18,971
Pooled Vehicles Invested in Property			
Property Unit Trusts		3,854	3,913
Other Managed Funds		1,216	1,337
Cash	9	3,000	4,583
Total Investments		**61,067**	**87,227**
Net Current Assets/(Liabilities)	7	842	453
		61,909	**87,680**

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

ADMISSION AGREEMENT ETC. PENSION FUND

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

BASIS OF PREPARATION
The Admission Agreement etc Pension Fund accounts have been prepared in accordance with the accounting recommendations of the Financial Reports of Pension Schemes - a Statement of Recommended Practice (the Pensions SORP). Disclosures in the Admission Agreement etc Pension Fund accounts have been limited to those required by the Code of Practice on Local Authority Accounting in the United Kingdom: a Statement of Recommended Practice.

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

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

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

Acquisition costs are included in the purchase cost of investments.

Overseas investment values are translated at the closing exchange rate ruling at the Net Assets Statement date.

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

INVESTMENT INCOME
Income is accounted for on an accruals basis.

TAXATION
UK equity dividends are quoted and accounted for at the net rate. The tax credit, which the Fund is unable to recover, is not recognised (in accordance with the Pensions SORP). From 2008/09, overseas equity dividends are accounted for gross of withholding tax, where this is deducted at source. Partial reclaims of withholding tax, where allowed, are adjusted at the year end by outstanding claims.

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

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

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

TRANSFERS TO AND FROM OTHER SCHEMES
Transfer values represent the capital sums either receivable (in respect of members from other pension schemes of previous employers) or payable (to the pension schemes of new employers for members who have left the Scheme). They take account of transfers where the trustees (or administering authority) of the receiving scheme have agreed to accept the liabilities in respect of the transferring members before the year end, and where the amount of the transfer can be determined with reasonable certainty. Late changes to regulations adversely affected the calculation of transfer values relating to 2008/09.

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

2. CONSTITUTION OF THE FUND

Local Act powers were obtained in June 1985 by the Nottinghamshire County Council (Superannuation) Act 1985 to enable the creation of the Admission Agreement etc Fund. 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. The Fund is governed in accordance with the various Local Government Pension Scheme Regulations and is operated on a similar basis to the Main Fund. A summarised version of the accounts is circulated to all members of the Fund. A separate annual report for the Nottinghamshire Funds is also produced and this, along with previous years' reports, will be accessible via the pension fund website (www.nottspf.org.uk).

From 1 April 2010, the two funds will merge and the assets and accrued liabilities of the Admission Agreement etc Fund will transfer back into the Main Fund. From 2010/11, therefore, only one set of accounts will be produced for the Nottinghamshire Fund.

3. OPERATION OF THE FUND

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

Employees are required by the combined Regulations to make percentage contributions by deduction from earnings at a rate between 5.5% and 7.5% depending on salary. Employers are required to make such balancing contributions, determined by the Actuary, as will maintain the fund in a state of solvency, having regard to existing and prospective liabilities.

(b) **Actuarial Valuations**
As required by the Regulations an Actuarial Valuation of the Fund was carried out as at 31 March 2007. At that date the market value of the Fund's assets was £73.6 million.

The Actuary has estimated that the value of the Fund was sufficient to meet 85.4% of its expected future liabilities in respect of service completed to 31 March 2007.

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

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

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

(c) **Investment Strategy**
The investment strategy of the Fund is designed to maximise growth within acceptable risk parameters to help meet the future liabilities. The powers of investment are governed by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. Strategic decisions on investment policy are made by the Pensions Committee, advised by a Pensions Investment Sub-Committee. The policy is set out in the Fund's Statement of Investment Principles, a copy of which is available on the pension fund website (www.nottspf.org.uk) or by writing to:
Service Director (Finance), County Hall, West Bridgford, Nottingham, NG2 7QP.

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

The investments are managed by officers of the County Council or by organisations specialising in the management of pension fund assets. The Sub-Committee meets on a quarterly basis to review the investments of the Fund.

(d) **External Audit**
From 2008/09, a separate fee is payable to the Audit Commission for audit of the pension fund. All fees have been included in the accounts for the period to which they relate. The fee for 2009/10 is £1,535 (2008/09 £1,462).

4. CONTRIBUTORS AND PENSIONERS

	Number at 31/3/09	**Number at 31/3/10**
Contributors	1,120	1,112
Deferred beneficiaries	823	941
Pensioners	461	687

5. INVESTMENT INCOME

Analysis by type of investment	**2008/09 £000**	**2009/10 £000**
Equities	1,441	1,094
Pooled Vehicles	6	203
Property Pooled Vehicles	310	210
Cash Interest	187	15
Other	1	4
	1,945	**1,526**

6. INVESTMENTS

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

	31/3/09 £000	31/3/10 £000
Market Value	61,067	87,227
Original Value	67,616	72,729
Excess/(Deficit) of Market Value over Original Value	**(6,549)**	**14,498**

Individual Investments over 5% of the Fund
At 31 March 2010 the Fund held £9.63 million of Aegon Long Balanced Fund, £5.35 million of Schroders' Institutional Europe Equity Fund and £5.00 million of Schroders' North American Equity Fund representing 11.0%, 6.1% and 5.7% of the Fund respectively.
(At 31 March 2009 the Fund held £8.31 million of Aegon Long Balanced Fund, £3.85 million of Schroders Property Unit Trust, and £3.47 million of Aegon Overseas Bond Fund representing 13.6%, 6.3% and 5.7% of the Fund respectively).

Management Arrangements
The Pensions Committee, advised by the Pensions Investment Sub-Committee, is responsible for determining the investment strategy of the Fund and the type of investment management to be used. An analysis of the investment management arrangements as at the Net Assets Statement date is shown below:

	31/3/09 £000	%	31/3/10 £000	%
In-house	18,275	29.9	26,724	30.7
Schroder Investment Management	21,240	34.8	33,773	38.7
Aegon Asset Management	13,113	21.5	14,518	16.6
Legal & General	4,007	6.5	6,422	7.4
Martin Currie	2,422	4.0	3,374	3.9
Aberdeen Property Investors	1,217	2.0	1,337	1.5
Hermes Asset Management	793	1.3	1,079	1.2
Total	**61,067**	**100.0**	**87,227**	**100.0**

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

	31/3/09 £000	%	31/3/10 £000	%
UK Fixed Interest	8,313	13.6	9,632	11.0
Overseas Fixed Interest	3,466	5.7	3,423	3.9
Index Linked Securities	1,334	2.2	1,464	1.7
UK Equities	18,138	29.7	28,154	32.3
Overseas Equities:				
US	6,660	10.9	10,217	11.7
Japan	2,301	3.8	3,025	3.5
Europe	5,486	9.0	9,342	10.7
Pacific Basin	3,028	4.9	5,283	6.1
Emerging Markets	1,848	3.0	3,480	4.0
Global	2,422	4.0	3,374	3.9
UK Property	5,071	8.3	5,250	6.0
Cash	3,000	4.9	4,583	5.2
Total	**61,067**	**100.0**	**87,227**	**100.0**

Analysis of Pooled Investment Vehicles

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

	31/3/09 £000	31/3/10 £000
UK Fixed Interest	8,313	9,631
Overseas Fixed Interest	3,466	3,423
Index Linked	1,334	1,464
UK Equities	1,432	1,874
Overseas Equities:		
US	2,850	4,999
Japan	2,301	3,025
Europe	2,972	5,712
Pacific Basin	3,028	5,283
Emerging Markets	1,848	3,480
Global	2,422	3,374
UK Property	5,071	5,250
Total	**35,037**	**47,515**

Reconciliation of Opening and Closing Values of Investments

	Value at 1/4/09 £000	Purchases at Cost £000	Proceeds of Sales £000	Change in Market Value £000	Value at 31/3/10 £000
Equities	23,030	3,790	(2,165)	10,474	35,129
Pooled Vehicles	29,967	3,802	(1,578)	10,074	42,265
Property Pooled Vehicles	5,070	0	0	180	5,250
	58,067	**7,592**	**(3,743)**	**20,728**	**82,644**
Cash deposits	3,000				4,583
Other investment balances	842				453
	61,909				**87,680**

Transaction costs are included in the cost of purchases and sale proceeds. The costs charged directly to the fund, such as fees, commissions and stamp duty, amounted to £22,323 in 2009/10 (£22,638 in 2008/09). In addition, indirect costs are incurred through the bid-offer spread on investments. This amount is not separately provided.

7. NET CURRENT ASSETS/(LIABILITIES)

	31 March 2009 £000	31 March 2010 £000
Debtors		
- sale of investments	10	-
- contributions due from employers	580	251
- other	284	271
Creditors		
- purchase of investments	-	(4)
- other	(32)	(65)
Net Current Assets/(Liabilities)	**842**	**453**

8. MEMBERS ADDITIONAL VOLUNTARY CONTRIBUTIONS

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

Information on the value of the investments held by the two providers and of amounts paid over by the County Council can be found at note 10 in the Main Fund accounts.

9. RELATED PARTY TRANSACTIONS

The Net Assets Statement includes cash of £4.6 million (2008/09 £3.0 million) which is used by Nottinghamshire County Council under regulation 3(4) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. This use counts as an investment for the pension fund and, in accordance with regulation 16 of the same regulations, the Fund received interest on this cash at the 7-day local government rate. The maximum amount used by the County Council during 2009/10 was £5.9 million (2008/09 £7.0 million). From 1 April 2010, such use no longer counts as an investment and from that date, pension fund cash will be invested in line with the County Council's Treasury Management Policy.

There are no other related party transactions between members and officers of the Council and the Fund.

10. ADMITTED BODIES

The employers' contributions to be paid in the years 2008/09 to 2010/11 were set by the 31 March 2007 valuation. The rates are shown as a percentage of pensionable pay or as a lump sum amount (as set out in the actuary's Rates and Adjustments Certificate).

	2008/09	**2009/10**	**2010/11**
	%	**%**	**%**
Ashfield CAB	12.6	14.1	15.5
Bassetlaw CAB	12.6	14.1	15.5
Bestwood Partnership Forum	12.6	14.1	15.5
Broxtowe CAB	12.6	14.1	15.5
Carillion Services		19.0	19.0
Castle Cavendish Foundation (Neighbourhood Dev Co)	12.6	14.1	15.5
Centre for Contemporary Art Nottingham Ltd	9.0	9.0	9.0
Child Migrants Trust	12.6	14.1	15.5
Clifton Advice Centre	12.6	14.1	15.5
Connexions Nottinghamshire Ltd	13.8	14.5	14.5
Disabilities Living Centre	12.6	14.1	15.5
Eastwood Volunteer Bureau	12.6	14.1	15.5
EMFEC	12.6	14.1	15.5
EM Media	12.6	14.1	15.5
Enviroenergy Ltd	12.6	14.1	15.5
Experience Nottingham Ltd	12.6	14.1	15.5
Faith in Families (Catholic Children's Socity)	12.6	14.1	15.5
Family Care	12.6	14.1	15.5
Gedling Homes	23.6	23.6	23.6
Greater Nottingham Partnership	12.6	14.1	15.5
Greenfields Centre Ltd	12.6	14.1	15.5
Groundwork Greater Nottingham	12.6	14.1	15.5
Institute of Burial Cremation Admin	12.6	14.1	15.5
Jesse Boot Community Basketball & Sports	12.6	14.1	15.5
Kirkby Trust	12.6	14.1	15.5
	2008/09	**2009/10**	**2010/11**

	%	%	%
Mansfield CAB	12.6	14.1	15.5
Mansfield Rd Baptist Housing	12.6	14.1	15.5
Meadows Advice Group	12.6	14.1	15.5
Meden Valley Making Places Ltd	12.6	14.1	15.5
Metropolitan Housing Trust	11.4	12.0	12.0
Newark Emmaus Trust	12.6	14.1	15.5
Neighbourhood Development Company	12.6	14.1	15.5
NORSACA	12.6	14.1	15.5
Nottingham Association of Local Councils	12.6	14.1	15.5
Nottingham & District Racial Equality Council	12.6	14.1	15.5
Nottingham CAB	12.6	14.1	15.5
Nottingham Deaf Society	12.6	14.1	15.5
Nottingham Development Enterprise	12.6	14.1	15.5
Nottingham Ice Centre	12.6	14.1	15.5
Nottingham Regeneration	12.6	14.1	15.5
Nottinghamshire County Council (East Midlands Airport)	£252,000	£263,000	£274,000
Nottinghamshire County Scout Association	12.6	14.1	15.5
Nottinghamshire Rural Community Council	12.6	14.1	15.5
Ollerton and District CAB	12.6	14.1	15.5
Regeneration East Midlands	12.6	14.1	15.5
SLM Ltd	13.4	12.2	12.2
Southwell Leisure Centre	12.6	14.1	15.5
The Carers' Federation	12.6	14.1	15.5
The Partnership Council	12.6	14.1	15.5
The Pearson Centre for Young People	12.6	14.1	15.5
The Renewal Trust	12.6	14.1	15.5
Trent University Students' Union	12.6	14.1	15.5
UPP (Nottm)	14.2	13.7	13.7

GLOSSARY OF TERMS

Accruals	The concept that income and expenditure are recognised as they are earned or incurred, not as money happens to be received or paid.
Actuary	An actuary is an expert on pension scheme assets and liabilities. The Local Government Pension Scheme actuary reassesses the rate of employer contributions to the Pension fund every three years.
Added Years	Additional years of service awarded to increase benefits of employees taking early retirement.
Amortisation	The process of charging capital expenditure, usually on intangible fixed assets, to the Income & Expenditure Account over a suitable period of time.
Area Based Grant (ABG)	This is a non-ringfenced general grant, made up of a wide range of former specific grants from seven Government Departments. Authorities are free to use the totality of their non-ringfenced general funding (Revenue Support Grant and ABG) to support national, regional and local priorities as they see fit.
Balance Sheet	The accounting statement which sets out the Council's total net assets and how they were financed.
Budget	The Council's statement of spending plans and policies for a financial year, expressed in financial terms.
Capital Adjustment Account (CAA)	Contains the elements previously recorded in the Provision for Credit Liabilities, together with amounts to be set aside to repay debt and the amount of capital expenditure financed by capital receipts and revenue. It also contains the difference between the amounts provided for depreciation and the amount for Minimum Revenue Provision.
CFR	Capital Financing Requirement
Capital Receipts	Income received from the sale of capital assets and available, subject to rules laid down by Government, to finance new capital expenditure or to repay debt.
Cash Flow Statement	Summarises the inflows and outflows of cash arising from transactions with third parties for capital and revenue purposes.
Creditors	Persons or bodies owed monies by the Authority that have not been paid by the end of the financial year.
DEFRA	Department for Environment, Food and Rural Affairs
DCSF	Department for Children, Schools and Families
DCLG	Department for Communities and Local Government
Debtors	Persons or bodies owing sums to the Authority that have not been paid by the end of the financial year.
Direct Labour/Service Organisations	Workforces employed directly by local authorities to carry out works of repair, maintenance, construction etc. of buildings, grounds and roads and to provide catering and cleaning services and repairs and maintenance of vehicles.
Earmarked Reserves	Reserves set aside for a specific purpose.

Financial Instruments	A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another. For instance financial assets could be bank deposits, loans receivable, shares etc, whilst financial liabilities could be borrowings, debtors, financial guarantees etc.
Fixed Assets	Tangible assets that yield benefits to the Authority and the services it provides for a period of more than one year.
General Fund	This balance is a general revenue reserve, part of this fund is earmarked to provide a number of Reserves.
Government Grants Deferred Account	The amount of money given to the Council to spend on depreciable assets that have a lasting value, for example vehicles. This amount is reduced each year as the value of the asset reduces due to wear and tear.
IFRS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretations Committee provide interpretations of IFRS
Income and Expenditure Account	The account which sets out the Council's Income and Expenditure for the year.
Infrastructure Assets	Fixed assets such as roads and bridges.
Impairments	An impairment or loss of value may arise on a fixed asset upon revaluation.
Intangible Assets	Tangible assets that yield benefits to the Authority and the services it provides for a period of more than one year, e.g. software
LOBO	Lender Option Borrower Option
Local Authority Business Growth Incentive Scheme (LABGI)	The Local Authority Business Growth Incentive Scheme provides an incentive for local authorities to promote economic growth in the area by allowing them to retain a proportion of any increase in business rates revenues.
Landfill Allowance Trading Scheme (LATS)	The scheme allocates tradable landfill allowances to each waste disposal authority in England and authorities can buy, sell or carry forward landfill allowances depending on usage requirements.
Leasing	A method of financing capital expenditure where a rental charge for an asset is paid for a specific period. There are two forms of lease, 'finance leases' which transfer substantially all the risks and rewards of ownership to the lessee and other leases which are known as 'operating leases'.
Local Government Pension Scheme (LGPS)	Nottinghamshire County Council is the administrating authority for the LGPS within Nottinghamshire. The two funds are the Main Fund and the Admission Agreement etc. Pension Fund.
Minimum Revenue Provision (MRP)	The minimum amount which must be charged to revenue in the year for the repayment of debt (credit liabilities and credit arrangements). An authority may voluntarily set aside amounts in excess of the minimum required.
NNDR	National Non-Domestic Rate
Non-Operational Assets	Fixed assets held which are not used in the provision of services.

Operational Assets	Fixed assets held and occupied, used or consumed by the Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.
PCT	Primary Care Trust
PFI	Public Finance Initiative
Precept Income	County Councils obtain part of their income from precepts levied on the District Councils in their area. Precepts, based on the 'council tax bases' of the District Councils, are levied on each district's 'collection fund'.
PWLB	Public Works Loans Board
Provisions	Sums of money set aside to meet specific expenses which are likely or certain to be incurred, but where the amounts cannot be accurately determined or dates on which they will arise. The sums set aside are charged to the appropriate service revenue accounts.
Reserves	Sums of money set aside to cover future eventualities. The sums set aside are charged to the General Fund and not to service revenue accounts.
Revaluation Reserve	Represents the difference between the revalued amount of fixed assets as shown in the accounts and actual costs.
Revenue Expenditure Financed from Capital Under Statute (REFfCUS)	These were previously known as defered charges and included such items as work on property not owned by the authority and grants for economic development purposes.
Trust Funds	Funds established where the Authority acts as trustee. These amounts do not form part of the County Council's resources.