



Nottinghamshire
County Council

Statement of Accounts

2007/08



Tuxford
School



NOTTINGHAMSHIRE COUNTY COUNCIL STATEMENT OF ACCOUNTS 2007/08

CONTENTS	PAGE
County Council Accounts	
Explanatory Foreword	2
Independent Auditor's Report – Financial Statements	6
Independent Auditor's Report – Use of Resources	8
Statement of Responsibilities	9
Statement of Approval by Chairman	10
Annual Governance Statement	11
Statement of Accounting Policies	16
Income & Expenditure Account	22
Statement of Movement on General Fund Balance	23
Statement of Total Recognised Gains & Losses	23
Balance Sheet	24
Cash Flow Statement	25
Summary Revenue Accounts of Trading Undertakings	28
Explanation of Prior Period Adjustments	29
Notes to the Statement of Accounts	30
Pension Funds Accounts	
Nottinghamshire County Council Pension Fund	
Introduction	60
Fund Account	61
Net Assets Statement	62
Notes to the Accounts	63
Admission Agreement etc. Pension Fund	
Fund Account	69
Net Assets Statement	70
Notes to the Accounts	71
Glossary of Terms	77

EXPLANATORY FOREWORD

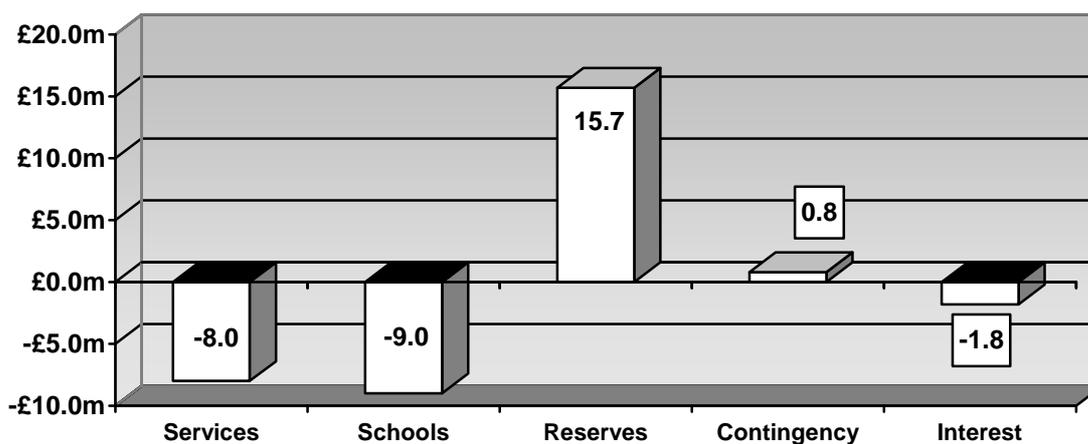
- The County Council's Statement of Accounts for the year 2007/08 is set out on the following pages. It is prepared in accordance with the 2007/08 Code of Practice on Local Authority Accounting (SORP) and Best Value Accounting Code of Practice (BVACOP), both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The statements also comply with appropriate guidance notes issued by CIPFA covering the Statements of Standard Accounting Practice (SSAPs), Financial Reporting Standards (FRSs) and Urgent Issues Task Force Abstracts (UITFA) as they apply to local authorities.
- This foreword gives a brief summary of the Council's overall financial results for 2007/08. It also indicates the type of expenditure incurred and the ways in which money has been raised to pay for this.

Revenue Expenditure

- The original budget estimated that there would be no movement on General Fund balances. The final accounts shows that £2.8 million was added to balances.

	Original Budget £m	Actual £m	Variance from Budget £m
INCOME			
Income raised from taxation:			
Precept Income (Council Tax)	282.6	282.6	0.0
Non Domestic Rate Income	114.4	114.4	0.0
Revenue Support Grant	19.2	19.2	0.0
Business Growth Incentive	2.2	2.7	(0.5)
	<u>418.4</u>	<u>418.9</u>	<u>(0.5)</u>
NET EXPENDITURE (inc appropriations)	<u>418.4</u>	<u>416.1</u>	<u>(2.3)</u>
Contribution (to)/from County Fund Balances	<u>0.0</u>	<u>(2.8)</u>	<u>(2.8)</u>

- The main variations to net expenditure were



	£m	£m
Areas where expenditure was reduced:		
Net underspendings by Services	(8.0)	
Net contribution to statutory reserves by Schools	(9.1)	
Interest on borrowings	<u>(1.8)</u>	(18.9)
Areas where expenditure increased:		
Additional contingency sums required	0.8	
Other	<u>0.1</u>	0.9
Reserves created from items above:		
Schools Reserves	9.0	
Pay Review	2.0	
Carry Forwards	4.5	
Other	<u>0.2</u>	<u>15.7</u>
Overall decrease in net expenditure compared with budget		<u>(2.3)</u>

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

	1.4.07	Movement during year	31.3.08
	£m	£m	£m
County Fund Balances	19.4	2.8	22.2
Reserves:			
Capital Expenditure	3.2	1.2	4.4
Capital Receipts & Grants Unapplied	8.6	(8.6)	0.0
Earmarked for Budget Carry Forwards	7.8	(3.3)	4.5
Earmarked for Services	13.3	5.2	18.5
Earmarked from Contingency	1.1	(0.9)	0.2
East Leake PFI	2.1	0.4	2.5
Leasing Alternatives	0.6	0.3	0.9
Pay Review Reserve	23.6	(4.6)	19.0
Trading Organisations	1.5	(0.1)	1.4
Tram PFI	2.9	0.3	3.2
Tram Phase 2	4.1	1.0	5.1
Bassetlaw PFI	17.9	(0.2)	17.7
Landfill Allowances	2.5	(1.4)	1.1
Schools Statutory reserve	36.1	9.0	45.1
Waste PFI	<u>3.2</u>	<u>6.9</u>	<u>10.1</u>
	<u>147.9</u>	<u>8.0</u>	<u>155.9</u>

6. The gross revenue cost of County Council services was £1,174 million in 2007/08. The analysis by type of expenditure is:

	Amount £m	Proportion %
Employees:		
Teachers and Lecturers	289.0	24.6
Other Employees	308.2	26.3
Single Status Back Pay pre April 07	10.9	0.9
Other Running Costs	528.3	45.0
Capital Charges to service revenue accounts	<u>37.3</u>	<u>3.2</u>
	<u>1,173.7</u>	<u>100.0</u>

7. The Government has set local authorities an ambitious target of 3% cashable efficiency savings, each year for the next three years. The County Council has established a number of projects to help achieve these savings, particularly through shared services, reducing sickness absence, procurement and asset management. Savings from these projects will help contain Council Tax increases to 3% and help fund additional expenditure on essential services, particularly vulnerable children and adults.

8. This year the calculation of FRS17 liabilities has resulted in an increase in the assessment of the long-term pension liabilities (see Note 16 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 15 to the Accounts).
9. The County Council continues to provide services and support to the Coroner's Service which is now a separate entity from the Authority. The revenue effect is shown under Contributions to Other Bodies within the Income and Expenditure Account (Page 21).
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	599.6	51.1
Fees and Charges etc.	138.4	11.8
	<u>738.0</u>	<u>63.0</u>
Council Tax, National Non-Domestic Rate, Revenue Support Grant, LABGI and PSA	419.0	35.7
Interest and Investment Income	3.2	0.3
Other Items	13.5	1.1
	<u>1,173.7</u>	<u>100.0</u>

Capital Expenditure and Financing

11. The County Council's capital expenditure in 2007/08 was £127.3 million excluding amounts counted as capital expenditure for control purposes. The external capital financing costs amounted to £16.0 million.
12. At 31 March 2008, the insured value of the County Council's buildings was £1,688 million. This sum excludes the considerable investment in roads and other infrastructure works that has taken place over the years. In addition the Council owns approximately 5,310 hectares of land. The book value of net fixed assets was £1,667 million.
13. The Council's borrowings, used to finance the past acquisitions of assets were £247.8 million at 31 March 2008. This includes long term borrowings, loans to be repaid within 1 year and deferred liabilities. The County Council now makes use of financial instruments called Lender Option Borrower Option (LOBO) which offer attractive borrowing rates of interest as well as greater flexibility. At 31 March 2008 the amount owed was £91.2 million.
14. The Authority has entered into Private Finance Initiative (PFI) partnerships. The major schemes are as follows:
 - The provision of a tram service by Arrow Consortium. The County and City Councils are 20% and 80% partners in the contract. The Tram became operational on 9th March 2004.
 - The provision of schools at East Leake. Service commenced during 2003/04.
 - The provision of schools and leisure facilities in Bassetlaw commenced during 2007/08.
 - Waste recycling and energy recovery facilities.

Further details of all PFI contracts are set out in Note 32 to the Accounts.

Explanation of the Statements

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.

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 2007/08. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets consumed and the real projected value of retirement benefits earned by employees in the year. This Account shows how net expenditure was financed from the Precept, Revenue Support Grant and National Non Domestic Rates.

Statement of the Movement on the General Fund Balance

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

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

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

Statement of Total Recognised Gains and Losses

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

Balance Sheet

The Balance Sheet sets out the financial position of the County Council as at the 31 March 2008. 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.

Pension Fund Account

This Statement shows the income and expenditure relating to the County Council's Pension Scheme.

Pension Net Assets Statement

This Statement shows the net current assets and liabilities arising from the operation of the County Council's Pension Scheme. 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.

Change in Accounting Policy

In accordance with the Code of Practice on Local Authority Accounting there have been two significant changes to accounting policies. The first relates to the accounting for fixed assets with the introduction of the Revaluation Reserve from 1 April 2007 which will show revaluation gains accumulated since 1 April 2007. The second relates to the adherence to FRS 25, 26 and 29 dealing with the recognition, measurement and disclosure of Financial Instruments. The latter change has not required any restatement to the 2006/07 accounts or significant effect on the accounts for 2007/08 but has resulted in greater disclosure of the use of Financial Instruments, e.g. borrowing, loans given etc.

INDEPENDENT AUDITOR'S REPORT TO NOTTINGHAMSHIRE COUNTY COUNCIL

Opinion on the financial statements

I have audited the Authority accounting statements, pension fund accounts and related notes of Nottinghamshire County Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Authority Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority Balance Sheet, the Authority Statement of Total Recognised Gains and Losses, the Authority Cash Flow Statement and the related notes. Both pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The Authority accounting statements and pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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

Respective responsibilities of the Service Director - Finance and auditor

The Service Director - Finance has responsibility for preparing the financial statements, including the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the Authority accounting statements and the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

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

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

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

Basis of audit opinion

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority accounting statements, 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 Authority accounting statements, pension fund accounts and related notes.

Opinion

In my opinion:

The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended; and

Both pension fund accounts and related notes present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions during the year ended 31 March 2008, and the amount and disposition of fund assets and liabilities as at 31 March 2008, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Mr Andrew Blackburn

District Auditor
Littlemoor House
Littlemoor
Eckington
Sheffield
S21 4EF

26 September 2008

INDEPENDENT AUDITOR'S REPORT TO NOTTINGHAMSHIRE COUNTY COUNCIL

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

Authority's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Nottinghamshire County Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Best Value Performance Plan

The auditor issued his statutory report on the audit of the Authority's best value performance plan for the financial year 2007/08 on 17 December 2007. The auditor did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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

Mr Andrew Blackburn

District Auditor
Littlemoor House
Littlemoor
Eckington
Sheffield
S21 4EF

26 September 2008

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

- * to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The Service Director (Finance) is the responsible officer;
- * to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- * to prepare and publish a Statement of Accounts in accordance with the Accounts and Audit Regulations 2003, as amended ("the Regulations").

The Service Director (Finance) Responsibilities

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

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

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

The Service Director (Finance) has also:

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

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

A Sumbly
Service Director (Finance), Corporate Services
19 June 2008

STATEMENT OF APPROVAL OF THE STATEMENT OF ACCOUNTS

The Statement of Accounts was approved by a meeting of the County Council on 19 June 2008. The Strategic Director of Resources is satisfied with the position set out in the Statement of Accounts. As Chairman of Nottinghamshire County Council I am satisfied that the approval process for the Statement of Accounts has now been completed satisfactorily and that the Statement of Accounts may now be issued.

Councillor The Hon Joan Taylor
Chairman of the County Council
19 June 2008

ANNUAL GOVERNANCE STATEMENT

1. SCOPE OF RESPONSIBILITY

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

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

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

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

The Governance Framework has been in place at the County Council for the year ended 31 March 2008 and up to the date of approval of the Statement of Accounts.

3. THE GOVERNANCE FRAMEWORK

The Authority's Governance Framework comprises many systems and processes including the arrangements for:

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

The Authority's Community Strategy 2005/09, All Together Better, was developed following extensive consultation, and centres on the themes of Safer and Stronger, Healthier, Learning and Earning, Cleaner and Greener and Travel and Access. The Council's Strategic Plan 2006/10 mirrors the Community Strategy and sets the County's aims, priorities and targets, as well as the vision for the Authority. The Authority recognises the importance of communicating its vision and uses a number of channels to effect this, including the County News civic newspaper, the County's website, the Nottinghamshire Partnership website, In Contact and targeted mailings.

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

The commitments in the Strategic Plan are set in a robust performance framework. They are reviewed quarterly to ensure progress is being made and to ensure action is taken if not. The Authority's vision was reviewed by Cabinet in

March 2008 and a revised vision to be achieved within the existing governance arrangements and a set of values agreed. This underpins the Authority's communications work, its business planning process and the development of the Strategic Plan.

- 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 is in place. Progress against Strategic Plan commitments is monitored quarterly and reported to full Council every 6 months, including the commitment to deliver excellent but affordable services. Internal assessments, comparing cost information with service delivery data, are carried out and services identified as high cost and performing below average have been subjected to detailed review. The External Auditor has concluded that the Authority has very good arrangements in place to manage and improve value for money.

- 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, Select 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.

- 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. A survey conducted in 2007/08 identified a high level of awareness of the Employee Code of Conduct among Council staff.

- Reviewing and updating Standing Orders, Standing Financial Instructions, a Scheme of Delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks.

The Authority's Financial Regulations were revised with effect from 29 March 2007 and the Officer Scheme of Delegation was reviewed and amended from 1 November 2007. The Monitoring Officer is responsible for maintaining an up to date Constitution and the Strategic Director of Resources has carried out a review of Financial Regulations in conjunction with Legal Services. The Corporate Risk Management Strategy was reviewed in October 2007 and a revised Risk Register produced.

- 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 January 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 and risk management arrangements, the review of the annual assurance statement and the review of the financial statements. These functions are covered by the Audit Committee.

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

The Monitoring Officer is responsible, after consultation, for reporting to full Council or Cabinet if it is considered that any proposal decision or omission would give rise to unlawfulness. In addition, Legal Comments are contained in reports to Council, the Executive and Committees to advise on compliance with the policy framework and the Constitution. The Strategic Director of Resources also has a responsibility to highlight any proposal, decision or course of action which will involve any unlawful expenditure.

- 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. As part of this process, it was also agreed to promote the Whistleblowing Policy through a number of measures including messages on payslips, posters, an article in the staff newspaper and publicity on the intranet. The Authority's complaints procedure is well established and is monitored by the Standards Committee.

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

The Authority adopted a Member Development Strategy in June 2007 and following its adoption, each Member was asked to identify their own development needs which have been used as the basis for a training programme in 2008/9. The Standards Committee will maintain an overview of the programme and receive quarterly reports regarding the take up and evaluation of courses. Senior Officers' development needs are identified via the Authority's Performance and Development Review process.

- 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 which attracts 180,000 visits each month, the Citizens' Panel and targeted audiences e.g. service user and carer groups. An annual resident satisfaction survey is conducted and annual budget consultations take place.

- 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 Leader of the Council chairs the Local Strategic Partnership Board and partnership working has been taken forward through the Local Area Agreement Management Group. This partnership working is underpinned by a Partnership Agreement signed in 2006. The Constitution sets out policy guidance for County Council involvement in partnerships and guidance on entering into partnerships has also been produced.

4. REVIEW OF EFFECTIVENESS

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

Throughout 2007/08, the Authority has maintained and reviewed the effectiveness of the Governance Framework. In particular:

- a) The County Council has reviewed the Constitution and approved changes to the Officer Scheme of Delegation and Employment Procedure Rules. In addition it has received or agreed the:

- Annual Performance Plan 2007/08
 - Annual Review of Scrutiny
 - New Ways of Working in Council Meetings
 - Statement of Accounts 2006/07
 - Model Code of Conduct
 - Lending Policy
 - Member Development Project
 - Budget Report 2008/09
- b) Cabinet has considered and approved a number of reports in its role as the Executive including:
- The Annual Audit and Inspection Letter 2007/08
 - Local Code on Corporate Governance
 - Nottinghamshire County Council's Vision and Values
 - Budget Proposals
 - New Local Area Agreement
 - Revenue Budget Monitoring
 - Corporate Risk Management
 - NET Phase 2 - Governance
- c) The Audit Committee and Scrutiny Committees have considered a wide variety of issues including:
- Unsatisfactory Audit Opinion Reports
 - Review of Internal Audit
 - Fraud Survey
 - Annual Governance Report
 - Internal Audit Terms of Reference
 - Statement on Internal Control 2006/07
 - IDeA Peer Review
 - Sickness Absence
 - Crime Reduction
 - Performance of County Services
- d) The Standards Committee, in its role as promoting and maintaining high standards of conduct by the County Council has received reports on:
- Member Development
 - Model Code of Conduct
 - Travel and Accommodation Policy
 - Electoral Divisions Initiative
 - Local Assessment and Handling of Complaints
 - Whistleblowing Policy
 - Local Code of Corporate Governance
- 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 2007/08, is that it is adequate.
- f) External Audit's Annual Audit and Inspection Letter 2007/08, stated that significant business risks continue to be well managed and that there are strong arrangements in place to maintain a sound system of internal control including the Audit Committee.
- g) We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. SIGNIFICANT GOVERNANCE ISSUES

The Authority faces another challenging year in 2008/09 and the following represent the key issues to be addressed in relation to significant governance issues:

- a) More focus is needed upon outcomes and the setting of more ambitious targets. Further progress is needed in areas such as reducing sickness absence to increase capacity.
- b) Improvements in the consistency across departments in the robustness of procedures to check and validate data to ensure performance against targets is based on good data quality.
- c) Improvements in the accuracy of the Statement of Accounts.
- d) Review the level of balances to ensure that the County Fund and other non earmarked balances remain consistent with the Medium Term Financial Strategy.
- e) Achieve the Local Area Agreement outcomes and priorities for which the Authority is responsible.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Councillor David Kirkham
Leader of the County Council
19 June 2008

Mick Burrows
Chief Executive
19 June 2008

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL POLICIES

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

2. COSTS OF SUPPORT SERVICES

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

3. PENSIONS

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

a) Teachers Pension Scheme

This is an unfunded scheme administered by the Teachers Pension Agency. The pension cost charged to the 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.

4. DEPRECIATION

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

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

5. DEFERRED CHARGES

Deferred charges comprise capital grants to other bodies and revenue expenditure capitalised by permission of the Secretary of State. These amounts are charged to Service revenue accounts during the period over which they represent continuing value to the Authority which, in general, means they are fully amortised in the year of expenditure. Where they represent value for more than one financial year they would be included in Intangible Assets. For such expenditure funded from capital resources, a contribution from the Capital 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. Where revenue expenditure has been capitalised by permission of the Secretary of State, the charges to the Income and Expenditure Account may be increased in later years in accordance with the regulations governing the Minimum Revenue Provision.

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

6. CAPITAL EXPENDITURE

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

7. FIXED ASSETS

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

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

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

- a) The current land and building values used in the Statement of Accounts are based upon a certificate as at 31 March 2008 issued by the Council's Professional Services Manager, D. Buckland MRICS, on 31 May 2008. 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 2007/08 in compiling the assets are as follows:

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

8. FINANCIAL ASSETS

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

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

Available-for-sale Assets

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

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

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

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

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

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

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

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

9. STOCKS AND WORK IN PROGRESS

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

10. DEBTORS AND CREDITORS

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

In addition to debtors and creditors for goods supplied and services rendered, significant debtors and creditors can arise from such items as government grants and pay awards. The approach adopted in these cases is to make estimates on the basis of the best

information that is presently available, or make forecasts of the cost of pay awards that are not yet settled but likely to apply to part of the financial year to which the accounts relate.

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

11. FINANCIAL LIABILITIES

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

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

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

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

12. LEASING OF VEHICLES, PLANT AND EQUIPMENT

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

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

13. PRIVATE FINANCE INITIATIVE (PFI)

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

14. GRANTS RECEIVED

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

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

15. PROVISIONS AND RESERVES

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

16. CAPITAL RECEIPTS

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

17. LIQUID RESOURCES

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

18. VAT

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

INCOME AND EXPENDITURE ACCOUNT

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

Service	Note	2006/07		2007/08	
		Restated Net Expenditure £000	Gross Expenditure £000	Income £000	Net Expenditure £000
Continuing County Council Services					
Children's and Education Services		91,845	719,899	(595,682)	124,217
Environmental Services		23,580	32,652	(6,900)	25,752
Highways, Roads and Transportation	4	44,505	61,270	(17,350)	43,920
Leisure		5,133	14,493	(4,555)	9,938
Libraries		13,489	17,565	(1,378)	16,187
Planning and Development		8,635	8,695	(2,553)	6,142
Adult Social Care		149,614	262,198	(100,919)	161,279
Democratic Representation & Management		5,103	5,170	(6)	5,164
Corporate Management		2,690	10,473	(7,783)	2,690
Non Distributed Costs		5,430	25,948	-	25,948
Central Services to the Public		2,379	3,767	(840)	2,927
Exceptional Items					
Single Status - Back Pay	2,3	-	10,898	-	10,898
Contributions to Other Bodies					
Coroner		602	639	-	639
Net Cost of Services		353,005	1,173,667	(737,966)	435,701
Interest & Investments Income		(3,588)	-	(3,231)	(3,231)
Net (surplus)/deficit of Trading Undertakings		1,032	10,371	(9,178)	1,193
Pensions Interest Costs & Expected Return on Pensions Assets		14,199	72,193	(60,402)	11,791
Loss on Disposal of Fixed Assets		-	14,686	-	14,686
Other Operating Income & Expenditure		(283)	5	(95)	(90)
Interest Payable	25	16,540	16,006	-	16,006
Insurance Revenue	34	(544)	(192)	(961)	(1,153)
Net Operating Expenditure		<u>380,361</u>	<u>1,286,736</u>	<u>(811,833)</u>	<u>474,903</u>
Precept Income	8	(270,138)			(282,628)
General Government Grants	8	(20,694)			(19,202)
National Non-domestic Rates Redistribution	8	(107,203)			(114,419)
Local Authority Business Growth Incentive		(2,369)			(2,732)
Public Service Agreement		(5,051)			-
(Surplus)/Deficit for the Year		<u>(25,094)</u>			<u>55,922</u>

The 2006/07 figures have been restated to show the effects of changes to the Code of Practice on Local Authority Accounts and the Best Value Accounting Code of Practice, see explanation of prior period adjustments.

The loss on the disposal of fixed assets in the Income and Expenditure Account relates principally to the transfer of assets to the contractor through the Bassetlaw PFI scheme (see Note 32 to the Accounts).

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	2006/07 £000	2007/08 £000
(Surplus)/Deficit for the Year:		(25,094)	55,922
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	5,682	(67,692)
Increase in General Fund Balance for the year		(19,412)	(11,770)
General Fund Balance brought forward		<u>(36,224)</u>	<u>(55,636)</u>
General Fund Balance carried forward		<u>(55,636)</u>	<u>(67,406)</u>
Amount of General Fund Balance held by governors under schemes to finance schools	40	(33,532)	(38,674)
Other General Fund balances held by schools	40	(2,601)	(6,461)
Amount of General Fund Balance generally available for new expenditure		<u>(19,503)</u>	<u>(22,271)</u>
		<u>(55,636)</u>	<u>(67,406)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

	2006/07 £000	2007/08 £000
(Surplus)/Deficit for the year on the Income and Expenditure Account	(25,094)	55,922
(Surplus)/Deficit arising on revaluation of fixed assets	(131,263)	(128,113)
Actuarial (gains)/losses on Pension Fund assets/liabilities	(86,200)	180,911
Any other (gains) and losses	(2,414)	2,834
Total recognised (gains)/losses for the year	<u>(244,971)</u>	<u>111,554</u>

BALANCE SHEET

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

	Note	31 March 2007		31 March 2008	
		£000	£000	£000	£000
Long Term Assets					
Intangible Fixed Assets		1,778		1,817	
Tangible Fixed Assets					
Operational					
Land and Buildings		1,057,057		1,163,678	
Vehicles and Plant		9,382		11,812	
Equipment, Furniture & Fittings		38,911		40,775	
Community Assets		34		33	
Infrastructure		305,748		344,547	
Non Operational					
Land and Buildings		67,519		76,615	
Under Construction		<u>31,422</u>		<u>27,518</u>	
Net Fixed Assets	19		1,511,851		1,666,795
Long-term advances	24, 26	1,810		1,826	
Long-term debtors	28	17,599		18,968	
Long Term Investments	24, 26	20,000		21,585	
Total Long-Term Assets			1,551,260		1,709,174
Current Assets:					
Landfill Trading Allowances	30	5,124		1,735	
Stocks and work in progress		4,095		4,378	
Debtors	24,28	55,423		46,783	
Less Bad Debt Provision		<u>(2,418)</u>		<u>(1,984)</u>	
		53,005		44,799	
Temporary Investments	24	122,500		144,876	
			184,724		195,788
Current Liabilities:					
Creditors	24	(128,962)		(130,436)	
Bank Overdraft	29	(61,540)		(109,127)	
Loans to be repaid within 1 year	24	(5,492)		(8,044)	
Temporary Borrowing	24	(225)		(110)	
			(196,219)		(247,717)
Total Assets less Current Liabilities			1,539,765		1,657,245
Long Term Borrowing	24, 26, 27	(249,043)		(236,187)	
Government Grants Deferred	33	(223,273)		(254,635)	
Deferred Liability	25	(4,027)		(3,603)	
Provisions	36	<u>(13,422)</u>	(489,765)	<u>(26,012)</u>	(520,437)
FRS17 Pensions Liability			(438,732)		(637,094)
Total Assets less Liabilities			<u>611,268</u>		<u>499,714</u>
Available Reserves					
Capital Reserves	37		3,185		4,448
Capital Receipts & Grants Unapplied	38		8,567		-
Revenue Reserves	39		80,624		84,071
General Insurance	34		7,684		8,837
Other Reserves					
Schools Statutory Reserve	40		36,133		45,135
Capital Adjustment Account	41		894,304		845,667
Revaluation Reserve	42		-		126,581
FRS17 Pensions Reserve	16		(438,732)		(637,094)
Financial Instruments Adjustment Account	24,25		-		(202)
Balances (including Housing Act Advances)	43		19,503		22,271
			<u>611,268</u>		<u>499,714</u>

The 2006/07 figures have been restated to show the effects of changes to the Code of Practice on Local Authority Accounts and the Best Value Accounting Code of Practice, 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	2006/07 £000	2007/08 £000
Revenue Activities			
Cash Outflows:			
Cash - Employees		582,153	608,135
- Other Operating Costs		535,681	691,787
		1,117,834	1,299,922
Cash Inflows:			
Precept Income		(270,138)	(282,628)
Revenue Support Grant/NNDR/GGG		(127,897)	(133,621)
LABGI		(2,369)	(2,732)
PSA		(5,051)	-
Other Government Grants	6	(576,182)	(614,622)
Cash Received for Goods & Services		(232,206)	(349,548)
		(1,213,843)	(1,383,151)
Revenue Activities Net Cash Flow:		(96,009)	(83,229)
Returns on Investments and Servicing of Finance			
Cash Outflows:			
Interest Paid		16,540	16,237
Cash Inflows:			
Interest Received		(3,588)	(692)
		12,952	15,545
Capital Activities			
Cash Outflows:			
Capital Payments		123,327	122,664
Purchase of Long Term Investments		20,000	-
Long Term Advances		-	923
Capital Grants		2,511	4,022
		145,838	127,609
Cash Inflows:			
Sale of Fixed Assets		(14,267)	(6,186)
Capital Grants and Contributions Received		(51,184)	(41,957)
Sale of Long Term Investments		-	-
Other Capital Income		(417)	(776)
		(65,868)	(48,919)
Capital Activities Net cash flow:		79,970	78,690
Total Net cash flow before financing:		(3,087)	11,006
Management of Liquid Resources:			
Increase/(Decrease) in short term deposits		36,100	20,550
Financing			
Cash Outflows:			
Repayments of amounts borrowed		4,018	16,031
Cash Inflows:			
New loans raised		(30,140)	-
		(26,122)	16,031
(Increase)/Decrease in cash		6,891	47,587

RECONCILIATION TO THE CASH FLOW STATEMENT

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

	2006/07 £000	2007/08 £000
Net (Surplus)/Deficit	(25,094)	55,922
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	5,682	(67,692)
Increase in General Fund Balance for the year		
External Interest Paid	(16,540)	(16,237)
Minimum Revenue Provision	(14,628)	(16,546)
Revenue Contributions to Capital Outlay	(4,604)	(10,385)
Contributions (to)/from provisions and reserves	(49,374)	(27,454)
Other	-	(25)
Increase/(decrease) in revenue debtors	14,268	(4,793)
Increase/(decrease) in stocks/w.i.p.	449	283
Increase/(decrease) in Long term investments (interest)	-	1,585
Increase/(decrease) in Temporary lending (interest)	-	1,826
Increase/(decrease) in PWLB & Long term borrowing (interest)	-	(5,188)
Increase/(decrease) in Landfill Trading Allowances	631	(3,389)
Increase/(decrease) in revenue creditors	(23,146)	(830)
Increase/(decrease) in schools balances	12,371	9,002
Increase/(decrease) in other balances	388	-
Deduct interest and investment income	3,588	692
Revenue Activities Net Cash Flow	<u>(96,009)</u>	<u>(83,229)</u>

Movement in current assets and liabilities

	31/3/07 £000	31/3/08 £000	Moved 07/08 £000
Debtors	70,603	63,767	(6,836)
Creditors	(128,962)	(130,436)	(1,474)
Stocks and Work in Progress	4,095	4,378	283
Temporary Borrowing	(225)	(110)	115
Temporary Loan Investments	122,500	143,050	20,550
Landfill Trading Allowances	<u>5,124</u>	<u>1,735</u>	<u>(3,389)</u>

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

	31/3/07 £000	31/3/08 £000	Moved 07/08 £000
Imprests	74,969	86,155	11,186
Cash & bank	(60,744)	(68,931)	(8,187)
Amounts owed to the Pensions Fund	<u>(75,765)</u>	<u>(126,351)</u>	<u>(50,586)</u>
Net Cash Flow	<u>(61,540)</u>	<u>(109,127)</u>	<u>(47,587)</u>

Reconciliation of cash movement to net debt

	£000
Increase/(decrease) in cash in the period	(47,587)
Cash inflow from (increase)/decrease in debt	16,031
Cash inflow from increase/(decrease) in liquid resources	22,376
Movement in net debt for the period	<u>(9,180)</u>
Non Cash Movement	(5,187)
Net debt at 1 April 2007	(197,827)
Net debt at 31 March 2008	(212,194)

Analysis of net debt

	Balance as at 1 April 2007 £000	Cash flow £000	Non Cash £000	Balance as at 31 March 2008 £000
Cash in hand/(overdrawn)	(61,539)	(47,587)	-	(109,126)
Short term deposits	122,500	22,376	-	144,876
Debt due after 1 year	(253,071)	13,281	-	(239,790)
Debt due within 1 year	(5,717)	2,750	(5,187)	(8,154)
	<u>(197,827)</u>	<u>(9,180)</u>	<u>(5,187)</u>	<u>(212,194)</u>

Reconciliation of Financing and Management of Liquid Resources

	Repayments of Amounts Borrowed £000	New Loans Raised £000	Repayment of Short Term Deposits £000	(Increase)/Decrease in Cash and Cash Equivalents £000
Short term deposits	-	-	22,376	22,376
Temporary	115	-	-	115
Borrowing				
PWLB	5,492	-	-	5,492
LOBO	10,000	-	-	10,000
City and District Councils	424	-	-	424
	<u>16,031</u>	<u>-</u>	<u>22,376</u>	<u>38,407</u>

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

SUMMARY REVENUE ACCOUNTS OF TRADING UNDERTAKINGS

	2006/07			2007/08		
	Turnover	Expend- iture	Surplus/ (Deficit)	Turnover	Expend- iture	Surplus/ (Deficit)
	£000	£000	£000	£000	£000	£000
Contracting Services <i>Cleaning, catering, vehicle maintenance, building and grounds maintenance and highways maintenance to the Authority. Some work is undertaken on behalf of external clients.</i>	77,387	78,506	(1,119)	75,056	76,387	(1,331)
Legal Services <i>Provision of legal services to the Authority</i>	2,758	2,809	(51)	2,828	2,766	62
County Supplies <i>A purchasing and supply service to the Authority and some external public bodies</i>	6,013	5,890	123	6,110	5,991	119
Design, Publications & Print <i>A design and printing service to the Authority</i>	2,161	2,192	(31)	2,145	2,142	3
Clayfields Secure Unit <i>Specialist childrens' services to the Youth Justice Board and Local Authorities</i>	3,708	3,662	46	3,803	3,849	(46)
Total	<u>92,027</u>	<u>93,059</u>	<u>(1,032)</u>	<u>89,942</u>	<u>91,135</u>	<u>(1,193)</u>

Notes:

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

Explanation of Prior Period Adjustments

The County Council's Statement of Accounts for the year 2007/08 is prepared in accordance with the 2007/08 Code of Practice on Local Authority Accounting and Best Value Accounting Code of Practice (BVACOP), both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Council has adopted two significant new accounting policies which has had a small impact on the comparative figures for 2006/07:

- the establishment of a Revaluation Reserve from 1 April 2007 to measure revaluation changes for fixed assets from 1 April 2007;
- changes in accounting for Financial Instruments.

Adherence to FRS 25, 26 and 29 required some minor reclassifications of long-term advances, long-term debtors and debtors in 2006/07 as follows:

	Balance 2006/07 Statement of Accounts £000	Re- classify £000	2006/07 Comparative Balance £000
Long-term Advances	376	1,434	1,810
Long-term Debtors	19,021	(1,422)	17,599
Debtors (net of bad debt provision)	53,017	(12)	53,005
	<u>72,414</u>	<u>0</u>	<u>72,414</u>

In addition, a review of the Service Expenditure Analyses (SEAs) of all services as a consequence of changes to BVACOP has had an impact on the comparative figures for 2006/07 in the Income and Expenditure Account. These significant changes are:

- there is a new SEA for Children's and Education Services which consists of the Education SEA and the Children's Social Services SEA. This follows the splitting of the Children's Social Services and Adult Social Services SEAs;
- the Social Services SEA is renamed Adult Social Care SEA with the transfer of Children's Social Services divisions to the Children's and Education Services SEA.

These changes have had the following impact on the comparative figures for 2006/07 compared with those published in the 2006/07 Statement of Accounts (only figures that have changed are included in the table in detail).

	Income and Expenditure Account in 2006/07 Statement of Accounts £000	Changes to SEA £000	2006/07 Comparatives in Income and Expenditure Account £000
Continuing Council Services			
Education	46,176	(46,176)	-
Social Services	195,283	(195,283)	-
Children's and Education Services	-	91,845	91,845
Adult Social Care	-	149,614	149,614
Other Services	111,546		111,546
Impact on Net Cost of Services	353,005	-	353,005
Other Net Operating Expenditure	27,356	-	27,356
Impact on Net Operating Expenditure	380,361	-	380,361

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	2006/07 £000	£000	2007/08 £000	£000
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance for the year.					
Amortisation of Intangible Fixed Assets			(625)		(717)
Depreciation of Fixed Assets			(30,143)		(36,601)
Impairment of Fixed Assets			-		(40,337)
Profit/Loss on disposal of Fixed Assets			-		(14,686)
Government Grants Deferred Amortisation			8,039		12,536
Write-down of deferred charges to be financed from capital resources			(2,511)		(4,021)
PFI Adjustments			755		755
Net Charges made for retirement benefits in accordance with FRS17.			(66,198)		(63,531)
Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt			-		(202)
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			14,628		16,546
Capital Expenditure charged to the General Fund			4,604		10,385
Employers Contribution to Pension Fund			43,437		45,768
Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year					
Capital Reserves	37	1,389		1,263	
Insurance Revenue Reserves	34	544		1,153	
Revenue Reserves	39	31,763		3,997	
Net Transfer to Earmarked Reserves			33,696		6,413
Net additional amount to be debited/(credited) to the General Fund Balance for the year			<u>5,682</u>		<u>(67,692)</u>

2. Exceptional Items

Exceptional items are ones that are material in terms of the Council's overall expenditure and not expected to recur frequently or regularly. Exceptional items are included on the face of the Income and Expenditure Account where it is felt that the costs are so significant as to warrant a separate disclosure. The back pay costs related to service prior to 1 April 2007, as a consequence of adopting the Single Status Agreement (£10.9 million) fall into this category and have therefore been included on the face of the Income and Expenditure Account as an exceptional item.

3. Single Status

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 will begin in 1 April 2008. It is anticipated that it will be fully rolled out across the authority by 31 March 2009. As part of the package being implemented any upgradings will have an effective date of 1 April 2002.

Since 2002/03 the County Council has been setting aside an earmarked reserve to fund Single Status costs. Significant Single Status costs will be incurred in 2008/09 relating to 2007/08 and prior years (£3.4 million and £10.9 million respectively). The payments for Single Status back pay will be made to employees in 2008/09. At 31 March 2008 a large proportion of these costs were known and hence provisions have been set aside in the 2007/08 accounts and funded from the earmarked reserve. The provisions have been accounted for in the accounts as follows:

- Single Status costs relating to the 2007/08 financial year have been included within the net cost of services, against the particular service they relate to.
- Single Status costs relating to the period April 2002 to March 2007 have been recorded as an exceptional item in the 2007/08 financial year and included in the total net cost of services.

Provisions for Single Status costs of £14.2 million have been created. These relate to:

	2007/08 £000
2002-03 Single Status Back Pay	871
2003-04 Single Status Back Pay	1,365
2004-05 Single Status Back Pay	2,114
2005-06 Single Status Back Pay	2,846
2006-07 Single Status Back Pay	3,702
2007-08 Single Status Back Pay	3,369
Total	<u>14,267</u>

Provisions for Single Status costs of £3.4 million relating to 2007/08 have been charged against the net cost of services, analysed across the following categories;

	2007/08 £000
Children's and Education Services	158
Highways, Roads and Transportation	16
Leisure	101
Libraries	136
Adult Social Care	1,835
Trading Undertakings	1,076
Corporate Management	41
Other	6
Total	<u>3,369</u>

4. 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 2007/08 was £255,008 (£439,273 for 2006/07).

5. 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 2007/08 which will be paid to the Audit Commission in 2008/09.

	2006/07	2007/08
	£000	£000
External Audit	251	265
Inspection	17	7
Grant claims	20	15
	<u>288</u>	<u>287</u>

6. Specific Revenue Grants

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

	2006/07	2007/08
Service	£000	£000
Leisure	517	850
Environmental Services	3,534	3,934
Highways and Transportation	7,115	8,618
Children's and Education Services	503,142	548,858
Adult Social Care	50,521	45,252
Planning and Development	1,776	1,163
Central Services	28	107
Corporate Management	2,129	3,108
General	7,420	2,732
	<u>576,182</u>	<u>614,622</u>
Funding Body		
Countryside Commission	23	-
Dept. for Communities & Local Govt.	52,756	51,041
Department for Children, Schools and Families	493,780	528,758
Department of Health	20,277	20,313
Children's Fund	1,731	-
Department for Transport	2,531	4,098
Department for Works and Pensions	1,237	1,852
European Grants	372	101
Home Office	2,056	1,256
Milk Intervention Board	138	162
DEFRA - Recycle Waste	434	-
Arts Council	222	278
Rural Development Council	550	-
Neighbourhood Renewal	5	-
Department for Innovation, Universities and Skills (DIUS)	-	6,055
Sport England	-	410
Other	70	298
	<u>576,182</u>	<u>614,622</u>

In addition to the above specific Government grants the County Council received £0.24 million from the BIG Lottery Fund for Sherwood Forest Living Legend.

7. Minimum Revenue Provision

Regulations require local authorities to set aside money to provide for redemption of at least 4% of outstanding debt. This amount is offset against the level of depreciation already charged to the Authority's revenue accounts to ensure that depreciation charges do not increase the net expenditure of the Authority. The amount required under the MRP regulations for 2007/08 was £16.5 million (£14.6 million for 2006/07) and the amount of depreciation charged was £37.32 million (£30.76 million for 2006/07).

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

Revenue Support Grant and National Non-Domestic Rates are paid to the County Council directly by the Government. The County Council set the 2007/08 Tax for a Band D property at £1,124.69 (£1,081.43 in 2006/07). 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.

9. 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 2007/08 are as follows:

Schools Budget Funded by Dedicated Schools Grant

	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Original grant allocation to Schools Budget for the current year in the Authority's budget	39,507	368,138	407,645
Adjustment to finalised grant allocation	<u>(26)</u>	—	<u>(26)</u>
DSG receivable for the year	39,481	368,138	407,619
Actual expenditure for the year	<u>35,794</u>	<u>361,673</u>	<u>397,467</u>
(Over)/underspend for the year	3,687	6,465	10,152
Planned top-up funding of ISB from Council resources	-	-	-
Use of schools balances brought forward	-	-	-
(Over)/underspends from prior year	<u>3,701</u>	<u>6,138</u>	<u>9,839</u>
(Over)/underspend carried forward to 2008/09	<u>7,388</u>	<u>12,603</u>	<u>19,991</u>

10. Local Area Agreement

The Council is a participant in an LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08 the LAA has completed the second year of its three-year agreement.

The purpose of the LAA is:

- to form an agreement between Partners and Government (represented by the Government Office for the East Midlands (GOEM)) to establish a collective vision for Nottinghamshire in accordance with the County Community Strategy
- to agree specific outcomes and targets that will be achieved each year for the three years of the agreement
- to improve the effectiveness and efficiency of public services in Nottinghamshire by pooling and aligning funding streams.

The LAA partners are:

- local government bodies – Nottinghamshire County Council, Ashfield District Council, Bassetlaw District Council, Broxtowe Borough Council, Gedling Borough Council, Mansfield District Council, Newark & Sherwood District Council, Rushcliffe Borough Council
- community protection authorities – Nottinghamshire & City of Nottingham Fire Authority, Nottinghamshire Police Authority, Nottinghamshire Probation Service
- health bodies – Nottinghamshire County Teaching PCT, Bassetlaw PCT
- learning bodies – Connexions, Learning & Skills Council
- voluntary organisations – Kirkby Neighbourhood Pathfinder, Manton Community Alliance, Networking Action for Voluntary Organisations
- other - Nottinghamshire Pensions Service, Business Link, JobCentre Plus, Nottinghamshire County Drug & Alcohol Team, Rural Community Council, East Midlands Development Agency.

Nottinghamshire County Council acts as the accountable body for the LAA. This means that we are responsible for managing the distribution of grant paid by GOEM to the partners involved, but the Council does not determine which bodies are due payment – this is determined by the partnership. In this context, the Council acts as an agent to the partnership and has therefore not recognised the full amount of LAA grant in our financial statements, but only that part to be spent by the Council in providing services.

The total amount of LAA Grant received by the LAA in 2007/08 is £37.02m. The Council received £22.867m of this total to fund our services.

As the accountable body, the Council is potentially responsible for repaying to GOEM any element of grant that is found to have been misused by its partners. Systems are in place for distributing grant that are designed to limit the possibility that this will happen. It has not been necessary to recognise any contingent liabilities for possible repayments and no provisions have been made for any such eventuality.

11. Employee Remuneration

The table below shows the number of staff employed by the County Council whose taxable remuneration amounted to £50,000 or more in the financial year.

Remuneration includes salary, lump sum payments made by the County Council, expenses and the money value of benefits in kind. The amounts exclude pension contributions made by the County Council and the employee.

Pay Band	Number of Staff	
	2006/07	2007/08
£150,000 - £159,999	1	-
£140,000 - £149,999	-	1
£130,000 - £139,999	-	1
£120,000 - £129,999	3	-
£110,000 - £119,999	-	2
£100,000 - £109,999	5	1
£90,000 - £99,999	-	3
£80,000 - £89,999	5	11
£70,000 - £79,999	32	31
£60,000 - £69,999	39	36
£50,000 - £59,999	120	185
	<u>205</u>	<u>271</u>

12. 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:

	2006/07		2007/08	
	£000 Exp	£000 Income	£000 Exp	£000 Income
Administration and Professional Services				
NHS Trusts	19,912	19,912	23,769	23,769
Other Authorities	5,850	5,850	5,434	5,454
Schools and Colleges	78	78	86	86
Maintenance works				
NHS Trusts	4	10	10	14
Other Authorities	1,028	1,094	1,051	1,135
Schools and Colleges	82	97	182	205
	<u>26,954</u>	<u>27,041</u>	<u>30,532</u>	<u>30,663</u>

13. Section 137 of the Local Government Act 1972

Local authorities are empowered by Section 137 of the Local Government Act 1972, as amended, to make contributions to certain charitable funds, not for profit bodies providing a public service and mayoral appeals. There is a financial limit to this type of expenditure equivalent to £1.90 per head of population and for Nottinghamshire in 2007/08 this amounted to £1.48 million (£1.44 million for 2006/07). During 2007/08 these powers were not used.

14. 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:

	2006/07	2007/08
	£000	£000
Advertising for staff	1,196	1,418
Other advertising, including education courses	554	624
Public Relations - salaries and running costs	607	626
Economic Development promotions	-	-
Other publicity expenditure	809	626
Strategic Services (Publications Group)	-	166
	<u>3,166</u>	<u>3,460</u>
As a percentage of gross expenditure	0.28%	0.29%

15. Pensions – Contributions

Teachers

In 2007/08 the County Council paid £31.8 million to the Teacher's Pension Agency (£29.4 million in 2006/07) in respect of teachers' pension costs, which represents 14.00% of teachers' pensionable pay (13.65% in 2006/07). In addition, the County Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2007/08 these amounted to £4.5 million (£4.2 million in 2006/07), representing 2.00% of pensionable pay (1.97% in 2006/07).

Other Employees

During 2007/08 the net cost of pensions and other benefits amounted to £37.7 million (£34.3 million in 2006/07), which represented 15.50% of pensionable pay (14.90% in 2007/08). The actuarial report upon which the 2007/08 accounts have been prepared was for a 3 year period commencing 1 April 2005. The report indicated that the cost of providing for 100% of pension funding in accordance with SSAP 24 "Accounting for Pension Costs" was 15.50% of pensionable pay. A new actuarial valuation has been undertaken for the 3 year period commencing 1 April 2008. The report sets out the following employer 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 2007/08 these amounted to £1.6 million, (£1.5 million in 2006/07) representing 0.64% of pensionable pay (0.63% in 2006/07). The County Council also paid £2.2 million into the Pension Fund in 2007/08 (£2.4 million for 2006/07) to fund the non-discretionary additional strain on the pension fund of early retirements.

16. Pensions – FRS17

The FRS17 position as at 31 March 2008 was a net liability of £637.1 million (£438.7 million 31/3/07), comprised of £76.6 million for teachers (£67.1 million 31/3/07) and £560.5 million for other employees (£371.6 million 31/3/07). Assets have been valued using the market value at 31 December 2007 increased by market index returns for the last three months of the accounting period. Liabilities have been valued using the projected unit method which assesses the future liabilities of the fund discounted to their present value. This work was undertaken by Mercer Human Resource Consulting Limited, an independent firm of actuaries, based upon the estimated position at 31 March 2008 provided by the County Council during March 2008. The actual figures for 2007/08 are not considered materially different to the estimates provided.

Teachers

Under FRS17 the Teachers added years scheme is classed as an unfunded defined benefit scheme and the Actuary has calculated that the Council's liability as at 31 March 2008 was £76.6 million (£67.1 million at 31/3/07). There was no Past Service Cost for the year (£0.3 million 2006/07) and the Interest Cost was £3.5 million (£3.2 million 2006/07).

Local Government Pension Scheme

	31 March 2007		31 March 2008	
	£000	%	£000	%
Market Value of Assets:				
Equities	611,959	68.6	580,201	65.3
Government Bonds	68,689	7.7	88,852	10.0
Other Bonds	37,467	4.2	25,767	2.9
Property	150,760	16.9	149,271	16.8
Cash/Liquidity	23,194	2.6	35,541	4.0
Other	-	0.0	8,885	1.0
Total Assets	892,069	100.0	888,517	100.0
Liabilities	1,263,753		1,449,008	
Surplus/(Deficit)	<u>(371,684)</u>		<u>(560,491)</u>	

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

	2006/07	2007/08
	£000	£000
Deficit at 1 April	(433,837)	(371,684)
Current Service Cost	(46,569)	(39,046)
Employer Contributions	39,027	41,540
Past Service (Cost)/Gain	(486)	(11,081)
Curtailement Cost	(3,162)	-
Expected Return on Assets	50,338	60,402
Interest on Pension Liabilities	(61,299)	(68,695)
Actuarial Gain (Loss)	84,304	(171,927)
Deficit at 31 March	<u>(371,684)</u>	<u>(560,491)</u>

The difference between the expected and actual return on assets showed an actuarial loss of £98.3 million representing 11.1% of the scheme assets (2006/07 showed a gain of £18.6 million or 2.1%). In 2007/08 the real interest rate used to discount liabilities was increased from 2.0% in 2006/07 to 2.3%. The impact of this was to decrease scheme liabilities by £37.9 million or 2.6%. There were £35.7 million (2.5%) actuarial liability losses in 2007/08 (None in 2006/07).

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

		2003/04		2004/05		2005/06		2006/07		2007/08	
		£m	%	£m	%	£m	%	£m	%	£m	%
Differences between expected and actual return on assets	Officers	52.7	9.8	26.4	4.1	102.8	12.8	18.6	2.1	(98.3)	11.1
	Teachers	-	-	-	-	-	-	-	-	-	-
Differences between actuarial assumptions about liabilities and actual experience	Officers	-	-	(29.3)	2.8	(28.3)	2.3	-	-	(35.7)	2.5
	Teachers	-	-	(1.0)	1.6	-	-	-	-	(1.2)	-
Changes in demographic and financial assumptions used to estimate liabilities	Officers	-	-	(183.6)	17.5	(100.1)	8.1	65.7	5.2	(37.9)	2.6
	Teachers	-	-	(7.3)	11.5	(3.1)	4.5	1.9	2.8	(7.8)	
		52.7		(194.8)		(28.7)		86.2		(180.9)	

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

	31 March 2007	31 March 2008
Rate of inflation	3.10%	3.60%
Rate of increase in salaries	4.85%	5.10%
Rate of increase in pensions	3.10%	3.60%
Discount rate	5.40%	6.10%
Rate of return from equities	7.50%	7.50%
Rate of return from government bonds	4.70%	4.60%
Rate of return from other bonds	5.40%	6.10%
Rate of return from property	6.50%	6.50%
Rate of return from cash/liquidity	5.25%	5.25%
Rate of return from other investments	n/a	7.50%
Proportion of employees opting to take an increased lump sum/reduced pension	50.00%	50.00%

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

17. 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.

18. Capital Grants to Other Bodies

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

	2006/07	2007/08
	£000	£000
Balance at 1 April	-	-
Capital Grants	2,511	4,020
Amortised to Income and Expenditure Acc.	(2,511)	(4,020)
Balance at 31 March	—	—

19. 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 2007	1,106,019	13,899	58,943	370,614	31,422	35	3,394	67,519	1,651,845
Capital Expenditure	36,818	3,490	8,812	38,710	22,604		756	12,120	123,310
Disposals	(21,689)	(765)	(30)					(443)	(22,927)
Impairments	(28,873)	(186)	(65)					(11,559)	(40,683)
Revaluations	98,465							4,789	103,254
Adjustments	1	286	(2)	(1)	(1)			247	530
Reclassifications	12,804		18	9,743	(26,507)			3,942	-
Total as at 31 March 2008	1,203,545	16,724	67,676	419,066	27,518	35	4,150	76,615	1,815,329
Depreciation									
As at 31 March 2007	(48,962)	(4,517)	(20,032)	(64,866)	-	(1)	(1,616)	-	(139,994)
Amount charged in the year	(18,950)	(1,096)	(6,899)	(9,653)		(1)	(717)		(37,316)
Disposals	2,840	701	30						3,571
Impairments	346								346
Revaluations	24,859								24,859
Total as at 31 March 2008	(39,867)	(4,912)	(26,901)	(74,519)	-	(2)	(2,333)	-	(148,534)
Net Fixed Assets									
As at 31 March 2008	1,163,678	11,812	40,775	344,547	27,518	33	1,817	76,615	1,666,795
As at 31 March 2007	1,057,057	9,382	38,911	305,748	31,422	34	1,778	67,519	1,511,851

Notes:

- Assets are revalued in accordance with the rolling five-year programme.
- Revaluations show the net position after capital expenditure and the increased value of assets in the financial year
- Intangible assets comprise software licences.
- Capital Expenditure for the financial year is set out in the table above. In addition capital grants were made to other bodies making capital expenditure of £127.3 million in total.

Capital Expenditure	2007/08
	£000
County Council	123,310
Capital Grants to other bodies	4,020
	<u>127,330</u>

20. Capital Expenditure & Financing

	Note	2006/07 £000	2007/08 £000
<i>Opening Capital Financing Requirement (CFR)</i>		342,552	391,856
<i>Capital Investment</i>			
Operational assets		118,383	111,190
Non-operational assets		5,666	12,120
Deferred charges		2,511	4,020
<i>Sources of finance</i>			
Capital receipts	38	(14,267)	(10,108)
Less capital receipts brought forward			2,418
Government grants and other contributions	17	(43,000)	(43,899)
Sums set aside from revenue (inc. MRP)		(19,989)	(27,686)
		<u>391,856</u>	<u>439,911</u>
<i>Explanation of movements in year</i>			
Increase in underlying need to borrow (supported by Government financial assistance)		29,704	24,714
Increase in underlying need to borrow (unsupported by Government financial assistance)		19,600	23,341
		<u>49,304</u>	<u>48,055</u>

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 2008 are:-

	£000
2008/09	26,676
2009/10	29
2010/11	20
2011/12	20
2012/13	20
	<u>26,765</u>

21. Valuation of Fixed Assets

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

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

Valuation of fixed assets carried at current value

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

	Op Land & Bldgs £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Total £000
Valued at historical cost		33	40,287	40,320
Valued at current value in				
2007/08	522,729	24,140	12,300	559,169
2006/07	237,319	36,930		274,249
2005/06	55,272	4,789		60,061
2004/05	217,962	10,756		228,718
2003/04	130,396			130,396
Total	<u>1,163,678</u>	<u>76,648</u>	<u>52,587</u>	<u>1,292,913</u>

Other Land & Buildings includes Community Assets

22. 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 2008 there are eight such Foundation Schools and the combined value of their land and buildings is £108.7 million.

23. Information on Assets

	Number of Buildings	
	31/3/07	31/3/08
Nursery & Primary Schools*	306	304
Secondary Schools*	48	38
Foundation Schools**	3	9
Special Schools & Pupil Referral Units*	14	12
Libraries	60	60
Family & Childrens Centres	19	19
Youth & Community Centres	34	34
Children's Residential Homes	8	8
Residential Homes For The Elderly	19	20
Day Centres & Clubs For Elderly & Disabled	32	30
Staff & Other Houses	154	153
Other, Including Factories, Depots & Offices	260	254
	<u>957</u>	<u>941</u>

* Excluding PFI Schools

** 8 Foundation schools including one split-site school

The above figures have been recategorised for both 2006/07 and 2007/08 to provide more detail.

The Council owns approximately 5,310 hectares of land, of which some 856 hectares are used as Smallholdings. It also has over 4,200 kilometres of roads. For insurance purposes, the reinstatement value of the Council's buildings is £1,688 million.

24. Financial Instruments Balance

In accordance with the Code of Practice on Local Authority Accounting there has been a change in accounting policies relating to the adherence to FRS 25, 26 and 29 dealing with the recognition, measurement and disclosure of Financial Instruments. The latter change has not required any restatement to the 2006/07 accounts or significant effect on the accounts for 2007/08 but has resulted in greater disclosure of the use of Financial Instruments, e.g. borrowing, loans given etc. See the Statement of Accounting Policies.

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

	Long-term		Current	
	31 March 2007 £000	31 March 2008 £000	31 March 2007 £000	31 March 2008 £000
Financial liabilities at amortised cost	249,043	236,187	134,679	138,590
Financial liabilities at fair value through profit and loss	-	-	-	-
Total borrowings	<u>249,043</u>	<u>236,187</u>	<u>134,679</u>	<u>138,590</u>
Loans and receivables	22,235	23,411	175,952	189,675
Available-for-sale financial assets	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
Total investments	<u>22,235</u>	<u>23,411</u>	<u>175,952</u>	<u>189,675</u>

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

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

Financial liabilities at amortised cost

Long-term

	2006/07 £000	2007/08 £000
(a) Long Term Borrowing		
Amounts still owed on loans received from external sources to acquire capital assets such as roads, buildings & equipment.		
Long term borrowing for repayment after 1 year	<u>249,043</u>	<u>236,187</u>
Total Long Term Borrowing at 31 March	<u>249,043</u>	<u>236,187</u>

Current

	2006/07 £000	2007/08 £000
(b) Borrowing		
Long term borrowing for repayment within 1 year	5,492	8,044
Temporary Borrowing	<u>225</u>	<u>110</u>
Total Borrowing at 31 March	<u>5,717</u>	<u>8,154</u>

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

	2006/07 £000	2007/08 £000
(c) Creditors		
The analysis of creditors by category is:		
Government grants	41,078	41,696
Other	<u>87,884</u>	<u>88,740</u>
Balance at 31 March	<u>128,962</u>	<u>130,436</u>

Financial Assets - Loans & Receivables

Long-term

	2006/07 £000	2007/08 £000
Long-term Investments *	20,425	21,585
Economic Development	331	-
House Purchases	3	3
Car Loans	820	675
Nottinghamshire Cricket Club	-	399
Adult Care Property Debt - Deferred Payment Scheme	602	700
Private Street Works	12	9
Robin Hood Theatre	42	40
	<u>22,235</u>	<u>23,411</u>

* In 2006/07 £0.4 million of interest included in the long-term investments figure was in debtors.

	2006/07 £000	2007/08 £000
Economic Development Breakdown:		
One year or less	143	-
More than one year	188	-
	<u>331</u>	<u>-</u>

	2006/07 £000	2007/08 £000
Car Loans Breakdown:		
One year or less	74	44
More than one year	746	631
	<u>820</u>	<u>675</u>

Long Term Investments: Two £10 million money market loans were issued during the 2006/07 to an AA rated UK bank. They both have a 3 year nominal life with 6 monthly options to repay by the borrower. The carrying value includes accrued interest.

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

House Purchases are the amounts owed to the County Council on loans made for house purchase. No new advances were made in the year. There were no net repayments of capital in the year (£2,143 in 2006/07). Interest charges to borrowers were £197 (£302 in 2006/07). Charges to borrowers are designed to cover the running costs. The deficit for the year was £301 (£2,436 surplus in 2006/07). There is an accumulated surplus of £580 at the end of 2007/08 (£881 accumulated surplus in 2006/07).

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. As at the 31 March 2008 the cricket club has called £0.6m from this agreement. The loan was offered at less than the prevailing rate and hence the figure in the balance sheet (£0.4m) represents the fair value of the loan carried at its amortised cost.

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

A loan of £50,000 was made to the Robin Hood Theatre in 2002. The remaining balance on this loan is £40,000.

Current

Temporary investments

	2006/07	2007/08
	£000	£000
Temporary investments with other local authorities and financial institutions *	<u>122,947</u>	<u>144,876</u>

* The 2006/07 figure includes £0.4 million of interest that was included in debtors.

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

Short-term Debtors

	2006/07	2007/08
	£000	£000
Debtors (less bad debt provision)	<u>53,005</u>	<u>44,799</u>

Financial Assets - unquoted equity investment at cost

Economic Development: There are equity holdings amounting to £ 0.26 million (£0.26 million in 2006/07) that have been written off to the Income and Expenditure Account to reflect the high risk of the investment. Consequently, their fair value has been assessed as nil in the Balance Sheet.

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

25. 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:

	2006/07			2007/08		
	Financial Liabilities	Financial Assets	Total	Financial Liabilities	Financial Assets	Total
	£000	£000	£000	£000	£000	£000
Interest expense	(16,540)	-	(16,540)	(16,006)	-	(16,006)
Losses on derecognition	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Interest payable and similar charges	<u>(16,540)</u>	<u>-</u>	<u>(16,540)</u>	<u>(16,006)</u>	<u>-</u>	<u>(16,006)</u>
Interest income	-	3,588	3,588	-	3,231	3,231
Gains on derecognition	-	-	-	-	-	-
Interest and investment income	<u>-</u>	<u>3,588</u>	<u>3,588</u>	<u>-</u>	<u>3,231</u>	<u>3,231</u>

The average cost of external borrowing was 6.18% (6.30% in 2006/07).

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

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

The balance outstanding on these deferred liabilities is as follows:

	2006/07	2007/08
	£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.	4,027	3,603

26. 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 2007 and 2008 as follows:

- for PWLB loans, the relevant PWLB rate in force;
- for LOBO loans, the PWLB rate applicable to new loans in excess of 50 years;
- for long term investments, the market rate for a loan of similar value and profile;
- for loans and receivables, the PWLB rate for an annuity commencing on 31 March 2008 of length equal to the remaining scheduled length of the relevant instrument, plus 1% to recognise risk on loans and receivables.

	2006/07		2007/08	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial liabilities	249,043	285,778	236,187	277,822

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

	2006/07		2007/08	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Loans and receivables	21,810	21,478	23,411	23,252

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

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

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

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

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. In 2002 the County Council adopted a CIPFA Code of Practice on Treasury Management. In accordance with the code the County Council sets an annual treasury management strategy 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. 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 31/03/08	Historical experience of default	Historical experience adjusted for market conditions at 31/03/08	Estimated maximum exposure to default and uncollectability
	£000	%	%	£000
Deposits with banks and financial institutions	144,876	0.00	0.00	0
Customers	<u>20,937</u>	0.17	0.17	<u>36</u>
				36

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 2007/08 the provision for bad and doubtful

debt was £1.98m (£2.42m in 2006/07).

The authority does not generally allow credit for customers, such that £13.6m of the £20.9m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£000s
Less than three months	12,021
Three to six months	446
Six months to one year	385
More than one year	<u>760</u>
	<u>13,612</u>

Liquidity risk

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

The maturity analysis of financial liabilities is as follows:

	2006/07		2007/08	
	£000	%	£000	%
Maturity date				
Within 1 year	5,492	2	8,044	3
1 year and up to 2 years	2,855	1	4,175	2
2 years and up to 5 years	12,026	5	12,137	5
5 years and up to 10 years	28,998	11	30,033	12
10 years and up to 15 years	26,135	10	29,217	12
15 years and up to 20 years	40,414	16	36,498	15
20 years and up to 25 years	20,493	8	20,007	8
25 years and over	118,122	46	104,120	43
	<u>254,535</u>	<u>100</u>	<u>244,231</u>	<u>100</u>

Source of Borrowing

Public Works Loan Board	154,535	153,029
External Bonds and loans	100,000	91,202
	<u>254,535</u>	<u>244,231</u>

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

Market risk

Interest rate risk

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

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

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

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

The Authority has no variable rate borrowings and minimal variable rate investments. A 1% change in interest rates would therefore have no material impact on the Income and Expenditure account. If interest rates had been 1% higher at 31 March 2008, 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.

28. Debtors and Long Term Debtors

Debtors (less Bad Debt Provision)	31/3/07	31/3/08
	£000	£000
The analysis of debtors by category is:		
Government grants	9,649	5,839
Other short term debt	43,356	38,960
Balance at 31 March	<u>53,005</u>	<u>44,799</u>
Long Term Debtors	31/3/07	31/3/08
	£000	£000
Adult Care Property Debt	763	525
East Leake/Bassetlaw PFI schools prepayments	11,834	11,454
Tram PFI	2,660	3,196
Other	2,342	3,793
Balance at 31 March	<u>17,599</u>	<u>18,968</u>

29. Bank Overdraft

The Authority monitors the cash balances on a daily basis to make maximum use of the funds available and aims to keep any balance within a daily ceiling of £150,000, with surplus funds being invested. The bank account overdraft at 31 March will consist of an overdraft with the authority's main bank, short term amount owed to the Pension Funds and school deposits either with the Authority's main bank or held with other banks.

The analysis of the bank overdraft is as follows:

	2006/07 £000	2006/07 £000	2007/08 £000	2007/08 £000
Main overdraft		(60,403)		(68,614)
Amounts owed to Pension Funds		(75,765)		(126,351)
School bank accounts:				
Main County Council accounts	47,606		57,267	
Other bank accounts	27,022	74,628	28,571	85,838
		<u>(61,540)</u>		<u>(109,127)</u>

30. Landfill Allowances Trading Scheme

From 2005/06 the Authority receives a landfill tonnage allowance which is the maximum amount of waste which should be disposed of by landfill. This target reduces each year. From 2010 any landfill in excess of the cumulative targets will require the Authority to pay a penalty to the Government of £150 per tonne. For 2007/08 this allowance was 206,537 tonnes (215,604 in 2006/07) of which 132,430 (146,558 in 2006/07) were utilised. The Authority is allowed to trade its allowances with other Authorities. The market value of these for 2007/08 was £5.00 per tonne (£17.98 in 2006/07). The following entries have been made to the Income and Expenditure Account.

	2006/07 £000	2007/08 £000
Reserve b/fwd	(1,310)	(2,489)
Adjustment due to audit of actual Allowances used	(92)	(36)
Revaluation of Reserve b/fwd to current prices	154	1,823
Provision - Payment due to Government	2,636	662
Income - Allowances from Government	(3,877)	(1,033)
Reserve carried forward (see Note 39)	<u>(2,489)</u>	<u>(1,073)</u>

The movement in the value of allowances between 2006/07 and 2007/08 is as follows:-

	2006/07 £000	2007/08 £000
Allowances brought forward	4,493	5,124
Use of allowances to settle liability with DEFRA	(3,091)	(2,599)
Revaluation of balance of allowances	(154)	(1,823)
Allowances for year	3,876	1,033
Allowances carried forward	<u>5,124</u>	<u>1,735</u>

31. Leasing of Vehicles, Plant and Equipment

At 31 March 2008 the County Council had annual commitments under non-cancellable operating leases as set out below. There were no finance leases.

	£000
2008/09	674
2009/10	411
2010/11	176
2011/12	108
2012/13	-

All operating lease costs are charged to the Income and Expenditure Account; for 2007/08 this amounted to £0.9 million (£0.9 in million 2006/07).

32. Private Finance Initiative (PFI)

Greater Nottingham Light Rapid Transport (Tram)

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

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

There are 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 Public Inquiry into phase two finished in December 2007. The Government has the ultimate authority to approve or reject the tram proposals. It is anticipated that this decision will be made early in 2009.

In 2007/08 the Authority capitalised £2.57 million, being its share of the development work on phase 2 (£0.27 million in 2006/07).

East Leake Schools

The Council has a contract with East Leake Schools Limited for the provision of a new secondary and primary school and community leisure facilities in East Leake. £17.2 million of PFI credits have been approved. Service commenced during 2003/04. The charge to the County Council for 2007/08 was £2.6 million (£3.1 million in 2006/07). The revenue contributions towards this charge from Rushcliffe Borough Council for the community leisure facilities amounted to £0.28 million (£0.27 million in 2006/07).

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

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

The Authority will not be required to make any payment over and above any unitary charge due at 31 July 2027 for the land and buildings to be transferred back to the Council at that date. The estimated value of the new assets at contract end (excluding the land) will be £12.6 million.

Boiler installation and maintenance

The Authority has also signed a £3.2 million Private Finance Initiative (PFI) contract for the supply and maintenance of school boilers. The value of individual items is included in the revaluation of buildings. £2.3 million was financed through a 10 year lease ending in March 2010, with annual rentals of £0.4 million in 2007/08 (£0.4 million in 2006/07).

Bassetlaw Schools

The Council has a contract with Transform Schools (Bassetlaw) Ltd for the provision of 5 secondary schools, 2 post-16 centres, 1 special school and 2 Community Leisure centres. PFI credits of £131.6 million have been allocated by Government for the scheme in Bassetlaw that became fully operational during 2007/08. The charge to the County Council for 2007/08 was £21.0 million. The revenue contribution from Bassetlaw District Council towards this charge for the Community Leisure facilities amounted to £5.32 million.

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

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

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

Waste Recycling

The Authority has received Government support for a Nottinghamshire Waste PFI scheme which involves the commissioning of Materials Recycling Facilities and an Energy Recovery Facility. A PFI credit of £38.3 million has been allocated. The contract was signed on 26 June 2006 and the main facilities are expected to become operational over the next five years. The charge to the County Council in 2007/08 was £19.5 million.

33. 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.

	2006/07	2007/08
	£000	£000
Balance at 1 April	188,312	223,273
Grants and contributions due on depreciable assets	42,900	43,782
On non depreciable assets	100	116
Amortised during the year	(8,039)	(12,536)
Balance at 31 March	<u>223,273</u>	<u>254,635</u>

34. Insurance Provision and Reserve

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

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

The amount set aside in the Insurance Provision is detailed in Note 36. The Insurance Reserve is shown below:

Insurance Reserve	2006/07	2007/08
	£000	£000
Ring-fenced at 31 March 1998	1,219	1,021
Since 1 April 1998	6,465	7,816
	<u>7,684</u>	<u>8,837</u>
Insurance Account	2006/07	2007/08
	£000	£000

Premiums paid	2,596	2,242
Claims made	4,538	4,075
Contribution to Provision	1,917	1,915
	9,051	8,232
Less charges to Departments	(8,241) *	(8,609) *
	810	(377)
Miscellaneous charges	231	185
Total Expenditure	1,041	(192)
External Premiums	(27)	(15)
Interest on Old Fund	(107)	(121)
Flood Loss Grant	-	(193)
Recoveries	(1,451)	(632)
Total Income	(1,585)	(961)
Net (surplus)/deficit	(544)	(1,153)

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

35. Single Status Provision and Reserve

The County Council is implementing proposals on the harmonisation of a new pay and grading structure across the Council (see Note 3). In accordance with best practice recommendations, the accumulated balance at 31 March 2008 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 as at 31 March 2008 is shown below.

	2006/07	2007/08
	£000	£000
Balance Brought Forward	-	-
Additional Contributions	-	14,267
Payments made during the year	-	-
Balance Carried Forward	-	14,267

The balance on the Single Status Reserve as at 31 March 2008 is shown below.

	2006/07	2007/08
	£000	£000
Balance Brought Forward	18,073	23,651
Appropriation from the reserve	-	(14,267)
Appropriation to the reserve	5,578	9,614
Balance Carried Forward	23,651	18,998

36. 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	31/3/07 £000	Movement £000	31/3/08 £000
General Insurance Claims prior to 1/4/98	598	127	725
General Insurance Claims from 1/4/98	8,102	1,749	9,851
Landfill Trading Allowances	2,636	(1,974)	662
Provision for Restructure	1,443	(1,443)	-
Single Status Back Pay Provision	-	14,267	14,267
Provisions below £200,000	643	(136)	507
Total	<u>13,422</u>	<u>12,590</u>	<u>26,012</u>

37. Capital Expenditure Reserve

This reserve is used to meet capital expenditure. The balance brought forward from 2006/07 was £3.2 million. During the financial year, the balance on the reserve was reviewed and increased by £2.0 million. £0.80 million was used to finance capital expenditure leaving a reserve of £4.4 million.

38. 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 Contributions £000	Total £000
Balance at 1 April 2007	6,136	2,431	8,567
Receivable	3,972	41,468	45,440
Applied	(10,108)	(43,899)	(54,007)
Balance at 31 March 2008	-	-	-

39. Revenue Reserves

	2006/07 £000	Movement £000	2007/08 £000
Contracting Services	525	(21)	504
Other Trading Services	942	(10)	932
Earmarked for Services	13,361	4,945	18,306
Earmarked Reserves	7,763	(3,265)	4,498
Leasing Alternatives Reserve	583	282	865
Landfill Reserve	2,489	(1,416)	1,073
Bassetlaw PFI Reserve	17,870	(162)	17,708
East Leake PFI Reserve	2,057	457	2,514
Tram PFI Reserve	2,910	326	3,236
NET Phase 2 Reserve	4,151	1,003	5,154
Waste PFI Reserve	3,188	6,890	10,078
Earmarked from Contingency	1,134	(929)	205
Pay Review Reserve	23,651	(4,653)	18,998
	<u>80,624</u>	<u>3,447</u>	<u>84,071</u>

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

Earmarked Reserves carry forward unspent budget earmarked for use in the following financial year. The balance brought forward from 2006/07 was £7.8 million which was used in 2007/08. Another reserve of £4.4 million has been created in 2007/08 to cover unspent budget that has been approved for use in 2008/09.

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

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

Landfill Allowance Trading Scheme (LATS) Reserve is the value of allowances which have not been utilised or sold by the Authority. Each year the Government sets the number of tonnes of landfill which the Authority should not exceed. This target reduces each year. From 2010 any landfill in excess of the cumulative targets will require the Authority to pay a penalty to the Government of £150 per tonne. Where the Authority uses less landfill than the target, the excess allowances are held in a reserve at market value, which was £5.00 per tonne as at 31st March 2008.

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

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

Earmarked from Contingency are amounts set aside to cover allocations from 2007/08 Contingency where expenditure has yet to be incurred.

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

40. 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 2007/08 the overall Reserve has increased by £9.0 million to £45.1 million. Within the total reserve school accumulated balances increased by £6.7m to £32.0 million; a further £6.7 million relates to unspent Standards Fund, £2.8 million of which must be spent by the end of August 2008. The remaining balance of £3.9 million is to fund capital schemes. The Reserve also included £7.4 million relating to the non-ISB (Individual Schools Budgets) element of the Schools Budget.

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

	31/03/07	Movement in year	31/03/08
	£000	£000	£000
<u>School Balances</u>			
Standards Fund balances held by schools	8,267	(1,600)	6,667
Other balances held by schools	25,265	6,742	32,007
Total School Balances (held by Governors)	<u>33,532</u>	<u>5,142</u>	<u>38,674</u>
Additional school budget balances to carry forward	1	(1)	0
	<u>33,533</u>	<u>5,141</u>	<u>38,674</u>
Non ISB Balances	<u>3,701</u>	<u>3,687</u>	<u>7,388</u>

Borrowing Against the Reserve

School Loan Scheme	(1,101)	174	(927)
Total Borrowing Against Reserve	<u>(1,101)</u>	<u>174</u>	<u>(927)</u>
School Statutory Reserve Total	<u>36,133</u>	<u>9,002</u>	<u>45,135</u>

41. Capital Adjustment Account

This account replaces the previous Capital Financing Account (CFA) with the opening balance combining the Balance Sheet figures at 31 March 2007 for the Capital Financing Account (CFA) and Fixed Asset Restatement Account (FARA).

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.

Revaluation gains since 1 April 2007 are reflected in the new Revaluation Reserve.

	2006/07	2007/08
	£000	£000
FARA Balance at 1 April	511,060	
Revaluations	131,263	
Disposal of Fixed Assets	(17,867)	
FARA Balance at 31 March	<u>624,456</u>	
CFA Balance at 1 April	260,830	
MRP less depreciation	(16,137)	
Capital Grants to other bodies	(2,511)	
PFI East Leake - Residual Interest	549	
PFI Tram - Residual Interest	207	
Revenue Contributions	4,604	
Capital Receipts Applied	14,267	
Amortisation of Government Grants	8,039	
CFA Balance at 31 March	<u>269,848</u>	
Opening Capital Adjustment Account		894,304
MRP less depreciation		(20,771)
Capital Grants to other bodies		(4,021)
PFI East Leake - Residual Interest		549
PFI Tram - Residual Interest		207
Revenue Contributions		10,385
Capital Receipts Applied		10,108
Amortisation of Government Grants		12,536
Impairments		(40,337)
Disposals / Losses on Sales		(17,823)
Other Adjustments		530
		<u>845,667</u>

42. Revaluation Reserve

Implementation of the Revaluation Reserve

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve (see accounting policy on Fixed Assets). The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance of £624.5m on the FARA at 31 March 2007 has been written off to the Capital Financing Account (credit balance £269.8m) to form the new Capital Adjustment Account with a balance of £894.3m. The Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance. The closing balance on the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007.

	2007/08 £000
Balance at 1 April	-
Revaluations	128,113
Disposal of fixed assets	(1,532)
Balance at 31 March	<u>126,581</u>

43. Balances

	2006/07 £000	2007/08 £000
County Fund	19,502	22,270
Housing Act Advances	1	1
	<u>19,503</u>	<u>22,271</u>

44. Members' Allowances

The Authority makes payments to Councillors for work undertaken in the course of their duties. The cost during the financial year was £1,372,308 (£1,313,319 in 2006/07). In addition to this, Members were reimbursed a total of £146,831 (£161,275 in 2006/07) for expenses incurred on Council business.

45. 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 6.

Councillors have direct control over the Council's financial and operating policies. Grants totalling £719,458 were made to thirty organisations in which thirty-three Members had an interest (£809,140 in 2006/07 to twenty-three organisations and twenty-six members). The grants were made with proper consideration of declarations of interest.

The Register of Members' Interests is open to public inspection and is also available via the Council's website at:

<http://www.nottinghamshire.gov.uk/registerofmembersinterests.pdf>.

46. 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 31/03/07 £000	Income £000	Expend- iture £000	Balance at 31/03/08 £000
Children and Young People	99	66	15	150
Adult Social Care & Health	168	16	54	130
Community Services	24	5	-	29
Nottinghamshire Charitable Grants Fund	69	5	1	73
	<u>360</u>	<u>92</u>	<u>70</u>	<u>382</u>

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

	Value of Investments	
	£000 31/03/07	£000 31/03/08
Children and Young People	34	34
Adult Social Care & Health	91	91
Community Services	60	60
Nottinghamshire Charitable Grants Fund	12	12
	<u>197</u>	<u>197</u>

47. 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.

48. Pooled Budgets

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

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

* These PCT's became part of the Nottinghamshire County Teaching PCT from 1st October 2006.

Integrated Community Equipment Service (ICES) – North County

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

Pooled Budgets Memo Account North County	2006/07 £000	2007/08 £000
Funding		
Nottinghamshire County Council	764	762
Bassetlaw PCT	306	294
Newark PCT	295	281
Mansfield PCT	362	328
Ashfield PCT	229	235
Total Funding	<u>1,956</u>	<u>1,900</u>
Expenditure		
Partnership Management & Administration costs	62	61
Project & One-off set up costs	-	29
Specialist Equipment	-	-
Equipment	1,726	1,651
Minor Adaptations	168	159
Total Expenditure	<u>1,956</u>	<u>1,900</u>

Integrated Community Equipment Service (ICES) – South County

The partnership is established to provide health and social care equipment for children and adults who require assistance to perform essential activities in their daily living. The County Council contributed £0.82 million in 2007/08 (£0.73 million in 2006/07) to the partnership.

49. 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 2007 £000	Movement in Year £000	Balance at 31 March 2008 £000
Revaluation Reserve	Store of gains on revaluation of fixed assets not yet realised through sales	-	126,581	126,581
Capital Adjustment Account	Store of capital resources set aside to meet past expenditure	894,304	(48,637)	845,667
Usable Capital Receipts & Grants Unapplied Reserve	Proceeds of fixed asset sales and grants received available to meet future capital investment	8,567	(8,567)	-
Financial Instruments Adjustment Account	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	-	(202)	(202)
Pensions Reserve	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	(438,732)	(198,362)	(637,094)
General Fund	Resources available to meet future running costs	55,636	11,770	67,406
Other Reserves	Earmarked Reserves, inc. insurance and capital reserves	91,493	5,863	97,356
Total		<u>611,268</u>	<u>(111,554)</u>	<u>499,714</u>

50. 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 will begin in April 2008 and it is anticipated that it will be fully rolled out across the Authority by 31 March 2009. However, there remains a potential low liability in relation to individuals pursuing equal pay claims.

51. Post Balance Sheet Events

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

NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

Introduction

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

(a) **The Main Fund**

This includes the major employers, such as the County Council, the City Council and all District Councils and organisations who 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 2008 was:

	Main Fund	Admitted Bodies
	31/03/2008	31/03/2008
Contributors	39,281	1,127
Deferred Benefits	23,567	785
Pensioners	22,034	400

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.

FUND ACCOUNT FOR YEAR ENDED 31 March 2008

	Notes	2006/07 £000	2007/08 £000
Dealings with members (employees), employers and others directly involved in the scheme			
Contributions	10		
Receivable from:			
Employees - normal		35,389	37,311
- additional voluntary	7	468	426
Employers - normal		93,795	101,627
- special		-	-
- additional		6,102	5,065
Transfers In - individuals		15,546	18,420
Transfers In - groups		-	-
Other income		-	-
		151,300	162,849
 Benefits payable	 10		
Pensions		74,280	80,909
Lump Sums Payable:			
Retiring Allowances		17,478	18,640
Ill-health Retirement Grants		189	159
Death Grants		1,548	2,868
Compensation		181	35
		93,676	102,611
 Payments to and on account of Leavers			
Transfers Out - individuals		10,615	9,157
Transfers Out - groups		-	-
Refunds		78	60
State Scheme		21	11
		10,714	9,228
 Administration Expenses		1,495	1,126
 Net additions from dealings with members		45,415	49,884
 Returns on Investments			
Investment Income	5	74,580	81,379
Change in market value of investments		118,306	(171,706)
Taxation	1	-	-
Investment management expenses		(5,420)	(4,089)
Net Returns on Investments		187,466	(94,416)
 Net increase/decrease in the Fund during the year		232,881	(44,532)
Opening net assets of the scheme		2,184,854	2,417,735
Closing net assets of the Fund		2,417,735	2,373,203

NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

NET ASSETS STATEMENT

	Notes	31 March 2007 £000	31 March 2008 £000
Investments	5		
Fixed Interest Securities:			
UK Public Sector		127,026	157,727
UK Other		97,355	88,092
Overseas Public Sector		40,155	90,403
Overseas Other		20,260	3,790
Index Linked Securities		26,081	19,136
Equities - listed			
UK		866,391	712,434
Overseas		365,691	365,997
Pooled Investment Vehicles			
Unit Trusts		171,527	174,477
Unitised Insurance Policies		105,426	102,635
Other Managed Funds		117,638	121,265
Property Unit Trusts		79,651	93,927
Unlisted Investments		403	664
Property	5	308,705	307,285
Hedging		-	-
Cash and Currency	8	76,929	122,202
Total Investments		2,403,238	2,360,034
Net Current Assets/(Liabilities)	6	14,497	13,169
		2,417,735	2,373,203

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

DEBTORS AND CREDITORS

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

INVESTMENTS

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

Unit Trusts and managed funds are valued at the closing single price or the average of the bid and offer prices 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 31 March 2008. The 31 March 2007 valuation was based on an annual valuation by the same valuer at 31 December 2006, with subsequent purchases included at cost.

Acquisition costs are included in the purchase cost of investments.

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

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

INVESTMENT INCOME

Income is accounted for on an accruals basis. For 2006/07 income from property was accounted for on a cash received basis as it was collected and paid over by the Fund's property manager, Arlington Property Investors. As a consequence, rent received in March 2007 was recorded in property income for 2006/07 despite relating mainly to 2007/08.

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) Overseas equity dividends are also accounted for net of withholding tax, where this is deducted at source. Partial reclaims of withholding tax, where allowed, are accounted for when received and adjusted at the year end by outstanding claims.

FOREIGN CURRENCIES

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

CONTRIBUTIONS

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

BENEFITS PAYABLE

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

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

TRANSFERS TO AND FROM OTHER SCHEMES

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

There were no scheme mergers or group transfers, in or out, in either 2006/07 or 2007/08.

OTHER EXPENSES

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

2. CONSTITUTION OF THE FUND

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

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

3. CONTRIBUTORS AND PENSIONERS

	31/3/07 Total	Numbers at 31/3/08				Total
		County Council	City Council	District Councils	Other	
Contributors	39,482	17,278	10,217	4,326	7,460	39,281
Deferred Beneficiaries	20,532	11,299	5,360	2,808	4,100	23,567
Pensioners	21,090	10,907	4,337	3,884	2,906	22,034

4. OPERATION OF THE FUND

(a) Contributions and Solvency

Employees are required by the Regulations to make percentage contributions by deduction from earnings at the rate of 6% for officers and either 5% or 6% for manual workers. Employers are required to make such balancing contributions, determined by the Fund's Actuary, as will maintain the Fund in a state of solvency, having regard to existing and prospective liabilities. In 2007/08, 13 authorities made additional contributions totalling £5.1 million above their normal employer's contributions (2006/07 : 18 Authorities : £6.1 million).

With effect from 1 April 2008 a new scheme is being introduced as a replacement for the 1997 Scheme under the provisions of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007. The principal changes from the 1997 scheme are: 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 an increase in the average level of employee contributions from that date.

(b) Actuarial Valuations

As required by the Regulations an Actuarial Valuation of the Fund was carried out as at 31 March 2007. The market value of the Fund's assets at the valuation date of 31 March 2007 was £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 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 paid in 2007/08 were set by the 31 March 2004 valuation, whilst those to be paid from 2008/09 to 2010/11 were set by the 31 March 2007 valuation. The following list shows the rates payable by the main employers:

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

(c) **Investment Policy**

The investment policy of the Fund is designed to maximise growth within acceptable risk parameters to help meet the future liabilities. The powers of investment are governed by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1997 (as amended). Strategic decisions on investment policy are made by the Pensions Committee, advised by a Pensions Investment Sub-Committee, but the day to day investments are managed by organisations specialising in the management of pension fund assets. The Sub-Committee meets on a quarterly basis to review the investments of the Fund. Its membership consists of 11 elected County Councillors, 3 representatives of Nottingham City Council, 2 representatives of the District Councils, 2 representatives of the trade unions, and a representative elected by the other scheduled bodies. It is also attended by an independent adviser and representatives of the Strategic Director of Resources.

5. INVESTMENTS

The original values of investments are based on market values at 1 April 1974 for investments held at that date and at cost plus expenses for subsequent purchases. At 31 March 2008 an analysis of the management arrangements was as follows:

	31/3/07		31/3/08	
	£000	%	£000	%
In-house	953,357	40	957,695	41
Aegon	310,877	13	359,147	15
Schroder Investment Management	487,203	20	517,644	22
Martin Currie	142,448	6	11,198	0
Arlington Property Investors UK Ltd	339,127	14	338,832	14
Hermes Focus Asset Management	106,164	4	100,624	4
Standard Life	23,271	1	42,299	2
Governance 4 Owners	14,833	1	12,514	1
Noble Group	25,958	1	20,081	1
Total Market Value	2,403,238	100	2,360,034	100
Original Value	1,772,472		1,958,605	
Excess of Market Value over Original Value	630,766		401,429	

The analysis of investment income by type of investment shows:

	2006/07	2007/08
	£000	£000
Fixed Interest	12,001	12,728
Equities	43,378	49,200
Index-linked	66	40
Pooled Vehicles	895	719
Property Unit Trusts	611	450
Property	13,965	12,106
Cash	3,664	6,131
Joint Ventures	-	-
Other	-	5
	<u>74,580</u>	<u>81,379</u>

Purchases and Sales of investments were as follows:

	2006/07	2007/08
	£000	£000
Purchases at cost	909,476	1,121,776
Sales at market value net of cost of sales	767,154	1,038,546
Net Purchases/(Sales)	<u>142,322</u>	<u>83,230</u>

Individual Investments over 5% of the Fund

At 31 March 2008 the fund held no investment representing over 5% of the fund (2006/07 also nil).

Property

Property is shown at open market value (as defined by the International Valuation Standards Committee) as determined by Savills Commercial Limited, as at 31 March 2008. The 31 March 2007 valuation was based on a valuation at 31 December 2006 with subsequent additions to 31 March 2007 at cost. The analysis of property is:

	31 March 2007	31 March 2008
	£000	£000
Freehold	292,980	296,860
Leasehold more than 50 years	15,725	10,425
	<u>308,705</u>	<u>307,285</u>
Original Value	212,986	255,084

6. NET CURRENT ASSETS - DEBTORS AND CREDITORS

		31 March 2007	31 March 2008
		£000	£000
Debtors	- sale of investments	1,263	561
	- other	14,663	17,865
Creditors	- purchase of investments	0	(75)
	- other	(1,429)	(5,182)
		<u>14,497</u>	<u>13,169</u>

7. MEMBERS ADDITIONAL VOLUNTARY CONTRIBUTIONS

During the period the County Council received additional voluntary contributions (AVCs) from members amounting to £1,139,576 (2006/07 £1,056,716). These were separately invested with Prudential Assurance and Scottish Widows, and are not disclosed within the assets or liabilities of either the main or the admitted bodies funds.

8. RELATED PARTY TRANSACTIONS

The net assets statement includes cash of £122.2 million (2006/07 £76.9 million) which is held by Nottinghamshire County Council and earns interest at the 7-day local government rate. The cash is the property of the Pension Fund and is not used for the purposes of the County Council. The maximum amount held with the County Council during 2007/08 was £134 million (2006/07 £100 million).

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

9. MEMBERS' REPORT

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

10. ANALYSIS OF CONTRIBUTIONS AND BENEFITS

	County Council		Scheduled Bodies	
	2006/07	2007/08	2006/07	2007/08
	£000	£000	£000	£000
Contributions from employers	36,753	39,919	63,145	66,773
Contributions from employees	13,867	14,258	21,989	23,479
Benefits payable	39,733	44,333	53,943	58,278

11. STATEMENT OF INVESTMENT PRINCIPLES

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

ADMISSION AGREEMENT ETC. PENSION FUND

FUND ACCOUNT FOR YEAR ENDED 31 March 2008

	Notes	2006/07 £000	2007/08 £000
Contributions			
Receivable from:			
Employees	- normal	1,312	1,405
	- additional voluntary	23	21
Employers	- normal	2,592	2,714
	- special	-	-
	- additional	10	93
Transfers In - individuals		445	1,510
Transfers In - groups		-	-
Other income		-	-
		4,382	5,743
Benefits			
Pensions		1,411	1,698
Lump Sums:			
Retiring Allowances		520	695
Ill Health		-	-
Death Grants		-	66
Compensation		-	1
		1,931	2,460
Payments to and on account of Leavers			
Transfers Out - individuals		326	357
Transfers Out - groups		-	-
Refunds		4	1
State Scheme		-	-
		330	358
Administration expenses			
		56	38
Net additions from dealings with members		<u>2,065</u>	<u>2,887</u>
Returns on investments			
Investment Income	5	1,900	2,210
Change in market value of investments		3,772	(5,502)
Taxation	1	-	-
Investment management expenses		(101)	(108)
Net returns on investments		<u>5,571</u>	<u>(3,400)</u>
Net increase/(decrease) in the Fund during the year			
		7,636	(513)
Opening net assets of the scheme		65,983	73,619
Closing net assets of the Fund		<u>73,619</u>	<u>73,106</u>

ADMISSION AGREEMENT ETC. PENSION FUND

NET ASSETS STATEMENT

	Notes	31 March 2007 £000	31 March 2008 £000
Investments	5		
Fixed Interest Securities:			
Public Sector		-	-
Other		-	-
Equities - listed			
UK		24,422	21,048
Overseas		7,646	8,207
Index Linked Securities		-	-
Pooled investment vehicles:			
Fixed Interest OEICs		7,899	8,701
Index Linked OEICs		933	1,107
Unit Trusts		10,125	10,209
Unitised Insurance Policies		5,163	5,190
Other Managed Funds		3,459	4,452
Property		10,545	8,414
Property		-	-
Cash	7	2,700	5,215
Total Investments		72,892	72,543
Net Current Assets/(Liabilities)	6	727	563
		<u>73,619</u>	<u>73,106</u>

ADMISSION AGREEMENT ETC. PENSION FUND

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

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

DEBTORS AND CREDITORS

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

INVESTMENTS

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

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

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

Acquisition costs are included in the purchase cost of investments.

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

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

INVESTMENT INCOME

Income is accounted for on an accruals basis.

TAXATION

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

FOREIGN CURRENCIES

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

CONTRIBUTIONS

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

BENEFITS PAYABLE

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

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

TRANSFERS TO AND FROM OTHER SCHEMES

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

OTHER EXPENSES

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

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

2. CONSTITUTION OF THE FUND

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

3. CONTRIBUTORS AND PENSIONERS

	Number at 31/3/07	Number at 31/3/08
Contributors	1,099	1,127
Deferred beneficiaries	741	785
Pensioners	369	400

4. OPERATION OF THE FUND

(a) Contributions and Solvency

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

With effect from 1 April 2008 a new scheme is being introduced as a replacement for the 1997 Scheme under the provisions of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007. The principal changes from the 1997 scheme are: 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 an increase in the average level of employee contributions from that date.

(b) **Actuarial Valuations**

As required by the Regulations an Actuarial Valuation of the Fund was carried out as at 31 March 2007.

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

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

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

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

(c) **Investment Policy**

The investment policy of the Fund is designed to maximise growth within acceptable risk parameters to help meet the future liabilities. The powers of investment are governed by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1997 (as amended). Strategic decisions on investment policy are made by the Pensions Committee, advised by a Pensions Investment Sub-Committee, but the day to day investments are managed by organisations specialising in the management of pension fund assets. The Sub-Committee meets on a quarterly basis to review the investments of the Fund. Its membership consists of elected County Councillors, 3 representatives of Nottingham City Council, 2 representatives of the District Councils, 2 representatives of the trade unions, and a representative elected by the other scheduled bodies. It is also attended by an independent adviser and representatives of the Strategic Director of Resources.

5. INVESTMENTS

A comparison with original values of investments is given in the table below. The original values of investments are based on market values at 1 April 1974 for investments held at that date and at cost plus expenses for subsequent purchases. At 31 March 2008 an analysis of the management arrangements was as follows:

	31/3/07		31/3/08	
	£000	%	£000	%
In-house	29,236	41	30,437	41
Arlington Property Investors	3,810	5	2,707	4
Aegon	8,832	12	9,809	14
Hermes	-	-	1,093	2
Martin Currie	3,459	5	3,359	5
Schroder Investment Management	27,555	37	25,138	34
Total Market Value	72,892	100	72,543	100
Original Value	56,626		62,603	
Excess of Market Value over Original Value	<u>16,266</u>		<u>9,940</u>	

The analysis of investment income by type of investment shows:

	2006/07	2007/08
	£000	£000
Fixed Interest	-	-
Equities	1,350	1,624
Index-linked	-	-
Pooled vehicles	17	15
Property Unit Trusts	415	321
Property rents	-	-
Cash interest	118	250
Joint ventures	-	-
Other	-	-
	<u>1,900</u>	<u>2,210</u>

Purchases and Sales of Investments were as follows:

	2006/07	2007/08
	£000	£000
Purchases at cost	10,065	6,419
Sales at market value	3,770	3,781
Net Purchases/(Sales)	<u>6,295</u>	<u>2,638</u>

Individual Investments over 5% of the Fund

At 31 March 2008 the Fund held £6.63 million of Aegon Long Balanced Fund, and £5.71 million of Schroders Property Unit Trust, representing 9.1% and 7.9% of the Fund respectively. (At 31 March 2007 the Fund held, £6.85 million of Schroders' Property Unit Trust £6.26 million of Aegon Long Balanced Fund, £4.35 million of Schroder Institutional European Fund and £3.81 million of Arlington UK Balanced Property Fund representing 9.3%, 8.5%, 5.9% and 5.2% of the Fund respectively.)

6. NET CURRENT ASSETS - DEBTORS AND CREDITORS

	31 March 2007	31 March 2008
	£000	£000
Debtors - sale of investments	47	-
- other	699	624
Creditors - purchase of investments	-	-
- other	(19)	(61)
Net Current Assets/(Liabilities)	<u>727</u>	<u>563</u>

7. RELATED PARTY TRANSACTIONS

The net assets statement includes cash of £5.3 million (2006/07 £2.7 million) which is held by Nottinghamshire County Council and earns interest at the 7-day local government rate. The cash is the property of the Pension Fund and is not used for the purposes of the County Council. The maximum amount held with the County Council during 2007/08 was £5.7 million (2006/07 £3.9 million) There are no other related party transactions between members and officers of the Council and the Fund.

8. MEMBERS' REPORT

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

9. ADMITTED BODIES

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

	2007/08	2008/09	2009/10	2010/11
	%	%	%	%
Ashfield CAB	11.6	12.6	14.1	15.5
Ashfield Women's Centre	11.6	12.6	14.1	15.5
Bassetlaw CAB	11.6	12.6	14.1	15.5
Bestwood Partnership Forum	11.6	12.6	14.1	15.5
Broxtowe CAB	11.6	12.6	14.1	15.5
Broxtowe Partnership Trust	11.6	12.6	14.1	15.5
Bulwell Vision	11.6	12.6	14.1	15.5
Catholic Children's Society	11.6	12.6	14.1	15.5
Child Migrants Trust	11.6	12.6	14.1	15.5
City of Nottingham Scout District	11.6	12.6	14.1	15.5
Clifton Advice Centre	11.6	12.6	14.1	15.5
Connexions Nottinghamshire (incl Guideline Careers)	12.8	13.8	14.5	14.5
Cresswell Groundwork Trust	11.6	12.6	14.1	15.5
Disabilities Living Centre	11.6	12.6	14.1	15.5
Eastwood Volunteer Bureau	11.6	12.6	14.1	15.5
EMFEC	11.6	12.6	14.1	15.5
EM Media	11.6	12.6	14.1	15.5
EMMLAC	11.6	12.6	14.1	15.5
Enviroenergy Ltd	11.6	12.6	14.1	15.5
Experience Nottingham Ltd	11.6	12.6	14.1	15.5
First Data (Training) Ltd	11.6	12.6	14.1	15.5
Greater Nottingham Partnership	11.6	12.6	14.1	15.5
Greenfields Centre Ltd	11.6	12.6	14.1	15.5
Groundwork Ashfield and Mansfield	11.6	12.6	14.1	15.5
Groundwork Greater Nottingham	11.6	12.6	14.1	15.5
Institute of Burial Cremation Admin	11.6	12.6	14.1	15.5
Jesse Boot Community Basketball & Sports	11.6	12.6	14.1	15.5
Kirkby Trust	11.6	12.6	14.1	15.5
Mansfield CAB	11.6	12.6	14.1	15.5
Mansfield Rd Baptist Housing	11.6	12.6	14.1	15.5
Meadows Advice Group	11.6	12.6	14.1	15.5
Meadows Partnership Trust	11.6	12.6	14.1	15.5
Meden Valley Making Places Ltd	11.6	12.6	14.1	15.5
Metropolitan Housing Trust	10.4	11.4	12.0	12.0
NECTA	11.6	12.6	14.1	15.5
Newark Emmaus Trust	11.6	12.6	14.1	15.5
New Deal for Radford & Hyson Green	11.6	12.6	14.1	15.5
NORSACA	11.6	12.6	14.1	15.5
Nottingham Association of Local Councils	11.6	12.6	14.1	15.5
Nottingham & District Racial Equality Council	11.6	12.6	14.1	15.5
Nottingham CAB	11.6	12.6	14.1	15.5
	2007/08	2008/09	2009/10	2010/11
	%	%	%	%
Nottingham Deaf Society	11.6	12.6	14.1	15.5

Nottingham Development Enterprise	11.6	12.6	14.1	15.5
Nottingham Independent Venture	11.6	12.6	14.1	15.5
Nottingham Ice Centre	11.6	12.6	14.1	15.5
Nottingham Regeneration	11.6	12.6	14.1	15.5
Nottinghamshire County Scout Association	11.6	12.6	14.1	15.5
Nottinghamshire Rural Community Council	11.6	12.6	14.1	15.5
Ollerton and District CAB	11.6	12.6	14.1	15.5
Regeneration East Midlands	11.6	12.6	14.1	15.5
SLM Ltd	12.4	13.4	12.2	12.2
Southwell Council for Family Care	11.6	12.6	14.1	15.5
Southwell Leisure Centre	11.6	12.6	14.1	15.5
Technical Aid for Nottingham Communities	11.6	12.6	14.1	15.5
The Carers' Federation	11.6	12.6	14.1	15.5
The Partnership Council	11.6	12.6	14.1	15.5
The Pearson Centre for Young People	11.6	12.6	14.1	15.5
The Renewal Trust	11.6	12.6	14.1	15.5
Trent University Students' Union	11.6	12.6	14.1	15.5
UPP (Nottm)	13.2	14.2	13.7	13.7

10. STATEMENT OF INVESTMENT PRINCIPLES

The Pensions Committee has determined a Statement of Investment Principles for the Fund. A copy may be obtained by writing to the Corporate Director, Corporate Services, Nottinghamshire County Council, County Hall, West Bridgford, Nottingham, NG2 7QP. A copy is also available on the pension fund website (www.nottspf.org.uk).

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.
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.
Capital Receipts	Income received from the sale of capital assets and available, subject to rules laid down by Government, to finance new capital expenditure or to repay debt.
Cash Flow Statement	Summarises the inflows and outflows of cash arising from transactions with third parties for capital and revenue purposes.
Creditors	Persons or bodies owed monies by the Authority that have not been paid by the end of the financial year.
DEFRA	Department for Environment, Food and Rural Affairs
DCSF	Department for Children, Schools and Families
DCLG	Department for Communities and Local Government
Debtors	Persons or bodies owing sums to the Authority that have not been paid by the end of the financial year.
Direct Labour/Service Organisations	Workforces employed directly by local authorities to carry out works of repair, maintenance, construction etc. of buildings, grounds and roads and to provide catering and cleaning services and repairs and maintenance of vehicles.
Earmarked Reserves	Reserves set aside for a specific purpose.
Financial Instruments	A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another. For instance financial assets could be bank deposits, loans receivable, shares etc, whilst financial liabilities could be borrowings, debtors, financial guarantees etc.

Fixed Assets	Tangible assets that yield benefits to the Authority and the services it provides for a period of more than one year.
General Fund	This balance is a general revenue reserve, part of this fund is earmarked to provide a number of Reserves.
Government Grants Deferred Account	The amount of money given to the Council to spend on depreciable assets that have a lasting value, for example vehicles. This amount is reduced each year as the value of the asset reduces due to wear and tear.
Income and Expenditure Account	The account which sets out the Council's Income and Expenditure for the year.
Infrastructure Assets	Fixed assets such as roads and bridges.
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 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.
Minimum Revenue Provision (MRP)	The minimum amount which must be charged to revenue in the year for the repayment of debt (credit liabilities and credit arrangements). An authority may voluntarily set aside amounts in excess of the minimum required.
Non-Operational Assets	Fixed assets held which are not used in the provision of services.
Operational Assets	Fixed assets held and occupied, used or consumed by the Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.
Precept Income	County Councils obtain part of their income from precepts levied on the district councils in their area. Precepts, based on the 'council tax bases' of the district councils, are levied on each district's 'collection fund'.
Public Service Agreement	This is a Government incentive whereby demanding performance targets are set to deliver improvements for local people through partnerships with District Councils and other organisations.
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.

Trust Funds

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



Contacting us

email **nigel.stevenson@nottscc.gov.uk**

phone **0115 977 3033**

fax **0115 977 2203**

post **Corporate Accounting, Corporate Services (Finance)
County Hall, West Bridgford, Nottingham NG2 7QP**

internet **www.nottinghamshire.gov.uk**

published **October 2008**