Nottingham City Council

Nottingham City Council

A safer, cleaner, ambitious Nottingham
A city we're all proud of

Statement of Accounts 2008/09

Contents

Explanatory Foreword

INTRODUCTION

The information contained within this Statement of Accounts provides a detailed review of the City Council's activity during the financial year 2008/09 and of the Council's assets and liabilities at 31st March 2009. Inevitably, some of this information is of a highly complex, technical nature.

This foreword is intended to provide:

- a summary of the financial statements that follow and help in interpreting those statements.
- a review of the City Council's financial performance in the financial year 2008/09 and the spending plans for the financial year 2009/10.

Although this statement provides a comprehensive view of the Council's financial position during the period to which it relates, having been produced within a rigorous regulatory structure, it does not fulfil the role of a private company's annual report. In order to obtain this wider view of the City Council's activities, priorities and plans other published documents will need to be consulted:

- The Council Plan sets out the City Council's strategic priorities for the period 2008 to 2011, detailing what the Council seeks to achieve for Nottingham and reflecting the views of its citizens. As such, it is intended to support the City's community strategy.
- The Medium Term Financial Strategy sets out both the broad financial policy to ensure financial resources are aligned with the delivery of Council policy and the principles and objectives for our financial management.
- The Medium Term Financial Plan comprises of the revenue budget, capital programme and HRA and sets out details of expenditure and income for a rolling 3 year period.
- The Asset Management Plan and Capital Strategy detail the City Council's approach to asset management and are designed to improve the Council's property portfolio, ensuring that it is well maintained, appropriately located, fit for purpose and accessible for its intended users.

CHANGES TO THE STATEMENT OF ACCOUNTS 2008/09

The CIPFA Statement of Recommended Practice (SORP) 2008 provides the minimum requirements considered necessary for the City Council's Statement of Accounts.

Last year, within the SORP 2007 substantial changes were made with the introduction of new requirements regarding the recognition, measurement and disclosure of financial instruments. In addition the Fixed Asset Restatement Reserve and the Capital Financing Account were replaced by a Revaluation Reserve and a Capital Adjustment Account on the Balance Sheet.

There have been a number of further incidental changes which have been incorporated in the SORP 2008 many of which relate to changes in terminology and presentation. Further explanations in relation to individual changes are included within the body and notes of the statement or within the accounting policies section.

The main changes are as follows:

Revaluation on the Disposal of Assets

Revaluation of a fixed asset at the point of disposal is now no longer permitted. This is a new requirement in the 2008 SORP, and is intended to prevent 'deathbed valuations', where the carrying amount of an asset is automatically adjusted to the net sale proceeds. However, this does not mean that authorities should not revalue General Fund assets once the decision to dispose of them has been taken. Authorities are required to ensure that the current values of assets are kept up to date. When an asset is transferred from operational to non-operational surplus assets, the asset should be revalued.

Changes to the Pensions SORP: Pension Fund Accounts and (Financial Reporting Standard) FRS 17 Disclosures

The 2008 SORP incorporates the requirements of a revised Pensions SORP published in July 2007. The Pensions SORP was revised to take account of the requirements of the financial instruments reporting standards FRS 25 and FRS 26.

The Council has adopted the amendment to FRS17 Retirement Benefits. As a result, quoted securities held as assets in the defined pension scheme are now valued at bid price rather than mid-market value.

Area Based Grants

In England, Area Based Grant (ABG) replaces Local Area Agreement (LAA) Grant from 2008/09. Unlike LAA Grant, ABG is a non-ringfenced general grant. As such, no conditions on use are imposed as part of the ABG determination, and its use is not restricted to supporting the achievement of LAA targets.

The SORP requires ABG to be accounted for as a general grant, which should be included in the Income and Expenditure Account with other general income sources such as the Revenue Support Grant, the Collection fund and NNDR redistribution.

PREPARATION FOR IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) IN 2010/11

From 2010/11, local authority accounts will be prepared under a revised Code of Practice on Local Authority Accounting that will be based on IFRS. The IFRS transition date (the date at which figures first have to be prepared under IFRS) is 1 April 2009. This means that in the 2010/11 Statement of Accounts, authorities will be required to prepare a balance sheet as at 1 April 2009 - effectively restating the 31 March 2009 balance sheet.

FINANCIAL STATEMENTS AND THEIR PURPOSE

The Statement of Accounts for 2008/09 includes the following financial statements, each of which is accompanied by supporting notes. The Statements are split into Core Financial Statements and Supplementary Financial Statements.

Core Financial Statements

1. The Income and Expenditure Account

The Income and Expenditure Account reports the net cost for the year of all the functions for which Nottingham City Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers. It brings together expenditure and income relating to all of Nottingham City Council's functions in three distinct sections, as follows:

1. The first section provides accounting information on the costs of Nottingham City Council's continuing operations, net of specific grants and income from fees and charges, to give the net cost of services.
2. The second section comprises items of income and expenditure relating to the local authority as a whole.
3. The third section shows the income from local taxation and general government grants in the period, to give the net deficit or surplus for the year.

2. The Statement of Movement on the General Fund Balance (SMGFB)

The Income and Expenditure Account brings together all of the functions of the Council and summarises all the resources that the Council has generated, consumed or set aside in providing services during the year.

However, this accounting basis is currently out of line with the statutory provisions that specify the net expenditure that authorities need to take into account when setting local taxes.

Therefore outturn on the Income and Expenditure Account needs to be reconciled to the balance established by the relevant statutory provisions. The SMGFB provides the necessary reconciliation.

3. The Statement of Total Recognised Gains and Losses (STRGL)

While the Income and Expenditure Account summarises all of the resources that the authority has generated, consumed or set aside in providing services during the year, the Council recognises other gains and losses in its Balance Sheet that are not debited or credited to the Income and Expenditure Account. The STRGL is the statement that brings these other gains and losses together with the outturn on the Income and Expenditure Account to show the total movement in the Council's net worth for the year.

4. The Balance Sheet

The Balance Sheet shows the Council's assets and liabilities accrued in its business with the outside world, including those detailed in the Housing Revenue Account (HRA) and Collection Fund but excluding the Trust Funds administered by the Council.

These are balanced by an attribution of the net worth of the authority between:

- the revenue and capital resources available to meet future expenditure,
- unrealised gains and losses (particularly in relation to the revaluation of fixed assets),
- adjustment accounts that absorb the effect of differences between UK GAAP and statutory accounting requirements (the Capital Adjustment Account, Financial Instruments Adjustment Account and the Pensions Reserve).

5. The Cash Flow Statement

The objective of the Cash Flow Statement is to ensure that the significant elements of receipts and payments of cash are highlighted in a way that facilitates comparison of cash-flow performance of different organisations and to provide information that assists in assessing their liquidity and solvency.

The statement is designed to reflect the way the Council manages its cash and to distinguish cash flows in relation to this activity from other investment decisions.

Supplementary Financial Statements

1. The Housing Revenue Account (HRA)

The HRA shows how resources are spent in maintaining and managing the Council's council dwellings together with the sources of income available to meet these costs. It therefore includes the credit and debit items required to be taken into account in determining the surplus or deficit on the HRA for the year. For 2008/09 the HRA statement has two parts:

a. The HRA Income and Expenditure Account shows in more detail the income and expenditure on HRA services included in the whole authority Income and Expenditure Accounts.

b. The Statement of Movement on the Housing Revenue Account Balance shows how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the Housing Revenue Account Balance for the year.

2. The Collection Fund

The inclusion of an Income and Expenditure Account and explanatory notes for the Collection Fund within the Council's Statement of Accounts reflects the statutory requirement contained in section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and National Non-Domestic Rates (NNDR). There is no requirement for a separate Collection Fund Balance Sheet as balances are consolidated into the Council's Balance Sheet.

3. The Group Accounts

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

The Group Accounts for 2008/09 have been completed using accounts from the following companies:

Audited

- Nottingham Ice Centre
- Nottingham City Transport
- Enviroenergy
- Nottingham City Homes
- Connexions.

Unaudited

- Bridge Estate

REVENUE – A REVIEW OF THE 2008/09 OUTTURN AND 2009/10 BUDGET

A. GENERAL FUND

Revenue expenditure covers the cost of the City Council's day to day operations and contributions to and from reserve accounts. Although the major area of spending is on employees' salaries, other significant areas include premises costs, the purchase of supplies and services and the costs of capital financing.

This expenditure is offset by income, generated by charging users for certain services, contributions from the National Non-Domestic Rate (NNDR) Pool, income from Council Tax payers and the receipt of grants from the Government and other organisations. The level of Revenue Support Grant and Non-Domestic Rates is determined by Central Government. The City Council set a Band D tax of £1,463.21 to recoup its own precept on the Collection Fund (£93.577m) and that of the Police Authority (£10.883m) and Fire Authority (£4.890m).

The Council's revenue budget is complex, providing finance for a range of services and functions, allocated between portfolio holders – elected Councillors who make up the City Council's Executive Board. Budgets are set by the Council before the start of the financial year and management action is taken throughout the year to maximise the use of these resources. After allowing for income generated by charging for services and for contributions from reserves, the resulting net revenue expenditure is financed from Government Grants and the Collection Fund.

Quarterly monitoring reports on budgets and performance considered by the Executive Board throughout the year, with the latest being considered in February 2009. Detailed monthly budget monitoring by Corporate Directors has continued during 2008/09 and various management actions have been implemented.

The pre-audit outturn was reported to Executive Board on 26 June 2009 and showed the net outturn as being £2.410m higher than that planned for the year, prior to carry forwards. The most significant cause of this over-spend related to Children's Services.

The variances by Portfolio are summarised below:

General Fund - By Portfolio	£m	£m
Overspends		
Children's Services	3.802	
Culture, Leisure and Communities	0.926	
Neighbourhood Regeneration	0.451	
Transport and Area Working	0.469	5.648
Underspends		
Adult Services and Health	(0.315)	
Community Safety, Performance Management, Serving Nottingham Better	(0.147)	
Environment and Climate Change	(0.239)	
Human Resources, Customer Services and Consultation	(0.876)	
Resources, Reputation and Communication, Economic Development and Skills	(0.093)	
Corporate Items	(1.568)	(3.238)
Net overspend before carry forwards		2.410
Carry forwards		0.944
Net overspend after carry forwards		**3.354**

The significant variances are detailed below:

Children's Services +£3.802m

Overspends have arisen over a number of service areas and have been partly off set by underspends in other service areas. However the main overspend has arisen in Children & Families Commissioning – Commissioning and Partnership (£2.011m) where demand for placements with Independent Fostering Agencies and other external placements of children in care has increased, particularly those with special needs**.**

Culture, Leisure & Communities +£0.926m

Overspends have arisen primarily due to a £0.500m contribution to reserves to fund the Nottingham Contemporary scheme required to replace the partial loss of funding for this project together with the cost of keeping Victoria Leisure Centre (VLC) open during the period 1 January 2009 to 31 March 2009 whilst options for the future of VLC are developed (£0.200m). In addition there are further overspends (£0.286m) relating to the Royal Centre primarily due to a reduction in income being generated from shows.

Neighbourhood Regeneration +£0.451m

An overspend of £0.451m has arisen predominantly due to a reduction in income from Building Control and Planning application fees together with the non achievement of corporate cross cutting savings.

Transport & Area Working +£0.469m

This overspend relates to a reduction in income from parking (£1.081m) which has significantly reduced over the past few years and has continued to worsen across all

Car Parks particularly Broad Marsh and Trinity Square Car Parks. This overspend has been partly off set by underspends in a number of other areas within the Portfolio.

Adults Services and Health (£0.315m)
Underspends on Business Services (£0.401m) and Older People Resources (£0.429m) arising in part due to the vacancy management process. These savings have been partially off set by overspends on Health and Disability (+£0.232m) and Older People Management (+£0.392m) predominantly due to more ‘at home’ provision.

Human Resources, Customer Services & Consultation (£0.876m)
Underspends have arisen due to the management of vacancies prior to the restructuring of services, particularly the Customer Services and the Consumer Protection Service areas.

Corporate Items (£1.568)
Underspends have arisen on unspent Area Based Grant ((£1.086m) (£0.778m of which will be carried forward into 2009/10)) and unutilised reserves which were originally intended to fund one-off items within the MTFP for 2008/09. These underspends have been partially off set by additional running costs for EnviroEnergy (+£0.425m) incurred as a result of shutdown/maintenance work on the incinerator during peak trading times.

General Fund Balance

The impact of the 2008/09 pre-audit outturn on the City Council’s General Fund Balance has been to increase the level to £11.374m (£10.304m 31st March 2008). After reviewing the overall financial position, the Chief Finance Officer approved a net carry forward of £0.944m of unspent budget for use in the 2009/10 financial year, thereby reducing the opening balance on the general fund in 2009/10 to £10.430m.

Further details appear on the Council’s website within the Pre-audit Revenue Outturn report 2008/09, which was reported to Executive Board on 16 June 2009.

The General Fund Balance is analysed within the **Statement of Movement on the General Fund Balance** and is monitored closely to ensure that it is kept at a prudent level to cover any unforeseen circumstances.

Other reserve movements are detailed in the notes to the Core Financial Statements.

Pension Liability

The City Council is a member of the Nottinghamshire County Council pension fund and the assets and liabilities of that fund that may be attributed to the City Council are evaluated on an annual basis by an independent actuary. The actuary has estimated that, at 31 March 2009, the City Council’s fund was in deficit by £411.492m (£449.200m as at 31 March 2008) which is average for an authority of this size. The strategy adopted by the actuary is for the deficit to be recovered over the next twenty five years with tri-annual revaluations of the fund.

SPENDING PLANS IN 2009/10

The budget process was redesigned for 2008 (within a framework of protocols and guidelines) and following the requirements of the MTFS approved by Executive Board in April 2008.

The overall aim was to produce a revised integrated service planning and budget preparation cycle bringing greater emphasis on objectivity, accountability, early decision making and service and member engagement in order to enhance policy-led budgeting and longer term planning. The process included identifying efficiencies, budget and investment pressures for the next three years, and the working up of detailed budgets based on current priorities and plans, underlying demographic trends and accurate employee, contractual and general inflation.

This new approach facilitated a robust re-appraisal of the Council's underlying financial health and the initial Medium Term Financial Outlook (MTFO) revealed a number of underlying issues and challenges arising from comparatively high costs in key areas; comparatively low income from fees and charges; some budgets having not been adjusted to take account of changing demand (expenditure and income); maintaining mainly directly employed workforce and allied issues. This, combined with the prevailing difficult local, national and international economy meant there was little room for new investment unless capacity was liberated from savings and efficiencies, increased income and/or a higher council tax level.

The following paragraphs give a brief summary of the Medium Term Financial Plan (MTFP) approved for all Council services in 2009/10.

Budgeted net revenue expenditure on General Fund services in 2009/10 and the way in which it will be financed is as follows:

	Original Budget £m
Total net spending by services	269.458
Contribution to Equal Pay Reserve	4.080
Contribution from earmarked reserves	(9.415)
Contribution from unearmarked reserves	0.50
Net Revenue Expenditure	**264.623**
Financed by:	
Revenue Support Grant	31.393
NNDR Pool	136.012
Precept on the Collection Fund	97.468
Share of Collection Fund Deficit	(0.250)
	264.623

The budget for 2009/10 has been constructed in accordance with the MTFS and all relevant corporate financial protocols and presents a balanced draft budget, resulting in:

- A focus on a policy-led, medium term, risk assessed budget setting approach using corporate priorities established by Executive Board
- A total net budget of **£264.623m**
- Provision for pay awards, routine and contractual inflation
- Provision for cost pressures i.e. inflation over and above current assumptions, currently estimated demands and legislative changes of **£10.432m**
- Contribution to general balances of **£0.500m** together with a **£4.576m** contribution from the review of earmarked reserves, ensuring opening reserves of **c£7.899m**
- Full year impact of investment and saving choices from 2008/09.
- Additional investment of **£1.230m** focused at front line services, corporate core infrastructure and key developments
- Savings, fees and charges increases and efficiencies of **£17.661m**
- Appropriate use of prudential borrowing to support capital investment where affordable and sustainable with revenue costs being reflected in this report.

The scale of the efficiencies required to provide a balanced budget for 2009/10 has meant a more radical approach to service realignment than in previous years. To continue to protect priority services while still addressing the financial pressures facing the organisation over the medium term has brought a council-wide focus which has been successful in driving out higher levels of efficiencies than the council had previously been able to achieve.

The cost associated with the service realignment will be **£6.500m** and it is anticipated that this one off cost can be accommodated within existing reserves.

Impact on Reserves in 2009/10

A fundamental review of all reserves has been undertaken as part of the Medium Term Financial Plan 2009/10. The processed identified the release of £**11.800m** of earmarked reserves to fund one off items to within the MTFP and to support the general fund balance.

USE OF RESERVES 2009/10	**AMOUNT £m**
Earmarked reserves reviewed and available	11.800
LESS: estimated one-off costs of service realignment	(6.500)
LESS: Creation of an invest to save reserve	(0.724)
BALANCE TO GENERAL FUND BALANCE	**4.576**

IMPACT OF ECONOMIC CLIMATE

2008/09 saw one of the most testing and difficult economic environments since the 1930s, featuring a number of very significant changes in the performance of the UK and global economies.

The ongoing effects of the credit crunch which had begun in 2007 saw base interest rates reduced by 0.25% to 5% in April. Rates were left on hold during the summer, largely through concerns about the possibility of rising inflation.

Mid-September saw major changes in financial markets. The collapse of the US investment bank Lehman Brothers led to liquidity drying up almost completely, making it extremely difficult for banks to function normally. This culminated in the collapse of the Icelandic banking system in October.

The crisis in the financial markets worsened and threatened the complete collapse of the world financial system. This generated a number of economic policy changes in the UK, including a major rescue package for UK banks and a series of base interest rate cuts down to 2% by December 2008.

The New Year saw no improvement in the situation, leading to further cuts in the base interest rate down to 0.5% by March 2009.

This change in economic circumstances had a significant effect on local authorities. The collapse of the Icelandic banks, continuing concerns about the financial security of other financial institutions, and the collapse of the interest rate all impacted on the investment position of local authorities.

Further details can be found in the separate notes to the accounts in relation to Nottingham City Councils investment in Icelandic Banks.

The present economic climate has resulted in more volatile asset values, the most commonly reported falls in property value relate to the housing market. An impairment review of all Council property and land assets has been undertaken which has identified material adjustments in values.

The fall in property values has affected the affordability of capital programmes with the financing of schemes being reliant on the sales of council assets. The downturn in the housing market with less new houses being built will also affect the level of planning fees from applications councils receive.

The current economic climate has impacted on many areas of the council, particularly those areas which are income generating. In addition the downturn will mean that more individuals suffer hardship through loss of employment etc. This will result in higher demand for council services including; homelessness, benefits, social care and local authority school places.

B. HOUSING REVENUE ACCOUNT

1. 2008/09 Outturn

Under Government requirements, revenue expenditure relating to the provision of council housing is accounted for separately in the Housing Revenue Account (HRA). Expenditure in this account is financed from rents and charges paid by tenants, Government subsidy and interest on cash balances. The position at the end of 2008/09 is summarised below:

	Original Budget £m	Net Expenditure £m	Variance £m
Expenditure			
Maintenance and Management Services	55.519	57.655	2.136
Provision for bad and doubtful debts	1.495	0.634	(0.861)
Capital financing charges	31.327	31.997	0.670
	88.341	**90.286**	**1.945**
Income			
Rents and charges to tenants	84.688	84.857	0.169
Government Housing Subsidy	3.278	4.220	0.942
Interest receipts	0.210	0.031	(0.179)
	88.176	**89.108**	**0.932**
Deficit for the year	**0.165**	**1.178**	**1.013**

The 2008/09 HRA budget assumed a working balance of £2.802m (£3.0m 31 March 2008). The projected outturn shows a working balance of £3.203m (£4.382m 2007/08). This net increase has been created by a number of factors, including:

- A higher than expected working balance brought forward from 2007/08.
- An increase in rents and charges to tenants
- A decrease in the provision for bad debts
- An increase in Government Subsidy

Offset by:

- An increase in capital financing charges.
- An increase in repairs and maintenance to dwellings and estates.
- An increase to the management fee for an approved carry forward.

2. 2009/10 Budget

The following figures include a provision for an average rent increase 5% in 2009/10. The City Council is required to periodically review its Housing Revenue Account to ensure that the Account does not move into deficit. To allow for unforeseen expenditure or loss of income, a working balance is necessary as a contingency. The 2008/09 budget allowed for a working balance of approximately £2.8m. This has been reduced to £2.75m for 2009/10, representing approximately £96 per property.

2009/2010 Original HRA Budget	£m
Expenditure	
Maintenance and Management Services	58.915
Provision for bad and dountful debts	0.988
Capital financing charges	32.894
	92.797
Income	
Rents and charges to tenants	88.678
Government Housing Subsidy	4.269
Interest receipts	0.033
	92.980

CAPITAL – A REVIEW OF THE CAPITAL STRATEGY

The Council's capital expenditure relates to the acquisition of new assets and the development of existing assets, which will be of benefit to the City Council for longer than one year.

These fixed assets include roads and infrastructure, schools and other operational buildings, housing and equipment and plant. It also includes the payment of grant to private sector homeowners for improvements or refurbishments and the payment of grants to private and voluntary sector organisations to carry out capital works.

The City Council's Capital Strategy outlines our capital investment over the period 2008 - 2011 and includes our investment plans and details of the funds it is levering in from its key partners, either nationally or locally.

The purpose of the strategy is to set out:

- The key investment needs to assist in the delivery of service improvements as set out in the Council Plan, the approved capital programme and local Labour Party manifesto.
- The approach to funding capital investment and exploring and assessing alternative ways of delivering the Council's strategic objectives.
- The framework for managing and monitoring the capital programme, including how projects are being developed with partners.
- The links to the Asset Management Plan and other corporate strategies.
- The key risks associated with the investment proposals and funding arrangements.

The strategy is a key element of the Medium Term Financial Strategy and the principles underlying the development of the capital strategy are that:

- All spending plans will be continuously reviewed to ensure they are aligned with identified need and provide value for money.
- Efforts will be made to maximise the availability of external sources of funding such as government grants, income and new partnership funding arrangements.
- Existing resources will be realigned within and between services to meet the priorities identified in the Council Plan and to support improvements in service delivery.

The following extract is from the Capital Programme report approved by Executive Board in February 2009 and shows the final reported projections for 2008/09. As the report was compiled prior to the end of the financial year the actual outturn in 2008/09 differs from the following table:

Capital Programme	2008/09 £m	2009/10 £m	2010/11 £m	2011/12 £m
Expenditure				
Public Sector Housing	33.484	54.639	53.327	97.307
Local Transport Plan	14.216	10.913	11.199	9.899
Education	23.546	79.987	51.205	20.970
All Other Services	62.459	54.713	33.870	6.924
	133.705	**200.252**	**149.601**	**135.100**
Forecast Funding				
Supported Borrowing	23.799	43.376	41.804	51.005
Unsupported Borrowing	11.291	30.855	18.492	24.030
Capital Receipts	8.316	10.200	14.974	15.113
Revenue /Reserves/Funds	14.134	1.645	1.444	0.069
Grants & Contributions (inc MRA)	76.165	114.176	72.887	44.883
	133.705	**200.252**	**149.601**	**135.100**

The Capital Strategy has regard to the financial resources available to fund it. The mains sources of funding are detailed below:

Borrowing

Supported borrowing approval (i.e. borrowing costs supported by Revenue Support Grant) is generally referred to as Single Capital Pot. These resources are allocated to the relevant services – primarily Housing, Education and Transport. Additional supported borrowing granted during the year tends to be ring-fenced to particular projects or initiatives.

The Prudential Code enables councils to undertake additional borrowing as long as it is affordable, prudent and sustainable. This borrowing is unsupported (i.e. there is no Government grant towards borrowing costs) and can be used by the Council on any project it chooses.

Grants and Contributions

These are specific to schemes or services and are therefore allocated in accordance with the grant approval or conditions of the contribution. The City Council has obtained significant levels of external finance to fund capital schemes from several of sources including Europe, Central Government, the Lottery and the private sectors.

The Council will continue to explore and embrace cost-effective opportunities for grants from external bodies.

Capital Receipts

Capital receipts are generated from the disposal of fixed assets. Due to the volatile nature of capital receipts, resources available from this source are estimated at the start of the year and updated throughout the year. As at 31 March 2009 the balance of capital receipts unapplied is £0.028m (£1.711m of capital receipts were unapplied at 31 March 2008).

Reserves
The Council held capital reserves of £8.662m at 31 March 2009 (£7.224m at 31 March 2008), which are earmarked to fund the capital programme.

Revenue
There is, in theory, no limit on the level of capital expenditure that can be funded from the revenue budget. However, in practice the amount funded from revenue is limited by the impact on Council Tax levels.

New Sources of Capital Funding

The Council will continue to examine the potential for resolving any shortfall in available capital funding through the use of alternative delivery vehicles.

These include Private Finance Initiative (PFI), which attracts additional Government support, public/private partnerships, joint venture companies and development partnerships.

During the period 2008-2012, the key capital investment programmes will be:

Housing
The investment initiatives include:
- Meeting decent homes targets across all tenures.
- The development of Strategic Regeneration Frameworks and neighbourhood plans
- An integrated approach to an area based capital programme.
- The launch of a Housing Special Purpose Vehicle to regenerate neighbourhoods.
- Redevelopment of Stonebridge Park

Children's Services
Investment initiatives include:
- Priority building condition issues, e.g. roofing, heating.
- Primary School Re-organisation.
- Building Schools for the Future
- Children's Centres.
- Extended Schools.
- Development of Academies.
- Support for Specialist Status.
- Neighbourhood based support services.
- Service Headquarters' investment.
- Children's Home investment programme.

Transport

The investment initiatives include:

- Bus priority and infrastructure schemes.
- Public transport interchanges.
- Expansion of park and ride scheme at Phoenix Park.
- Cycling and walking schemes.
- Light rail schemes.
- Travel plans.
- Safer routes to school and other local safety schemes.
- Traffic management schemes.
- Road crossings.
- New roads and local road schemes.
- Maintenance; roads and footways, bridge strengthening for 40 tonne vehicles.
- Structural maintenance of existing bridges, subways, culverts and retaining walls.

Other Services

The investment initiatives include:

- Refurbishment and reconfiguration of facilities for the elderly.
- Major adaptations to be carried out to people's homes.
- Modernisation of leisure centres.
- Building improvements and investment in IT in the Library Service.
- Repair and improvement to historic buildings.
- Modernisation to parks and recreation grounds.
- Extension of the kerbside recycling and further purchase of litter bins.
- Streetscene accommodation works.
- Investment in community centres.
- Delivery of the Bestwood and Top Valley master plan feasibility study.
- Improvements to Eastcroft Combined Heat and Power Plant Works
- Vehicle replacement programme

Capital expenditure incurred during 2008/09 was financed from the following sources

Capital expenditure financed by:

	£m	%
Supported Borrowing	20.09	16.4%
Unsupported Borrowing	8.06	6.6%
Capital Receipts	9.19	7.5%
Government Grants	42.36	34.5%
Major Repairs Allowance	16.84	13.7%
Other Grants and Contributions	16.11	13.1%
Revenue/Internal Funds	10.03	8.2%
Total	**122.68**	**100.0%**

The City Council's capital strategy made full use of all available resources and funding has been carried forward where required to meet commitments now falling in 2009/10.

CURRENT BORROWING FACILITIES

The Local Government Act 2003 provides the legislative framework for borrowing undertaken by the City Council. On 4 March 2008, the City Council approved an operational boundary on the level of external debt during 2008/09 of £530m (£520m 2007/08). Actual borrowing on 1 April 2008 was £495m (£461m at 1 April 2007) and this reduced to £490m at 31 March 2009 (£495m at 31 March 2008).

During the year, new borrowing totalling £5m was raised, from a combination of the Public Works Loan Board (PWLB) and private sector sources, to finance new capital expenditure and repay maturing debt. In addition, £8m of existing PWLB debt and private sector sourced debt was repaid during the year and one market loan totalling £4m was rescheduled. The timing of this debt-rescheduling during the year, based on movements in the interest rate yield curve, enabled revenue savings to be generated.

ISSUES ARISING IN 2009/10 AND BEYOND

Nottingham Express Transit (NET) Line One

Background

The City Council, in conjunction with Nottinghamshire County Council (the Promoters) entered into a Public Finance Initiative (PFI) agreement in 1999/00 to provide a new light rapid transit service in Nottinghamshire. Under the terms of the agreement, the Concessionaire, Arrow, designed, financed and built the NET Line One system and is responsible for operating the service over a 14km length, from Hucknall to Nottingham, with 23 tram stops en route, for an initial period of 27 years. Arrow has obtained private finance through bank loans and equity investment to fund the scheme. Repayments of the loan will come from fare box revenues and service availability payments made by Nottingham City, with PFI grant payments being made to the Promoter, from Central Government. The availability payments to Arrow are scheduled to be paid over the 27 years of operation of the system, with PFI grant to be received by the promoter over the same period. The City Council's element of these sums is 80%.

Promoters Joint Reserve

In the initial years of the scheme, an excess of PFI grant receipts over availability payments was projected, to be held in a Promoters' Joint Reserve. This surplus would be used to meet revenue shortfalls in later years. However, due to changes to the profile of PFI grant payments from Central Government, and a delay to the start of availability payments to the concessionaire, it is now considered that a significant proportion of the accrued balance to date will not be needed for NET Line One and is available for other purposes. In February 2007, Executive Board approved the use of projected surplus NET Line One monies to meet the ongoing development costs of NET Phase 2 (see below). At 31 March 2009, the City Council's share of the Joint Reserve, after contributions to meet NET Phase 2 development costs in 2008/09, stood at £3.712m.

City Council Reserve

To further offset the projected shortfall in funding NET Line One (above), the City Council also provided for an additional annual revenue contribution to a separate (City Council) NET Reserve, commencing in 2001/02. At 1 April 2008 the balance of the Reserve was £3.387m, with a budgeted contribution of £1.032m in 2008/09.

As a consequence of changes to the Line One financial projections detailed above, it is now expected that this balance will not be needed for NET Line One and is available for other purposes. On 18 June 2008 Executive Board approved the use of £1.691m to facilitate the ongoing development of the Workplace Parking Levy scheme. On 24 February 2009 Executive Board agreed the transfer of £2.5m to general reserves, with £2m of this to be repaid. However, the annual additional contribution to the NET reserve is to be maintained in the base budget pending the funding and overall cost of NET Phase Two being determined. The balance of the City Council NET Reserve at 31 March 2009, including interest earned, was £0.380m.

Nottingham Express Transit (NET) – Phase Two

The City Council, in conjunction with Nottinghamshire County Council (the Promoters) are separately developing Phase Two of NET. The proposals are for two additional lines, to Clifton and Chilwell. During 2008/09 an application for a Transport and Works Act Order (TWAO) was submitted to Central Government and a Public Enquiry was held. The TWAO was approved in April 2009, giving the City and County Councils the statutory powers required to construct and operate these new lines.

If the scheme receives funding approval from Central Government then it is intended to follow the financing structure of Line One, i.e. a PFI agreement being developed with a private sector partner for the design, build, financing and running of NET Phase Two. The successful concessionaire, whose appointment will have to be approved by both the City and County Councils, would also take over running NET Line One. Construction is scheduled to start in 2011 with trams running on the extended NET system by 2014.

Under current Department for Transport rules, up to 75% of the cost will be financed by Central Government, with the remainder to be financed locally. The majority of the City Council's contribution is planned to come from a workplace parking levy. The Government commits to its funding share after consideration of the Outline Business Case (OBC); this was formally submitted in May 2009, with a decision expected this summer.

Workplace Parking Levy

The transport strategy for Greater Nottingham, (the Local Transport Plan (LTP)) contains policies and measures to tackle road traffic congestion, including NET Phase 2, development of the bus network and a major redevelopment of Nottingham railway station. To fund the City Council share of these schemes, the introduction of a Workplace Parking Levy is proposed, whereby businesses providing more than 10 car parking places for employees will be required to obtain a licence and pay an annual charge to the City Council (with certain exemptions, e.g. for disabled parking spaces).

The early development of this scheme was largely funded through Central Government contributions. In 2007/08, following a public consultation exercise, the City Council agreed in principle to proceed with WPL to come into force in April 2010. A specific reserve was created to meet the associated development costs, into which the £1.691m referred to above was transferred. At 31 March 2009 the balance of the Reserve was £1.346m.

Street Lighting PFI

The City Council received approval for a street lighting PFI from the Department for Transport in 2007/08. The bid entailed a private sector service provider, assuming responsibility for the City Council's street lighting for a period of 25 years. The private sector provider would be required to bring the stock up to agreed standards, which will involve the replacement of around 23,000 (approximately 70% of total stock) old and poor condition lighting units in the first 5 years of the contract. The current estimated start date for this contract is March 2010.

The PFI bid was approved by Central Government during 2007/08, providing a PFI credit of £44.6m as support towards the capital cost of the 5 year improvement programme. There will be a need for additional annual resources to be provided by the City Council to meet the cost of later years' replacement columns and maintenance costs. To meet this 'affordability gap', the City Council has made an appropriate revenue provision within the Medium Term Financial Plan.

Building Schools for the Future (BSF)

BSF is a Government initiative which aims to promote change in the quality of the nation's educational provision. The national BSF programme is aimed at rebuilding and/ or renewing school buildings so that every secondary school in England has 21st Century facilities.

Nottingham City Council has been accepted as a Wave 2 authority for part of its secondary estate and has procured a Local Education Partnership (LEP) in order to deliver this programme. The procurement reached financial close in June 2008 and work has since commenced at three schools within the wave. Further schemes will be brought on line in the coming years.

The City Council has been given funding by the Department for Children Schools and Families (DCSF) of approximately £92m to deliver its wave 2 projects. The City Council will be adding an additional figure of around £5m from its own resources to ensure that the scheme is delivered to the specification that it requires.

The City Council has also had preliminary acceptance to receive further funding through Wave 5 of the DCSF's BSF programme and is now working on an Outline Business Case for submission to the DCSF.

Area Based Grant

Area Based Grant (ABG) is a general non-ringfenced grant, made up of a wide range of former specific grants, which replaced Local Area Agreement grant in 2008/09.

Nottingham City Council has been allocated £33.584m ABG Grant for 2009/10 and has been provided with an indicative allocation of £55.283m which includes for the first time £22.337m in respect of Supporting People.

LIFT Joint Service Centres

NHS Local Improvement Trust (LIFT) is a public-private initiative that is sponsored by the Department of Health. Its principal aim is to replace old and inadequate buildings with new health-related facilities. The City Council has completed the procurement of two new Joint Service Centres at Clifton and Hyson Green using the LIFT vehicle. Under this arrangement, which is supported by PFI Credits issued by the Department of Communities and Local Government (DCLG), the City Council enters into a Lease Plus agreement with the LIFT Company for a 25-year period.

The City Council is currently procuring a third LIFT Joint Service Centre to be located in Bulwell, with financial close expected to be in December 2009. Subject to approval of a Final Business Case, the DCLG have agreed a PFI Credit of £22.225 m. Construction is expected to be completed in 2010/11 and upon handover of the facility, payment of the Lease Plus payments will commence.

FURTHER INFORMATION

For further information about the accounts or if you require this information in an alternative language, large font or Braille, contact:
Resources Department
Financial Accounting
Severns House
20 Middle Pavement
Nottingham
NG1 7DW

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. For the 2008/09 accounts, the inspection period is 3 August to 28 August 2009.

Statement of Accounting Policies

1.General Principles

This section explains the accounting policies applied in producing the Statement of Accounts.

The Statement of Accounts summarises the Council's transactions for the 2008/09 financial year together with the financial position at the year-end of 31 March 2009. The Statement has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: a Statement of Recommended Practice (the Code of Practice), issued in 2008 by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2.Accruals of Income and Expenditure

The revenue and capital accounts of the Council are maintained on an accrual basis. This means that expenditure is charged to the account in the period in which goods and services are received and, similarly, income is credited in the period in which it falls due, rather than simply being recorded when cash payments are made or received. In particular;

- Fees, charges and rents due from customers are accounted for as income at the date that the Council provides the associated goods or services.

- Expenditure incurred in respect of supplies is recorded when those supplies are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet. This policy is not followed for certain quarterly payments, including gas and electricity, where expenditure is recorded at the date of meter reading rather than being apportioned between financial years. This practice is consistently applied each year and, therefore, does not have a material effect on the year's accounts.

- Works are charged as expenditure when they are completed, before which they are carried as 'works in progress' on the Balance Sheet.

- Significant accruals can also 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.

- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where income or expenditure has been recognised but cash has not been received or paid, a debtor or creditor is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

- Income and expenditure are credited and debited to the relevant service revenue account, except for capital expenditure which results in the creation of a fixed asset; this expenditure is contained in the balance sheet.

In many cases the value to be entered in respect of accrued transactions will be certain. In others, this value has to be estimated and reference is then made to past transactions and trends in order to determine the likely value. Where possible, and commonly in the case of highways and building works, the related assets or liabilities will be valued at the year-end by colleagues working in relevant services.

3.Provisions

Provisions are set aside where an event has taken place that will probably oblige the Council to provide settlement by a transfer of economic benefits but where the timing of that transfer remains uncertain. For example, the Council may be involved in a court case that could eventually result in the making of a settlement or the requirement to pay compensation.

Provisions are charged to the appropriate service revenue account in the year when the Council becomes aware of the obligation, based upon the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and, in those cases where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower than anticipated settlement is made), the provision is reversed and credited back to the relevant service revenue account.

Provisions are also set up for bad and doubtful debts, although these amounts are offset against the debtor balance on the balance sheet rather than being included in the provisions figure.

4.Reserves

Amounts set aside for future policy purposes or to cover contingencies are recorded in the Balance Sheet as reserves. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the Statement of Movement on the General Fund Balance so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Council. These reserves are explained in the relevant policies below.

5.Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, Government grants and other third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred.

Revenue grants are matched in service revenue accounts with the expenditure to which they relate. Grants designed to cover general expenditure (e.g. the Revenue Support Grant) are credited at the foot of the Income and Expenditure Account after Net Operating Expenditure.

6.Retirement Benefits

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, Nottingham City Council has a commitment to make and disclose these retirement benefits at the time the employees earn their future entitlement to them.

The authority participates in two pension schemes:

- The Local Government Pension Scheme, administered locally by Nottinghamshire County Council – this is a funded defined benefit final salary scheme, meaning that the authorities and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

- The Teachers Pension Scheme – administered by Capita Teachers' Pensions on behalf of the DCSF – this is accounted for as it were a defined contributions scheme with contributions from teachers, together with employer's contributions, being paid by the Council to the scheme. This is treated as a defined contributions scheme as the arrangements for the scheme mean that the liabilities for benefits cannot be identified to the Council. No liability for future payment of benefits is recognised in the Balance Sheet and the Education service revenue account is charged with the employer's contributions payable to Teachers' Pension in the year.

The liabilities of the Nottinghamshire pension scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 3.6%, based on the indicative rate of return on a portfolio of long-dated index-linked gilts.

- The assets of the Nottinghamshire pension fund attributable to the Council are included in the balance sheet at their fair value:

  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price

- property – market value

The change in the net pension liability is analysed into seven components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.

- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non-Distributed Costs.

- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account.

- Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account.

- Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non-Distributed Costs.

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and losses.

- Contributions paid to Nottinghamshire pension fund – cash paid as employer's contributions to the pension fund.

Statutory provisions limit the Council to raising Council Tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the actual cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

Discretionary Benefits

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

7.Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council is capitalised when it will bring benefits to the Council for more than one financial year. Within the current Balance Sheet, this treatment is only applied to computer software. The balance is amortised on a straight line basis to the revenue account over the economic life, generally assessed as being 5 years. This reflects the consumption of economic benefits by the relevant service.

8. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis. This latter category will include those assets that are held as investments.

Recognition of fixed assets

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Assets acquired under finance leases are also capitalised in the Balance Sheet together with a liability to pay future rentals.

Assets are classified and valued as follows:

Infrastructure and Community Assets

Examples of infrastructure assets will include roads and bridges whereas community assets include parks and land used for cemeteries and crematoria.

The general approach is for infrastructure and community assets to be valued at depreciated historical cost.

Land and Buildings

Operational land and buildings, which include schools and office accommodation, are generally valued on the basis of current value in existing use. Certain specialist properties are valued at depreciated replacement cost and this category will include, for example, The National Ice Centre and Harvey Hadden Stadium.

Non-operational assets are included at the lower of net current replacement cost or net realisable value. In the case of commercial property lettings, this will normally be market value.

Vehicles, Plant and Computer Equipment

All assets are included at net current replacement cost.

Council Dwellings

The basis of valuation is the Existing Use Value for Social Housing (EUV-SH) as defined in the Royal Institute of Chartered Surveyors (RICS) valuation manual. The valuation exercise was carried out in accordance with guidance issued by the DCLG. Under this methodology, a ‘beacon’ approach has been used, where valuations of properties from each different category of council dwelling was obtained and extrapolated across the whole stock this was undertaken in 2007/08 and a desktop review by external valuers was completed in the year.

Revaluation of Fixed Assets

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value. In addition to the council’s 5-year rolling programme of property revaluations, adjustments for material changes in property values arising as a result of impairments, acquisitions, enhancements and reclassifications are made to the annual statement of accounts.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and 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.

Impairment of Fixed Assets

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value.

Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for as follows:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account.
- Otherwise – the required adjustment is written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

De Minimis Levels

All assets acquired after 1 April 1994 are included in the Balance Sheet, regardless of their cost, provided they are acquired using capital resources. However, where the original cost of vehicles, plant and other equipment, or the current valuation of property, acquired before this date is less than a prescribed amount, as detailed below, the asset is not included in the Balance Sheet.

De Minimis Levels

	£m
Vehicles and Plant	0.003
Computer Equipment	0.005
Land & Buildings	0.005

Disposals

When an asset (other than a vehicle) is disposed of, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal and netted off against the carrying value of the asset at the time of disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts above £10k are categorised as capital receipts. A proportion of receipts relating to HRA disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated from the Capital Adjustment Account to the Statement of Movement on the General Fund Balance.

Depreciation

Depreciation is provided for on fixed assets with a finite useful life. The annual charge to the Income and Expenditure Account is calculated by dividing the value of the asset by the estimated asset life. There is no depreciation on the assets in the year of acquisition, although a full year of depreciation is charged in the year of disposal. In accordance with recommended accounting practice, depreciation is not provided for in respect of freehold land and non-operational investment properties.

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

Estimated asset lives are generally as follows: IT equipment 5 years, infrastructure assets 25 years, community assets 25 years, vehicles 7 years and other equipment 5 years. The valuers provide an estimate of the life of each property.

Grants and contributions

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. Where a direct link with a specific asset or group of assets is possible, the balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

Charges to Revenue

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

The HRA currently receives a statutory charge in respect of interest only.

Revenue Expenditure Funded From Capital under Statute (REFFCUS)

The SORP 2008 replaced deferred charges with revenue expenditure funded from capital under statute. It is expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. It is normal practice within the Council for all REFFCUS expenditure to be written out to the Income and Expenditure Account in the year in which it is incurred. Where the Council has determined to meet the cost of the expenditure from existing capital resources or by borrowing, entries via the capital adjustment account and the statement of movement in the general fund removes the impact on the level of council tax.

9. Leases

Rentals payable under operating leases are charged to the relevant service revenue account on a straight-line basis over the term of the lease. All primary rentals on finance leases have been paid with secondary ‘peppercorn’ rentals charged to revenue.

10. 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 the Council's borrowings, it has been determined that the amount presented in the Balance Sheet is the carrying amount of the loan at that date and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

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.

11. 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, the amount presented in the Balance Sheet is the carrying amount of the asset at that date and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

However, the council has provided loans 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 voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General

Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the 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 such 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 de-recognition 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) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

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. 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 de-recognition 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).

12. Stocks and Work in Progress

Stocks are largely valued at latest purchase price and any difference between this and actual cost is not considered to be material. Other less significant stocks are valued at average or actual cost.

For trading activities, the amount recognised in the appropriate revenue accounts for work in progress is the payments received and receivable, less related costs. The amount at which work in progress is included in the balance sheet is cost plus any attributable profit less any foreseeable losses.

13. Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as investments, i.e. at cost, less any provision for losses. The Inclusion in the Council group is dependent upon the extent of the Council's interest and control over an entity. The determining factor for assessing the extent of interest and control is either through ownership of an entity, a shareholding in an entity or representation on an entity's board of directors. An assessment of all the Council's interests has been carried out during the year, in accordance with the Accounting Code of Practice, to determine the relationships that exist and whether they should be included in the Council's group accounts.

14. Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. Payments made by the Council under a PFI contract are charged to revenue to reflect the value of services received in each financial year.

Reversionary Interests

The Council has passed control of certain land and buildings over to the PFI contractor, but this property will return to the Council at the end of the scheme (reversionary interests). An assessment has been made of the net present value that these assets will have at the end of the scheme (unenhanced) and a reversionary interest asset has been created in the Council's balance sheet. As the asset is stated initially at net present value, over the life of the scheme, the discount will need to be unwound by earmarking (decreasing) part of the unitary payment to ensure the reversionary interest is recorded at current prices when the interests revert to the Council.

Residual Interests

Where assets created or enhanced under the PFI scheme are to pass to the Council at the end of the scheme (residual interests) at a cost less than fair value (including nil), an amount equal to the difference between the fair value and the payment to be made at the end of the contract is built up as a long term debtor over the contract life by reducing the amount of the unitary payment charged to revenue.

PFI credits

Government Grants received for PFI schemes, in excess of current levels of expenditure, are carried forward as an earmarked reserve to fund future contract expenditure.

15. Accounting Treatment of Overheads

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2007 (BVACOP). The basis of allocation is generally the time spent by staff on relevant tasks, although other bases may be more appropriate in certain instances.

The following two exceptions are allowed and are accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services:

Corporate and Democratic Core

These costs relate to the council's status as a multi-functional, democratic organisation and will include all aspects of members' activities, corporate, programme and service policy making and more general activities relating to governance and the representation of local interests.

Non Distributed Costs

The BVACOP defines certain costs that cannot be attributed to the delivery of services and which, therefore, are not distributed. These will include, for example, the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

16. Contingent Liabilities

Material contingent liabilities are not recognised in the accounts but are disclosed in notes to the financial statements.

17. Interest on Internal Balances

Interest on loans is charged to the Income and Expenditure Account based on the amount which is due and payable within the financial year. Interest, based on seven-day rates, is applied to cash balances on the following accounts:

- HRA – revenue transactions only
- Rent bonds

18. Value Added Tax (VAT)

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

19. Discounted/Acquired Operations

The Council had no material operations which were either discontinued or acquired in the year so no separate disclosure is required in respect of the revenue account and Balance Sheet.

20. Exceptional Items, Extraordinary Items and Prior Year Adjustments

Any material exceptional or extraordinary items are included within the cost of the relevant individual service or separately identified on the face of the Income and Expenditure account. There are no Exceptional or Extraordinary Items in 2008/09.

The cashflow statement has been prepared in line with revised guidance in the SORP 2008 and has been presented using the indirect method, whereby the net cash flow from revenue activities is derived by means of a reconciliation from the surplus or deficit on the income and expenditure account for the year. The cashflow statement for 2007/08 has been restated for comparative purposes.

21. Post Balance Sheet Events

Any material post Balance Sheet events, which provide additional evidence relating to conditions existing at the Balance Sheet, are detailed within the explanatory notes.

22. Landfill Allowance Trading Scheme

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. The act also provides the legal framework for the Landfill Allowances Trading Scheme (LATS). The scheme allocates landfill allowances to each waste disposal authority, to be set against its verified BMW landfill usage. In previous years an authority was able to trade any surplus allowances with potential buyers in the market, however unused LATS cannot be carried forward into 2009/10 therefore the value of LATS carried forward from previous years has been impaired and written back into the Income and Expenditure Account.

Core Financial Statements

INCOME AND EXPENDITURE ACCOUNT

This account summarises the resources that have been generated and consumed in providing services and managing Nottingham City Council during 2008/09. It includes all day-to-day expenses and related income on an accrual basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Income and Expenditure Account	2007/08 Net Expenditure £m	2008/09 Gross Expenditure £m	2008/09 Gross Income £m	2008/09 Net Expenditure £m
Central Services to the Public	**4.650**	5.384	(2.295)	**3.089**
Court Services	**0.635**	1.276	(0.640)	**0.636**
Cultural, Environmental, Regulatory and Planning	**118.283**	115.998	(34.579)	**81.419**
Childrens and Education Service	**88.576**	359.174	(262.088)	**97.086**
Highways and Transport Services	**23.277**	55.010	(28.273)	**26.737**
Local Authority Housing (HRA)	**148.673**	232.966	(92.215)	**140.751**
Other Housing Services	**1.412**	202.195	(193.364)	**8.831**
Adult Social Care	**71.050**	119.612	(35.999)	**83.613**
Exceptional Costs of Social Services Legal Settlements	**0.033**	0.000	0.000	**0.000**
Corporate and Democratic Core	**10.915**	57.015	(45.785)	**11.230**
Non Distributed Costs	**10.519**	10.636	0.000	**10.636**
Net Cost of Services	**478.023**	**1159.266**	**(695.238)**	**464.028**
Loss on the disposal of fixed assets	**0.090**	9.422	(9.750)	**(0.328)**
(Surpluses)/deficits on trading undertakings not included in Net Cost of Services	**(3.869)**	67.554	(41.549)	**26.005**
(Surpluses)/deficits on works organisations not included in Net Cost of Services	**(0.803)**	53.283	(53.391)	**(0.108)**
Contribution from Bridge Estate	**(1.836)**		(1.616)	**(1.616)**
Interest payable and similar charges	**26.745**	37.633		**37.633**
Contribution of housing capital receipts to Government Pool	**12.008**	3.514		**3.514**
Effect of Wholly Owned Companies	**1.256**	1.818		**1.818**
Interest and Investment Income	**(23.699)**		(17.740)	**(17.740)**
Pensions Interest Costs and expected return on pensions assets	**8.489**	22.789		**22.789**
Net Operating Expenditure	**496.404**	**1355.279**	**(819.284)**	**535.995**
Demand on the Collection Fund	**(90.057)**		(93.578)	**(93.578)**
General government grants	**(21.953)**		(54.931)	**(54.931)**
Non-domestic rates redistribution	**(125.070)**		(141.465)	**(141.465)**
Deficit for the Year	**259.324**	**1355.279**	**(1109.258)**	**246.021**

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows Nottingham City Council's actual financial performance for the year, measured in terms of resources consumed and generated over the last year. The 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.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than Council Tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits 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 (Surplus)/Deficit on the Income and Expenditure Account and the General Fund Balance.

Statement of Movement on General Fund	**2007/08 Net Expenditure £m**	**2008/09 Net Expenditure £m**
Deficit for the year on the Income and Expenditure Account	**259.324**	**246.021**
Net additional amount required by statute and non-statutory proper practices (credited) to the General Fund Balance for the year.	**(254.877)**	**(247.091)**
(Increase)/Decrease in General Fund Balance for the Year	**4.447**	**(1.070)**
General Fund Balance brought forward	**(14.751)**	**(10.304)**
General Fund Balance carried forward	**(10.304)**	**(11.374)**

See below for a breakdown of the net additional amount required by statute and non-statutory proper practices to be debited or (credited) to the General Fund Balance for the year.

Analysis of net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year.	**2007/08**		**2008/09**	
	£m	**£m**	**£m**	**£m**
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	(0.393)		(0.403)	
Depreciation and impairment of fixed assets	(261.683)		(242.308)	
Government Grants Deferred amortisation	20.285		13.317	
Write downs of Revenue Expenditure Funded From Capital Under Statute	(13.766)		(10.891)	
Loss / (Gain) on sale of fixed assets	0.015		(0.137)	
Net charges made for retirement benefits in accordance with FRS17	(42.835)		(53.462)	
		(298.377)		(293.884)
Amounts not included in the Income and Expenditure but required to be included by statute when determining the Movement on the General Fund Balance for the year				
Statutory minimum revenue provision	10.512		11.263	
Financial Instrument Adjustment Account	2.771		(5.137)	
NET Residual Interest	0.827		0.827	
NET Reversionary Interest	0.160		0.169	
Employers contributions payable to the NCC Pension Fund and retirement benefits payable direct to pensioners.	27.551		30.603	
Revenue contributions to capital outlay	0.000		0.282	
Tfr from usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool.	(12.008)		(3.514)	
		29.813		34.493
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				
Housing Revenue Account balance	(1.250)		(1.178)	
Transfer to/(from) Earmarked Reserves/Other Statutory Funds	14.937		13.478	
		13.687		12.300
Net additional amount required by statute and non-statutory proper practices to be (credited) to the General Fund Balance for the year.		**(254.877)**		**(247.091)**

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

Statement of Total Recognised Gains and Losses (STRGL)	**2007/08** **Net Expenditure** **£m**	**2008/09** **Net Expenditure** **£m**
Deficit for the year on the Income and Expenditure Account	259.324	246.021
(Gains)/Losses arising on revaluation of fixed assets	(273.134)	68.948
Actuarial (gains)/losses on pension fund assets and liabilities	130.646	(60.567)
Attributable Movement on Collection Fund	(0.233)	(0.217)
Other (gains)/losses to be included	(0.026)	(5.312)
Prior Year Adjustment - Financial Instrument	16.027	0.000
Total Recognised (gains)/losses for the year	**132.604**	**248.873**

BALANCE SHEET

This statement summarise the Council's financial position as at 31 March 2009. It shows the balances and reserves at the Council's disposal, fixed assets and current assets employed in operations and the Council's long-term borrowing position.

Balance Sheet	Note	31 March 2008 £m	31 March 2009 £m
Fixed Assets			
Intangible Assets	27	1.291	0.973
Tangible Fixed Assets			
Operational assets			
- Council Dwellings		1120.476	906.528
- Other land and buildings		768.878	829.880
- Vehicles, plant and equipment		20.858	26.876
- Infrastructure assets		166.593	176.534
- Community assets		14.332	17.705
Total Operational Assets	**20**	**2092.428**	**1958.496**
Non operational assets			
- Investment properties		260.814	154.101
- Assets under Construction		35.263	55.505
- Surplus Assets - Held for Disposal		28.785	17.207
Total Non-operational Assets	**20**	**324.862**	**226.813**
TOTAL FIXED ASSETS		**2417.290**	**2185.309**
Long term investments		25.127	5.068
Long term debtors	28	21.172	20.617
TOTAL LONG TERM ASSETS		**2463.589**	**2210.994**
Current assets:			
- Stocks and work in progress	39	0.780	0.828
- Debtors	40	69.424	74.976
- Investments		156.997	176.253
- Cash and bank		16.540	21.802
TOTAL ASSETS		**2707.330**	**2484.853**
Current liabilities:			
- Borrowing repayable on demand or within 12 months		(43.928)	(45.279)
- Creditors	40	(134.157)	(123.840)
- Bank overdraft		(5.722)	(7.178)
		(183.807)	**(176.297)**
TOTAL ASSETS LESS CURRENT LIABILITIES		**2523.523**	**2308.556**
Borrowing repayable within a period in excess of 12 months		(456.458)	(450.183)
Deferred liabilities		(0.235)	(0.015)
Government grants-deferred		(160.895)	(206.055)
Unapplied grants and contributions		(11.045)	(50.386)
Deferred credits	33	(5.616)	0.000
Liability related to defined benefit pension scheme	41	(449.200)	(411.492)
Provisions	34	(22.252)	(21.476)
TOTAL ASSETS LESS LIABILITIES		**1417.822**	**1,168.949**
Financed by:			
Capital Adjustment Account	35	1523.088	1312.997
Useable Capital Receipts		1.711	0.028
Deferred Capital Receipts	35	0.000	3.104
Financial Instruments Adjustment Account	35	(13.263)	(18.399)
Revaluation Reserve	35	267.421	188.766
Pensions Reserve	41	(449.200)	(411.492)
Housing Revenue Account		4.382	3.204
Fund Balances and Reserves	35	73.379	79.367
General Fund	35	10.304	11.374
TOTAL EQUITY		**1417.822**	**1,168.949**

CASHFLOW STATEMENT

This statement summarises the cash received and payments made by the Council to third parties for both revenue and capital purposes. See Note 44 for notes to the cashflow statement.

	2007/08		2008/09	
	£m	£m	£m	£m
Net cash inflow from operating activities		**41.153**		**24.357**
Returns on investments and servicing of finance				
Cash Outflows				
Interest paid	(29.701)		(28.024)	
Cash Inflows				
Dividends received from investments	0.000		0.425	
Interest received	22.401	(7.300)	14.707	(12.892)
Capital Activities				
Cash Outflows				
Purchase of fixed assets	(107.401)		(108.047)	
Purchase of long-term investments	(19.127)		0.000	
Other capital cash payments	(3.998)		(3.205)	
Cash Inflows				
Sale of fixed assets	17.435		11.481	
Proceeds from Long Term Investments matured in the year	0.000		14.060	
Other capital cash receipts	17.529		21.684	
Capital grants received	20.538	(75.024)	82.106	18.079
Net Cash inflow/(outflow) before financing		**(41.171)**		**29.544**
Management of Liquid Resources				
Net (increase)/decrease in short-term deposits		17.440		(20.550)
Financing				
Cash Outflows				
Repayment of amounts borrowed	(219.500)		(10.623)	
Cash Inflows				
New loans raised	103.319		5.258	
New short-term loans raised	149.569	33.388	0.177	(5.188)
Net INCREASE IN CASH		**9.657**		**3.806**

Notes to the Core Financial Statements

These notes provide information that supports, and helps in interpreting, the Core Financial Statements.

1. Reconciliation of Revenue Outturn Report to Income and Expenditure Account Net Cost of Services.

PORTFOLIO	Executive Board 17 June 2008 Net Expenditure 2007/08 £m	Executive Board 16 June 2009 Net Expenditure 2008/09 £m
Adult Services & Health	**64.554**	**73.437**
Children's Services	**53.335**	**69.629**
Community Safety, Performance Management, Serving Nottingham Better	**24.611**	**12.007**
Culture, Leisure & Communties	**6.699**	**22.708**
Envronment & Climate Change	**7.331**	**23.728**
Human Resources, Customer Services & Consultation	**17.495**	**10.916**
Neighbourhood Regeneration	**3.594**	**6.660**
Resources, Reputation & Communication, Economic Development & Skills	**13.262**	**20.479**
Transport & Area Working	**17.019**	**15.287**
Corporate Items	**26.612**	**2.294**
Net Cost of Services from Outturn Report	**234.512**	**257.145**
Income and expenditure included above, but included below Net Cost of Services within the Income and Expenditure Account , or items not included in the outturn report	**230.879**	**206.883**
Adjusted Net Cost of Services	**465.391**	**464.028**
Net Cost of Services from Income and Expenditure Account	**465.391**	**464.028**

2. Explanation of the Prior Period Adjustments

The cashflow statement has been restated to reflect the change in accounting policy for the treatment of “revenue expenditure funded by capital under statute” as required by the SORP 2008.

3. Undischarged Obligations arising from Long-Term Contracts

The City Council is committed to making monthly availability payments to the concessionaire responsible for the provision of the light rail Nottingham Express Transit Line One System. The total undischarged sum at 31 March 2009 amounts to £393m (£410m at 31 March 2008), payable over the next 21 years, and funded from PFI grants payable by Central Government. The contract will end in November 2030, unless terminated early, in which case compensation may be due. The specific liability in the next five years is:

	Liability 2007/08	**Liability 2008/09**
Year	**£m**	**£m**
2009/10	17.300	17.300
2010/11	17.600	17.600
2011/12	18.000	18.000
2012/13	18.400	18.400
2013/14		18.700

4. Performance of Trading Undertakings

The Council has established six trading units where each Head of Service is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations.

Trading Undertaking	**2007/08 Net (Surplus) or Deficit £m**	**2008/09** Gross Expenditure £m	Gross Income £m	**Net (Surplus) or Deficit £m**
Bereavement Services	**0.922**	1.781	(1.601)	**0.180**
Car Parks, Bus Stations and Park & Ride	**(1.975)**	6.865	(9.394)	**(2.529)**
Property *	**(7.303)**	42.651	(11.818)	**30.833**
City Advertising	**0.323**	0.580	(0.320)	**0.260**
Markets	**3.181**	1.618	(1.475)	**0.143**
Royal Centre	**0.983**	13.274	(16.082)	**(2.808)**
Translation/Interpretation	**0.000**	0.785	(0.859)	**(0.074)**
Contribution to the Income and Expenditure Account	**(3.869)**	**67.554**	**(41.549)**	**26.005**

** Property Trading Account*

Assets are reviewed for material impairment each year. Due to the market downturn, property trading account asset values were impaired by £36m. The effect of this valuation is reversed in the Statement in Movement in General Fund to mitigate any impact to the council tax payer.

5. Performance of Works Organisations

Certain functions that were previously delivered under CCT arrangements continue to be managed on that basis even though CCT no longer applies. The following table details the (Surplus)/Deficit on Works Organisations shown within the Income and Expenditure Account.

Works Organisations	**2007/08**		**2008/09**	
	Net (Surplus) or Deficit £m	Gross Expenditure £m	Gross Income £m	**Net (Surplus) or Deficit £m**
Environment & Regeneration				
Highways and Sewer Work	(0.648)	12.715	(13.401)	(0.686)
Street Scene	(0.012)	15.928	(15.806)	0.122
Garage Revenue	0.025	3.132	(3.266)	(0.134)
Central Services	(0.138)	0.000	0.000	0.000
Adult Services, Housing & Health				
Building Cleaning	(0.095)	4.323	(4.320)	0.003
Education Catering	(0.050)	7.958	(8.036)	(0.078)
Leisure and Community Services				
Lesiure Mangement	0.115	9.227	(8.562)	0.665
(Surplus)/Deficit for the Year	**(0.803)**	**53.283**	**(53.391)**	**(0.108)**

The Central Services function for 2008/09 has been moved to Adult Support Housing & Health – Education Catering.

6. Discretionary Expenditure

The Local Government Act 2000 granted new powers to Councils in England and Wales to promote well-being in their area. As a result most of the provisions of s137 of the Local Government Act 1972 were repealed. However, Councils must continue to disclose any expenditure incurred under s137, which allows the City Council to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The Council's expenditure under this power was £0.055m, mainly on donations to voluntary bodies working in Nottingham (£0.030m in 2007/08).

7. Publicity Expenditure

Section 5 (1) of the Local Government Act 1986 requires a local authority to keep a separate account of expenditure on publicity. The Council's spending on publicity was:

Publicity Expenditure	2007/08 £m	2008/09 £m
Recruitment Advertising	1.063	0.899
Other Publicity	1.061	1.164
Other Advertising	1.691	1.375
Other Advertising and Publicity - Specific Projects	0.584	0.195
Total	**4.399**	**3.633**

8. Building Control Trading Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. Nottingham City Council sets charges for work carried out in relation to building regulations, with the aim of covering all costs incurred. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the Building Control Unit divided between the chargeable and non-chargeable activities.

Building Regulations Charging Account 2008/09	Non-Chargeable £m	Chargeable £m	Total Building Control £m
Expenditure			
Employee Expenses	0.205	0.278	0.483
Premises	0.004	0.005	0.009
Transport	0.003	0.005	0.008
Supplies and Services	0.050	0.068	0.118
Central and support services charges	0.079	0.107	0.186
	0.341	**0.463**	**0.804**
Income			
Building regulation charges	0.000	(0.383)	(0.383)
Miscellaneous income	(0.001)	0.000	(0.001)
	(0.001)	**(0.383)**	**(0.384)**
(Surplus)/Deficit for Year	**0.340**	**0.080**	**0.420**
Comparatives for 2007/08			
Expenditure	0.130	0.740	0.870
Income	0.000	(0.551)	(0.551)
(Surplus)/Deficit for Year	**0.130**	**0.189**	**0.319**

Statutory Instrument 1998/3129 requires local authorities, over a rolling 3 year period, to recover the costs incurred in carrying out Building Regulations activities through levying appropriate fees.

A review is currently being undertaken by the Planning & Building Control Services to ensure that this regulatory requirement is met.

9. Business Improvement District Scheme (BID)

On 17 July 2007 the Executive Board approved the establishment of a City Centre Licensed Economy Business Improvement District (BID) to enhance the management of Nottingham's evening and late night economy.

After a ballot of non domestic ratepayers in the BID area, the BID came into operation with effect from 1 January 2008 and will have a maximum term of 5 years.

It was agreed that a separate management company be set up to deliver the objectives of the scheme. A registered company was therefore set up as Nottingham (Leisure) BID Ltd.

The City Council is responsible for collecting the levy and the net receipts, after deducting administration costs, are paid over to the BID Company. The BID Levy income is treated as the BID body's revenue. The Council collects the BID Levy income as agent on behalf of the BID body.

These receipts and payments are reflected in the BID Revenue Account as shown below, and are split between the 2 operating years:

BID Revenue Account	**2007/08 £m**	**2008/09 £m**
Income received	(0.193)	(0.207)
Less administration Costs	0.009	0.024
Sum paid over to the BID company	0.184	0.183
	0.000	**0.000**

10. Local Authorities (Goods and Services) Act 1970

Section 1 of the Local Authority (Goods and Services) Act 1970 allows local authorities to provide certain goods and services to other public bodies. The following represents the costs incurred and the income received by the City Council in providing services to other bodies.

	2007/08	2008/09		
	Net (Income) or Expenditure £m	Gross Expenditure £m	Gross Income £m	Net (Income) or Expenditure £m
Transport & Environmental Services				
- Police Authority	0.011	0.000	0.000	0.000
- Neighbouring Local Authorities	0.122	0.948	(0.812)	0.136
Library's Service				
- Neighbouring Local Authorities	0.000	0.001	(0.001)	0.000
- Prison Service	0.000	0.046	(0.051)	(0.005)
- Queens Medical Centre / Healthcare Trust	0.000	0.021	(0.021)	0.000
Services to Children				
- Local Primary Care Trust	0.000	0.629	(0.629)	0.000
- Neighbouring Local Authorities	0.000	2.744	(2.744)	0.000
- Police Authority	0.000	0.061	(0.061)	0.000
- Probation Service	0.000	0.066	(0.066)	0.000
- Other	0.000	0.088	(0.088)	0.000
Total	**0.133**	**4.604**	**(4.473)**	**0.131**

11. Health Act 1999 Pooled Funds and Similar Arrangements - Learning Disability Development Fund

Under S31 of the Health Act 1999, Nottingham City Council has entered into two Pooled Budget Arrangements. The City Council is the Host Authority for both pooled budgets and is responsible for their financial administration.

The partnership is established between the City Council and the Nottingham City Primary Care (NHS) Trust. Funding is provided by the Nottingham City Primary Care (NHS) Trust. The partnership is established to develop schemes for the improvement of learning disability services.

On 1 April 2008 there was a change in the funding from central government, whereby the funding for this type of work was changed from being routed via primary care trusts to being routed to local authorities directly as part of their ABG.

Hence as from 1 April 2008 this pooled budget effectively ceased and expenditure on this type of work is accounted for direct in the income and expenditure account.

Therefore the analysis below is provided only for comparative purposes:

	2007/08 £m	2008/09 £m
Funding		
Balance of Funding brought forward	0.292	0.255
Nottingham City Primary NHS Care Trust	0.268	0.000
	0.560	**0.255**
Expenditure		
Person Centred Planning	0.025	0.000
Advocacy	0.033	0.000
Day Centre Modernisation	0.058	0.000
Leadership	0.069	0.000
Increase in "People with Learning Disability in Work"	0.089	0.000
Capital	0.030	0.048
	0.305	**0.048**
Balance of funding carried forward	**0.255**	**0.207**

12. Health Act 1999 Pooled Funds and Similar Arrangements - Integrated Community Equipment Service (ICES)

The partnership is established between the following partners:

- Nottingham City Council
- Nottinghamshire County Council
- NHS Nottingham City
- NHS Nottinghamshire County

Funding is as set out in the statement. 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.

	2007/08 £m	2008/09 £m
Funding		
Surplus/(Deficit) brought forward	0.015	0.585
Nottingham City Council	0.917	0.971
Nottinghamshire County Council	0.831	0.931
NHS Nottingham City	1.299	1.577
NHS Nottinghamshire County	1.379	1.152
Continuing Care Contributions	0.108	0.215
DLC Contribution/Rent	0.021	0.021
Other Miscellaneous	0.001	0.019
Total Funding	**4.572**	**5.471**
Expenditure		
Employee Costs	0.067	0.073
Property Costs	0.170	0.398
Transport Costs	0.001	0.000
Supplies and Services	3.428	3.978
Administrative Costs	0.004	(0.001)
Third Party Payments	0.317	0.476
Total Expenditure	**3.987**	**4.924**
Balance of funding carried forward	**0.585**	**0.547**

In 2008/09 agreed partner contributions covered the full costs of the service:

Statement of Assets and Liabilities		2007/08 £m	2008/09 £m
Debtors			
Nottinghamshire County Council	Minor Adaptations	0.078	0.039
NHS Nottingham City	Continuing Care	0.018	0.000
NHS Nottinghamshire County	Continuing Care	0.018	0.000
Creditors			
Nottingham Rehab Supplies	Charges	0.634	0.400
Other Suppliers		0.000	0.027

13. Area Based Grant (formerly Local Area Agreements)

From 2008/09 Local Area Agreement grant has been replaced by Area Based Grant (ABG). ABG is a non - ring fenced grant and as such no conditions are imposed in respect of its use as was the case with the former LAA grant, and unlike LAA grants its use is not restricted to supporting the achievement of LAA targets.

ABG is a general grant which unlike LAA grant is not allocated to services but is shown below the line within the Income and Expenditure Account with other general income sources. In 2007/08 LAA grant of £28.031m had been received by services

14. Members'/Councillors' Allowances

Under the Local Authority (Members' Allowances) (England) Regulations 2003, the City Council is required to disclose annually the total sum paid to members under the Council's Members Allowances Scheme.

	2007/08 £m	2008/09 £m
Basic Allowance	0.614	0.627
Special Responsibility Allowance	0.391	0.406
Other Costs	0.003	0.004
	1.008	1.037

The details of the amounts paid to individual Councillors' were published in the Nottingham Evening Post on 4 May 2009. Copies of this notice are available from the Payroll Service, The Guildhall, Burton Street, Nottingham.

15. Employee remuneration

The number of employees whose remuneration was £50,000 or more, in bands of £10,000, were:

Annual Remuneration £	Number of Employees 2007/08	Number of Employees 2008/09
50,000 - 59,999	133	161
60,000 - 69,999	42	53
70,000 - 79,999	28	22
80,000 - 89,999	12	21
90,000 - 99,999	5	4
100,000 - 109,999	2	3
110,000 - 119,999	2	3
120,000 - 129,999	2	1
130,000 - 139,999	1	0
140,000 - 149,999	3	5
150,000 - 159,999	0	0
160,000 - 169,999	0	0
170,000 - 179,999	0	0
180,000 - 189,999	0	0
190,000 - 199,999	1	0
240,000 - 249,999	0	1

This analysis excludes pension contributions made by the City Council as employer and therefore represents the gross pay of the individuals concerned.

This note excludes payments to the Department of Communities and Local Government (DCLG) relating to the current Chief Executive during her secondment from that department in the period from May 2008 to February 2009.

16. Related parties

The City 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 the reader 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

Central Government sets the statutory framework within which the Council operates, provides most of the funding in the form of grants and prescribes the terms of many transactions that the Council has with other parties.

Analysis of Grants	**2007/08** Receipts £m	**2008/09** Receipts £m
Central Government		
Revenue Support Grant	20.989	19.693
Dedicated Schools Grant	154.697	159.276
National Non-Domestic Rate Pool	125.070	141.465
Other Revenue Grants > £10m		
- Department for Education and Skills		
Standards Fund	40.393	31.084
- Department for Communities and Local Government		
Neighbourhood Renewal Fund	14.177	0.000
Local Area Agreement	22.057	0.000
Supporting People Programme	26.053	24.750
Area Based Grant	0.000	33.374
- Department of Transport		
Nottingham Express Transit - PFI Special Grant	18.104	18.104
- Department for Works and Pensions		
Council Tax Benefit	26.170	27.406
Mandatory Rent Allowances: subsidy	42.530	49.700
Rent Rebates Granted to HRA Tenants	50.119	52.593

Councillors' of the Council

Councillors' have direct control over the Council's financial and operating policies. The total cost of Councillors' allowances paid during 2007/08 and 2008/09 is shown within the notes to the accounts.

During 2008/09, the value of works and services (greater than £0.500m) to companies in which Councillors' had an interest are as follows:

Payments	**2007/08** £m	**2008/09** £m
Connexions Nottinghamshire	1.333	5.785
Experience Nottinghamshire	0.572	0.675
NECTA Ltd	1.057	0.000
New College Nottingham	0.652	0.502
The Renewal Trust	0.619	0.627

In addition, a senior officer of the City Council was co-opted onto the Board of Governors at the Nottingham Bluecoat School. The objective of this action was to increase financial capacity at the school, in the light of an overspend on a large building project. This appointment ceased during 2008/09.

Precepts

The City Council paid the following precepts during 2007/08 and 2008/09:

	2007/08 £m	2008/09 £m
Nottinghamshire Fire Authority	4.706	4.890
Nottinghamshire Police Authority	10.281	10.883
Environment Agency - Flood Defence Levy	0.091	0.078

Subsidiary and Associated Companies

The following are significant related party transactions with the City Council's subsidiary and associated companies. Further information on all companies can be found within the Group Accounts section.

	2007/08		2008/09	
	Receipts £m	Payments £m	Receipts £m	Payments £m
Nottingham City Transport				
Concessionary Fares		4.110		5.710
Season ticket passes provided to the City Council		0.108		0.109
Skylink Service and Link 1 & 2 Park and Ride Services.				0.269
Non-Domestic Business Rates	0.180		0.179	
Interest on Loan	0.006		0.005	
Nottingham City Homes (NCH) Ltd				
Management and repair of homes		67.474		68.695
General services provided to NCH Ltd	7.571		6.732	
Nottingham Ice Centre Ltd				
Rent	0.100		0.100	
Other Expenses	0.176		0.198	
Asset purchases for the company	0.143		0.177	
Sales		0.055		0.097
Revenue Grant		0.173		0.165
EnviroEnergy Ltd				
Purchase of steam from NCC	1.506		1.555	
Supply of Energy		0.342		0.384
Other operating costs including rent, rates and motor repair costs	0.512		0.463	
Interest on Prudential borrowing	0.010		0.056	
Highfields Trust				
Revenue Grant		0.129		0.146
Harvey Hadden Trust				
Revenue Grant		0.031		0.169
Bridge Estate				
Balance transferred to General Fund	1.836		1.616	

	2007/08		2008/09	
	Receipts	Payments	Receipts	Payments
	£m	£m	£m	£m
Arrow Light Rail Ltd				
Availability Payments				16.954
Concessionary Fares				0.585

Chief Officers

The City Council operated a car and cycle loan scheme and repayments during 2008/09 paid these amounts in full.

The Council has prepared this disclosure in accordance with its current interpretation and understanding of FRS8 and its applicability to the public sector.

17. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by the Department for Children, Schools and Families, through the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

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

	Central Expenditure	**ISB**	**Total**
	£m	**£m**	**£m**
Final DSG for 2008/09			159.276
Brought forward from 2007/08			3.772
Agreed budgeted distribution in 2008/09	26.485	134.550	161.035
Actual central expenditure	(15.677)		(15.677)
Actual ISB deployed to schools		(140.644)	(140.644)
Local authority contribution for 2008/09	0.020		0.020
Carry Forward to 2009/10 agreed in advance			2.012
Carry Forward to 2009/10	**10.828**	**(6.094)**	**6.746**

18. Audit Costs

In 2008/09 Nottingham City Council incurred the following fees relating to external audit and inspection:

	2007/08 £m	2008/09 £m
Fees payable to the Audit Commission for the certification of grant claims and returns	0.091	0.087
Fees payable to the Audit Commission in respect of statutory inspection	0.022	0.100
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	0.437	0.395
Fees payable to the Audit Commission in respect of any other services provided over and above the duties described above.	0.017	0.000
	0.567	**0.582**

19. Landfill Allowance Trading Scheme (LATS)

Nottingham City Council has received allowances for 2008/09 for 64,258 tonnes. The estimated BMW usage is 28,700 tonnes. No LATS have been bought or sold during the period of reconciliation. The traded value of LATS during the period was nil. Unused LATS cannot be carried forward into 2009/10 therefore the value of LATS carried forward from previous years £0.189m has been impaired and written back into the Income and Expenditure Account.

20.a) Movement in Fixed Assets – Operational Assets

	Council Dwellings £m	Other Land and Buildings £m	Vehicles Plant and Equipment £m	Infra-structure Assets £m	Community £m	TOTAL £m
Opening Book Values as at 31 Mar 08						
Gross Book Value	1120.807	800.548	30.481	202.500	16.418	2170.754
Accumulated Depreciation	0.000	(18.823)	(9.623)	(35.907)	(2.086)	(66.439)
Accumulated Impairment	(0.331)	(12.847)	0.000	0.000	0.000	(13.178)
Net Book value at 31-03-08	**1120.476**	**768.878**	**20.858**	**166.593**	**14.332**	**2091.137**
Movement in 2008/09						
Additions	25.811	17.832	11.827	18.416	3.825	77.711
Disposals in Year	(3.509)	0.000	(1.034)	0.000	0.000	(4.543)
Depreciation	(17.849)	(11.774)	(4.783)	(8.475)	(0.452)	(43.333)
Impairment Reversals	0.331	0.162	0.000	0.000	0.000	0.493
Impairments in the Year	(15.086)	(23.318)	0.000	0.000	0.000	(38.404)
Reclassifications	0.007	84.537	0.008	0.000	0.000	84.552
Revaluations (inc accumulated depreciation & Impairment)	(203.653)	(6.437)	0.000	0.000	0.000	(210.090)
Net Book value at 31-03-09	**906.528**	**829.880**	**26.876**	**176.534**	**17.705**	**1957.523**
Gross Book Value	906.528	890.035	40.520	220.916	20.243	2078.242
Accumulated Depreciation	0.000	(28.094)	(13.644)	(44.382)	(2.538)	(88.658)
Accumulated Impairment	0.000	(32.061)	0.000	0.000	0.000	(32.061)
Net Book value at 31-03-09	**906.528**	**829.880**	**26.876**	**176.534**	**17.705**	**1957.523**

20. b) Movement in Fixed Assets – Non-Operational Assets

	Investment Properties £m	Under Construction £m	Surplus Assets - Held for Disposal £m	TOTAL £m
Opening Book Values as at 31 Mar 08				
Gross Book Value	261.734	35.263	28.785	325.782
Accumulated Depreciation	0.000	0.000	0.000	0.000
Accumulated Impairment	(0.920)	0.000	0.000	(0.920)
Net Book value at 31-03-08	**260.814**	**35.263**	**28.785**	**324.862**
Movement in 2008/09				
Additions	1.766	30.616	0.950	33.332
Disposals in Year	0.000	0.000	(8.292)	(8.292)
Depreciation	0.000	0.000	0.000	0.000
Impairment Reversals	0.000	0.000	0.000	0.000
Impairments in the Year	(1.159)	0.000	(0.950)	(2.109)
Reclassifications	(71.851)	(10.374)	(2.319)	(84.544)
Revaluations (inc accumulated depreciation & Impairment)	(35.469)	0.000	(0.967)	(36.436)
Net Book value at 31-03-09	**154.101**	**55.505**	**17.207**	**226.813**
Gross Book Value	154.108	55.505	18.056	227.669
Accumulated Depreciation	0.000	0.000	0.000	0.000
Accumulated Impairment	(0.007)	0.000	(0.849)	(0.856)
Net Book value at 31-03-09	**154.101**	**55.505**	**17.207**	**226.813**

21. Capital Expenditure and Financing

	2007/08 £m	2008/09 £m
Opening Capital Financing Requirement	**453.467**	**483.522**
Capital Investment		
Operational Assets	77.945	78.038
Non Operational Assets	25.975	33.099
Revenue Expenditure Funded From Capital Under Statute & Long Term Debtors	17.829	11.561
Sources of Finance		
Capital Receipts	(10.216)	(9.188)
Government Grants and other contributions	(40.007)	(58.479)
Sums set aside from revenue	(30.118)	(26.874)
Minimum Revenue Provision / Additional Revenue Provision	(11.353)	(11.884)
Closing Capital Financing Requirement	**483.522**	**499.795**
Movement in the Year	**30.055**	**16.273**
Explanation of movements in the Year		
Expenditure financed by Supported Borrowing	16.537	20.093
Expenditure financed by Unsupported Borrowing	24.871	8.064
Less:Amounts set aside	(11.353)	(11.884)
Increase in Capital Financing Requirement	**30.055**	**16.273**

22. Revenue Expenditure Funded From Capital Under Statute

Grants are made to private sector homeowners and voluntary sector organisations to carry out capital works. The expenditure is written out to the Income and Expenditure Account in the year in which it is incurred.

23. Commitments under Capital Contracts

Significant commitments as at 31 March 2009 under capital contracts are as follows:

	Period	2007/08 £m	2008/09 £m
Bestwood Elderly Persons Home	2009/11	4.151	3.584
Building Schools for the Future (BSF)			
Southwark construction of a new primary school	2009/11	0.000	12.173
Hadden Park High - Remodelling of a school	2009/11	0.000	11.976
NUSA Academy - Construction of new academy	2009/12	0.000	23.725
Bulwell Academy - Construction of new academy	2009/12	0.000	26.319
ICT Managed Services - Installation in BSF schools	2009/15	0.000	11.356
Eastcroft Incinerator Waste Recycling Contract	2009/11	1.243	10.285
Loan to Nottinghamshire County Cricket Club	-	0.629	0.000
Nottingham Express Transit Phase 2	2009/12	7.500	1.900
Nottingham Science Park - Faraday Building	-	0.668	0.000
Radford Mill Demolition	2009/11	0.000	0.548
Radford Nursery - School Training Unit	2009/11	1.428	0.000
Sherwood and Edwards Lane Childrens Centre	-	0.666	0.000
Stonebridge Park Phases 2,3 and 4	2009/11	0.000	1.401
		16.285	**103.267**

The City Council's approved Capital Programme for the next three financial years is as follows:

	£m
2009-2010	200.252
2010-2011	149.601
2011-2012	135.100

For further information please refer to the "Review of the Capital Strategy" within the Explanatory Foreword.

24. Information on Tangible Fixed Assets held by Nottingham City Council

The analysis of fixed assets specifies assets owned by the Council included in the Consolidated Balance Sheet.

	Numbers as at 31 March 2008	Numbers as at 31 March 2009
Council Dwellings	29,093	28,930
Operational Buildings		
Bus Stations	1	1
Car Parks	22	24
Cemeteries and Crematoria	7	7
Community Centres	44	49
Community Homes and Family Centres	12	23
Concert Halls and Theatres	2	2
Day Centres for the Elderly and Disabled	6	6
Depots	3	2
Homes for the Elderly and Disabled	9	7
Leisure Centres and Sports Halls	8	8
Libraries	20	20
Major Administrative Buildings	7	8
Museums	7	7
Nursery and Primary Schools	90	72
Retail Markets	7	4
Secondary Schools	17	14
Sheltered Workshop	1	1
Special Schools	6	6
Swimming Pools	2	2
Toilets	6	14
Operational Equipment		
Computers (Excluding Schools Curriculum PCs)	7,963	8,097
Vehicles	449	407
Infrastructure Assets		
B' Roads	25.2kms	24.9 kms
Other Minor Roads	704.0kms	703.5 kms
Principal Roads	61.6kms	62.0 kms
Community Assets		
Parks and Open Spaces (hectares)	1,861	1,861
Investment Properties		
Industrial and Commercial Lettings	2,000 (Approx)	2,000 (Approx)
National Ice Centre	1	1

A major review of the classification of operational assets was undertaken in 2008/09. This together with movements in the year has resulted in a revised number of assets held at 31 March 2009

25. Leases

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

Vehicles, Plant and Other Equipment

Until 31 March 2004 most of the fleet was funded by operating leases. In addition to the vehicle fleet, operating leases were sometimes used, to also fund the acquisition of mowers, printing equipment, Information Technology (IT) and communications. Rentals are payable in advance and charged to the Income and Expenditure Account on an accruals basis. From 1 April 2004 no new operating leasing has been undertaken. During 2008/09 all vehicles held on lease and used by Nottingham City Homes were returned to the relevant leasing company.

£1.234m was paid in 2008/09 (£1.308m in 2007/08). The sum paid in 2008/09 includes collection, inspection and damage charges on vehicles returned to lessors. At 31 March 2009 to further rental payments of £0.641m were committed. The sum will be discharged over future years and charged to the Income and Expenditure Account as follows:

Sum Discharged	£m
2009/10	0.460
2010/11	0.164
2011/12	0.013
Future Years	0.005
Total	**0.642**

Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the council. Rentals payable are apportioned between:

1) a charge for the acquisition of the interest in the equipment, and
2) a finance charge

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Before 1990 finance leases were the main funding source for the fleet, but all such leases have now been extinguished.

In 2005/06 a scheme called “Works Perks” was introduced allowing employees to acquire bikes and computers and cover the cost by sacrificing salary. Agreed suppliers effectively sell the bikes and computers to a leasing company and the leasing company leases the assets to the Council, under a finance lease. Sums equivalent to the lease rentals are deducted from the employees pay.

	£m	Bikes £m	Computers £m	Total £m
Value as at 1 April 2008	**0.235**	0.008	0.227	**0.235**
Additions		0.000	0.000	**0.000**
Discharged		(0.008)	(0.212)	**(0.220)**
Value as at 31 March 2009	**0.235**	**0.000**	**0.015**	**0.015**

The following table shows the total outstanding obligations under these finance leases at 31 March 2009:

Outstanding Obligations	**£m**
2009/10	0.015
2010/11	0.000
2011/12	0.000
Total	**0.015**

26. Tangible Fixed Asset Valuation

Properties

Operational properties have been valued in accordance with FRS15. In addition to the Council's 5-year rolling programme of property revaluations, adjustments for material changes in property values arising as a result of impairments, acquisitions, enhancements and reclassifications are made to the annual statement of accounts.

With the exception of the Housing Stock, internal qualified valuers led by the Head of Estates, John Sadler BSc MBA MRICS complete annual property revaluations as required.

An impairment review of the valuation of all council properties was completed as at 31 March 2009. Asset valuations have been adjusted to reflect the general down-turn in the property market, where material.

Council Dwellings

In accordance with recommended accounting practice, Council dwellings have been re-valued as at 31 March 2009 based on a desk top review of beacon properties by Chartered Surveyors Herbert Button & Partners and Freeman & Mitchell. The valuation is adjusted by a regional adjustment factor in recognition of their status as social housing.

Vehicles, plant and equipment have been valued at net current replacement cost.

Infrastructure and Community assets are valued at historical cost, net of depreciation where applicable.

Fixed Assets Valuation History

The following statement shows the cumulative effect of acquisitions, disposals, revaluations, and annual charges of depreciation and impairment applied to tangible fixed asset categories.

Valuation History of Tangible Fixed Assets carried at current value

	Operational Assets						
	Council Dwellings £m	Other Land & Buildings £m	Vehicles & Equipment £m	Infrastructure £m	Community £m	Non-Operational Assets £m	**Total £m**
Valued at Depreciated Historical Cost	0	0	26,876	176,534	17,705	0	221,115
Valued at Current Value							
2005/06	0	391,005	0	0	0	8,590	399,595
2006/07	0	73,146	0	0	0	33,595	106,741
2007/08	0	255,335	0	0	0	13,791	269,126
2008/09	906,528	110,393	0	0	0	170,837	1,187,759
	906,528	829,880	26,876	176,534	17,705	226,813	2,184,336

27. Intangible Fixed Assets

Software Licences	**£m**
Opening Book Values as at 31 Mar 08	
Gross Book Value	2.127
Accumulated Depreciation	(0.836)
Accumulated Impairment	0.000
Net Book value at 31-03-08	**1.291**
Movement in 2008/09	
Additions	0.093
Disposals in Year	0.000
Depreciation	(0.403)
Impairment Reversals	0.000
Impairments in the Year	0.000
Reclassifications	(0.008)
Revaluations (inc accumulated depreciation & Impairment)	0.000
Net Book value at 31-03-09	**0.973**
Gross Book Value	2.212
Accumulated Depreciation	(1.239)
Accumulated Impairment	0.000
Net Book value at 31-03-09	**0.973**

28. Long Term Debtors

	2007/08 £m	2008/09 £m
Assets Transferred to Other Bodies	2.223	1.851
Council House Sales	0.422	0.378
Eastside Disposal	0.000	2.630
EnviroEnergy	1.230	0.803
Housing Advances	0.073	0.063
Local Education Partnership	0.000	0.324
Local Government Reorganisation	0.542	0.113
Miscellaneous Loans	0.591	0.269
NET - Residual interest	3.306	4.133
NET - Reversionary interest	8.213	8.382
Nottingham Bluecoat School and Technology College	2.152	0.320
Nottingham Forest Football Club	1.820	0.016
Nottingham Rugby Club	0.000	0.147
Nottinghamshire Cricket Club	0.601	1.188
	21.172	**20.617**

Soft Loans of £1.415m are included in long term debtors of £20.617m. (Soft loans are where the interest rate charged is lower than the market rate at the time the loan was granted)

Details for Long Term Debtors (Greater than £1m) are listed below:

Assets Transferred to Other Bodies

Following reorganisation in 1974, certain debts transferred to Nottinghamshire County Council. The debt relates to specific schemes and each is repayable over a set period. The annual recharge of principal is based on a 5% increase each year in the principal repayment sum. Some of the schemes were calculated to be repaid over 40 and 60 years. The debtor will continue for many years.

Eastside Disposal

In 2008/09 the Council disposed of an area of land collectively known as Eastside. The Council has not received a capital receipt for these buildings, but an agreement has been entered into whereby the purchaser will provide, up to the period ending November 2013, a replacement investment property to the value of £2.63m indexed to RPI.

NET Residual interest

The NET Residual interest represents newly developed assets provided by the Nottingham Express Transit Operator to be transferred to the City Council at the end of the existing contract period for NET Line One.

NET Reversionary interest

The NET Reversionary interest represents the present value of land assets to be returned to the City Council at the end of the existing contract period for NET Line One.

Nottinghamshire County Cricket Club

In September 2007, the City Council approved a loan of £1.230m to Nottinghamshire County Cricket Club.

29. Analysis of Net Assets Employed

The following note is intended to provide information on the net assets of Nottingham City Council, split by General Fund, HRA, Works Organisations and Trading Operations.

	2007/08 £m	2008/09 £m
General Fund	(65.276)	88.197
Housing Revenue Account	1142.406	938.788
Works Organisations and Trading Operations	340.692	141.964
	1417.822	**1168.949**

30. Interests in Subsidiary and Associated Companies

See Note 1 to the Group Accounts for details of Nottingham City Council's interests in Subsidiary and Associated Companies.

31. Icelandic Bank Investments

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The balance sheet includes within current assets Icelandic Bank investments which have been impaired because of the financial difficulties experienced. The Council had £41.6m deposited across 3 of these institutions, with varying maturity dates and interest rates as follows:

Bank	Principal £m	From	To	Rate
Glitnir	5.000	20/04/07	20/04/09	5.92%
Landsbanki	4.000	15/06/07	15/06/09	6.43%
Glitnir	6.000	30/11/07	28/11/08	5.98%
Heritable	3.300	18/03/08	21/11/08	5.93%
Landsbanki	3.500	14/05/08	13/05/09	6.05%
Heritable	5.500	14/05/08	13/05/09	6.05%
Heritable	4.000	18/07/08	22/04/09	6.24%
Heritable	2.800	22/07/08	21/07/09	6.37%
Landsbanki	6.000	19/09/08	27/04/09	6.21%
Landsbanki	1.500	19/09/08	21/08/09	6.35%
	41.600			

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the Council considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below.

As the available information is not definitive as to the amounts and timings of payments to be made by the administrators/receivers, it is likely that further adjustments will be made to the accounts in future years.

Heritable Bank

Heritable Bank is a UK registered bank under Scottish law. The company was placed in administration on 7 October 2008. The latest creditor progress report issued by the administrators Ernst & Young on 13 August 2009 outlined that the return to creditors was projected to be 80% by end of 2012, with the first dividend payments due in 2009. The authority has therefore decided to recognise an impairment based on it recovering 80p in the £. It is anticipated that there will be some front loading of these repayments and that a final sale of assets will take place after the books have been run down to the end of 2012. Therefore in calculating the impairment the Authority has made the following assumptions re timing of recoveries:

July 2009 – 16.13%
Dec 2009 – 10.00%
July 2010 – 20.22%
July 2011 – 19.22%
July 2012 – 7.22%
July 2013 – 7.21%

Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 6 October 2008.

Landsbanki Islands hf

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law. The Landsbanki resolution committee has provided a best estimate of the amount to be paid to preferential creditors of 83%, which is based on interest accruals up to 22 April 2009. The authority has therefore decided to recognise an impairment based on it recovering 83p in the £.

Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a 'bond' which will allow creditors of old Landsbanki to enjoy rights in New Landsbanki.
- The impact (if any) of the freezing order made by the UK Government over Landsbanki's London branch assets.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the bond remains at its current value. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 33p in the £.

No information has been provided by the resolution committee about the timing of any payments to depositors. Because it is anticipated that all the assets of Landsbanki Islands will need to be realised to repay priority creditors, settlement in a single sum is unlikely. Therefore, in calculating the impairment, the authority has used the estimated repayment timetables for Heritable and KS&F as a basis for its assumption about the timing of recoveries. It is therefore assumed that the repayment will be split roughly evenly between March 2010, December 2010, December 2011 and December 2012.

Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 22 April 2009. Where the maturity date is before this date, interest at the Icelandic penalty rate of 22% has been calculated.

Glitnir Bank hf

Glitnir Bank hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008, its domestic assets and liabilities were transferred to a new bank (new Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee. Old Glitnir's affairs are being administered under Icelandic law. Old Glitnir's latest public presentation of its affairs indicates that full recovery of the principal and interest to is likely to be achieved. Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a 'bond' which will allow creditors of old Glitnir to enjoy rights in New Glitnir.

The Council has therefore decided to recognise an impairment based on the future recovery of 100% of principal and interest up to 22 April 2009. The impairment therefore reflects the loss of interest to the authority until the funds are repaid.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to 40% of its liabilities, assuming that the Bond remains at its current estimated value. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 40p in the £.

No information has been provided by the resolution committee about the timing of any payments to depositors. Since the value of deposits is small compared to the total asset value of the bank, in calculating the impairment the authority has therefore made an assumption that the repayment of priority deposits will be made by 31 March 2010.

Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 22 April 2009. Where the maturity date is before this date, interest at the Icelandic penalty rate of 22% has been calculated.

Impairment

Based on the assumed percentage recoveries above, it is expected that the City Council will have to write off £5.67m of the £41.6m invested with Icelandic banks. This will, in due course, be a charge against the income and expenditure account.

In accordance with proper accounting practice, the impairment loss recognised in the Income and Expenditure Account in 2008/09 has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits, in order to recognise the anticipated loss of interest to the authority until monies are recovered. (This assumes that the investments would continue to earn interest at the rate agreed from maturity date to the actual repayment date). This provides an initial impairment loss of £9.834m. Adjustments to the assumptions will be made in future accounts as more information becomes available.

The Authority has taken advantage of the Capital Finance Regulations (S.I.2009/321) to defer the impact of the impairment on the General Fund, and a sum of £9.834m has been transferred to the Financial Instruments Adjustment Account.

32. Disclosure of Financial Assets and Liabilities from 1 April 2008

The operation of the City Council's Treasury Management function is regulated through the Local Government Act 2003 and through this Act by DCLG Investment Guidance, the CIPFA Code of Practice for Treasury Management in the Public Services and the CIPFA Prudential Code for Capital Finance in Local Authorities. In advance of each year the City Council approves a treasury strategy reviewing risk and expected activities during the year.

The 2008 SORP requires disclosure of information pertaining to the scope, significance and risk associated with the City Council's financial instruments.

Financial Instruments Balances

A financial instrument arises from a contract which gives rise to a financial asset of one organisation and a financial liability of another. The City Council's balance sheet contains a range of such financial instruments, both liabilities and assets.

Changes in accounting policies, introduced from 1 April 2008, require the values of financial instrument expressed at amortised cost to reflect any accrued interest or impairment in value. The table below shows the appropriate value of all financial instruments on the City Council's balance sheet as at 31 March 2009. The investments figures reflect the impairment of deposits placed with Icelandic banks, which is explained in detail in note 31.

Financial Instruments Balances	Long Term		Current	
	31 Mar 08	31 Mar 09	31 Mar 08	31 Mar 09
	£m	£m	£m	£m
Financial Liabilities				
i) at amortised cost				
Borrowing - principal	452.129	446.225	42.550	43.487
plus interest	4.328	4.067	0.358	0.719
plus accounting adjustments	0.000	-0.109	1.021	1.074
Creditors *	0.000	0.000	134.157	116.625
	456.457	**450.183**	**178.086**	**161.905**
ii) at fair value through I&E	0.000	0.000	0.000	0.000
TOTAL	**456.457**	**450.183**	**178.086**	**161.905**
Investments				
i) loans and receivables at amortised cost				
Investments - principal	19.000	0.000	154.000	179.550
plus interest	1.020	0.000	3.013	6.556
plus accounting adjustments	0.000	0.000	0.000	(9.834)
Debtors*	0.000	0.000	58.280	61.925
Long-term debtors	21.172	20.617	0.000	0.000
	41.192	**20.617**	**215.293**	**238.197**
ii) available-for-sale financial assets	0.000	0.000	0.000	0.000
iii) at fair value through I&E	0.000	0.000	0.000	0.000
iv) unquoted equity investment (at cost)	4.980	5.009	0.000	0.000
TOTAL	**46.172**	**25.626**	**215.293**	**238.197**

* Excludes non-contractual creditors and debtors such as NNDR, and Council Tax

Financial Instruments – Items of interest, expense, gains and losses

The following table discloses the income and expenditure recognised in the Income and Expenditure account during 2008/09 in respect of all financial assets and liabilities not held at fair value, calculated using the effective interest method:

Financial Instruments Gains and Losses 2008/09

	£m
Interest expense	(27.556)
Losses on derecognition	0.000
Interest payable and similar charges	**(27.556)**
Interest income	13.075
Gains on derecognition	0.000
Interest and investment income	**13.075**
Gains on revaluation	0.000
Losses on revaluation	0.000
Amounts recycled to the I&E Account after impairment	(9.834)
Surplus from reval. of financial assets	**(9.834)**
Net (loss) for the year	**(24.315)**

During 2008/09 the only significant gain or loss in either the Income & Expenditure Account or the STRGL was in respect of deposits held with Icelandic banks which are explained in detail in note 31.

Fair value of assets and liabilities carried at amortised cost

Financial liabilities and assets represented by loans and receivables are carried on 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 life of the instruments, using the following assumptions:

- For PWLB loans, the fair value has been based on the interest rates and the premature repayment rates in force on the relevant day (31 March).
- For other loans, relevant premature repayment rates have been applied to provide a fair value.
- Where an instrument has a maturity of less than 12 months, the fair value is taken to be the principal outstanding, plus accrued interest.
- The fair value of trade and other creditors and debtors is taken to be the billed amount.
- The fair value of investments excludes all sums deposited with Icelandic banks which have been accounted for separately – see section 31.

The calculated fair values are as follows:

Fair Values	31 March 2008 Carrying Amount £m	31 March 2008 Fair value £m	31 March 2009 Carrying Amount £m	31 March 2009 Fair value £m
PWLB debt	436.523	494.320	434.415	501.788
Market loans	50.515	54.425	50.457	53.545
3% stock	2.335	1.349	2.335	1.417
Bonds	3.482	3.482	2.849	2.849
Other debt	7.531	7.531	5.407	5.407
Trade creditors	134.157	134.157	116.625	116.625
Financial liabilities	**634.543**	**695.264**	**612.088**	**681.631**
Investments (< 1 year)	157.013	157.013	141.994	141.994
Investments (> 1 year)	20.020	20.561	0.000	0.000
Debtors	59.201	59.201	61.925	61.925
Long-term debtors	21.172	21.172	20.617	20.617
Financial investments	**257.406**	**257.947**	**224.536**	**224.536**

The fair value of the debt is greater than the carrying amount because the City Council's portfolio of loans includes fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

All loans and receivables held on the balance sheet at 31 March were issued at par and were for fixed rates of interest. They have been accounted for on the balance sheet on an amortised cost basis, and reflect the principal outstanding, plus any accrued interest at 31 March 2009, giving a 'carrying amount' at year-end. The fair value of these investments has been determined by reference to market rates at 31 March each year.

Disclosure of nature and extent of risk arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. The key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the City Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the City Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk - the possibility that financial loss might arise for the City Council as a result of changes in such measures as interest rates or equity prices.

Overall Procedures for Managing Risk

The City Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the associated regulations. These require the City Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act.

Overall the procedures require the City Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years, limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures in the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These procedures are required to be reported and approved at the meeting of the City Council which also sets the annual budget and Council Tax. The procedures are included within an annual Treasury Management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

The City Council maintains written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk, and the investment of the City Council's surplus cash, through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit risk

Credit risk arises from deposits with banks and financial institutions. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following analysis summarises the City Council's potential maximum exposure to credit risk in respect of its cash investments at 31 March 2009, based on experience of default assessed by the ratings agencies. Deposits with Icelandic banks, which totalled £41.6m at 31 March 2009, have been excluded from this table, and have been separately accounted for – see section 31.

The historical experience of default has been taken from a credit rating organisation used by the City Council. As a consequence of the high credit rating criteria maintained by the City Council, no adjustment has been deemed necessary to reflect current market conditions.

Provision for debtor default is provided for through impairment of the principal sum (a bad debt provision), based on local experience.

	Amount at 31 March 2009 £m	Historical Experience of Default %	Adj for market conditions 31 Mar '09 %	Estimated maximum exposure to default £m
Counterparties				
AAA rated	31.250	0.000%	0.000%	0.000
AA rated	55.000	0.060%	0.060%	0.033
A rated	43.700	0.650%	0.650%	0.284
BBB rated	8.000	3.110%	3.110%	0.249
Trade debtors	61.924	Local	Local	0.000
Total	**199.874**			**0.566**

Liquidity risk

The City Council has ready access to borrowings from the Money Markets to cover day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions is unlawful). The City Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The City Council manages its liquidity position through the risk management procedures outlined above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures, as required by the Code of Practice.

Refinancing and Maturity Risk

The City Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the City Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The City Council-approved treasury and investment strategies address the main risks and the central treasury team addresses the operational risks within these approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure that sufficient liquidity is available for the City Council's day-to-day cash flow needs, and that the spread of longer term investments provides stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of the principal element of financial liabilities is:

	31 Mar 08 £m	31 Mar 09 £m
Less than 1 year	42.550	43.487
1 to 2 years	15.725	5.671
2 to 5 years	32.677	49.823
5 to 10 years	48.001	3.994
More than 10 years	353.185	384.196
Irredeemable	2.541	2.540
	494.679	**489.711**

All trade and other creditors are payable in less than one year and are not shown in the above table.

The maturity analysis of the principal element of loans and receivables is shown below. The Icelandic bank deposits have been expressed based on the current forecast of recovery percentages and dates – see note 31.

	31 Mar 08 £m	31 Mar 09 £m
Less than 1 year	154.000	156.177
1 to 2 years	9.000	6.304
2 to 5 years	0.000	6.148
More than 3 years	10.000	5.251
	173.000	**173.880**

Trade debtors are payable in less than one year and are not shown in the above table.

Market risk

Interest rate risk - the City Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the City Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. Market and forecast interest rates are monitored within the year, to adjust exposures appropriately.

At 31 March 2009, neither the City Council's debt nor investment portfolio contained any variable rate debt. Therefore, a movement in interest rates, either higher or lower, would have no financial impact on either the Income and Expenditure account or the STRGL.

Price risk - the City Council does not generally invest in equity shares but does have shareholdings to the value of £5.009m in a number of joint ventures and in local industry. These holdings are generally illiquid and are shown in the balance sheet at cost. The Council is exposed to losses arising from movements in the value of these holdings. As the holdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead, it maintains "open book" arrangements with the companies concerned so that the Council can monitor factors that might cause a fall in the value of specific holdings.

Foreign exchange risk – the City Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

33. Deferred Credits

Deferred Credits have been reclassified in the Balance Sheet for 2008/09 as Deferred Capital Receipts (derived from mortgages on the sale of council houses) and to the Capital Adjustment Account relating to the City Council's investment in Nottingham City Transport.

34. Provisions

These accounts represent amounts set aside for a specific purpose to meet expenditure in future years.

		2008/09		
	2007/08 £m	Utilised £m	Established £m	31 March 2009 £m
Insurance Fund	(10.000)	5.870		(4.130)
Redundancy Fund	(0.352)	0.352		0.000
Job Evaluation	(11.900)		(5.446)	(17.346)
Total	**(22.252)**	**6.222**	**(5.446)**	**(21.476)**

Insurance Provision

Nottingham City Council maintains an insurance provision to meet the cost of claims arising from self-insured risks and risks which fall below the external policy retention levels.

The major costs met from the provision arise from fire losses, liability claims made against the Council and accidental damage to Council vehicles. In order to limit the Council's exposure to these risks the external fire and liability policies have been arranged with excesses of £0.100m, and £0.050m respectively. To further protect the Council's exposure to significant payments, stop losses are in place, which limit the total value of claims that the Council will have to fund in one policy year; the stop losses for the 2008/9 policy year were £3.12m on the fire policy and £4m on the liability policy. Other costs falling on the provision include self-insured risks.

Contributions to the insurance provision arise from annual charges to Service Areas. These maintain the insurance provision at a sufficient level to meet future claim liabilities, which includes an element of incurred but not reported claims. During 2008/09 the provision was reduced following an independent actuarial review. This position will be kept under review to assess the robustness of the budget and the adequacy of reserves for 2009/10 onwards.

In addition to the known and estimated future liabilities there are also potential liabilities on the fund that have not been included in the fund balance.

Municipal Mutual Insurance (MMI)

A number of outstanding liabilities and IBNR (incurred but not reported) claims currently sit with MMI. The company is in run off. If the company becomes formally insolvent, the Council, as a member of MMI, will be called upon to contribute to claims if the financial results warrants. If the scheme of arrangement is triggered the amount the Council are liable for is the total carried forward claim payments less £50K. This is estimated at £2m.

Pre Fund Exposures

This relates to claims that pre date the coverage provided by the provision. There are some claims that will be submitted dating back to the 1950/1960's and will be high value complex claims where insurers cannot be traced. These claims are rare but should no insurer be traced the costs would have to met from the provision.

Employee Liability (EL) Policy Wording

There is uncertainty concerning the definition of 'incident date' for EL claims which has yet to be decided by the Courts. The current interpretation of 'incident date' is the date of exposure to the injuring substance, which in the case of asbestos claims is 1950 onwards. Historic insurers such as MMI are liable for the costs of these claims. MMI are challenging this interpretation, arguing the policy wording meaning of 'incident date' is the date of injury occurring and not exposure date. If there is a change to the definition to date of injury occurring the claims would then fall on later insurers. The Council carry a £0.050m excess per claim post 1992 and the first £0.050m of each claim would have to be met from the provision.

Nottinghamshire County Council Fund

At the time of unitary status the County Council's insurance fund was 'closed'. All claims relating to services previously delivered by the County which occurred before 1 April 1998 are administered by the County and paid from the closed fund. In the event the fund becomes exhausted the City Council's share of the deficit will be 23%. At 31 March 2009, Nottinghamshire County Council was predicting a surplus of £0.047m Nottingham City Council's share of this deficit would be £0.011m.

Job Evaluation

This provision is to meet historic Equal Pay liabilities which have been recognised by the Council. It is anticipated that the majority of these payments will be agreed within the 2009/10 financial year; however, some payments may be the subject of Employment Tribunals. In addition the Council has committed to pay compensation to those staff who would have gained under the new proposed arrangements had they been introduced with effect from 1st April 2006. This is the subject of detailed negotiations, however, it is anticipated that this will be paid in 2009/10.

35. Movement on Earmarked Reserves during the year

Summary of Reserves	31 March 2008 £m	Transfers (to)/from Revenue £m	Other Movements £m	31 March 2009 £m
Capital				
Revenue Reserves for Capital	6.949	5.432	(3.983)	8.398
Other Capital Reserves	0.275	0.030	(0.041)	0.264
Earmarked Reserves - Capital	**7.224**	**5.462**	**(4.024)**	**8.662**
Revenue				
Medium Term Financial Plan 2008/11	3.625	(4.458)	5.401	4.568
Workplace Parking Enquiry	0.195	(0.483)	1.633	1.345
NET City Reserve Fund	3.387	1.126	(4.133)	0.380
NET PFI Grant Joint Fund	6.923	1.164	(4.375)	3.712
Job Evaluation - Equal Pay	4.069	(2.190)	0.000	1.879
Investment Management Reserve	1.560	3.675	0.000	5.235
Insurance Reserve	0.000	4.744	0.000	4.744
Investment reserve	1.007	0.103	(0.232)	0.878
Business Growth Incentive BGI	0.559	1.559	(0.502)	1.616
Area Based Grant/Working Neighbourhood Fund	0.000	2.742	0.000	2.742
Other Earmarked Revenue Reserves	6.993	(0.207)	(1.769)	5.017
Earmarked Reserves - Earmarked	**28.318**	**7.775**	**(3.977)**	**32.116**
Specific				
School Statutory Reserve - Central	5.038	3.751	(0.067)	8.722
School Statutory Reserve - Schools	8.925	(1.502)	0.000	7.423
NHS Local Imp Finance (LIFT)	2.575	0.462	(0.656)	2.381
E-Government/IT Fund	5.332	1.415	(1.079)	5.668
Supporting People	13.374	(2.100)	0.000	11.274
Other Specific Reserves	2.593	0.312	0.216	3.121
Earmarked Reserves - Specific Purposes	**37.837**	**2.338**	**(1.586)**	**38.589**
Total Reserves	**73.379**	**15.575**	**(9.587)**	**79.367**

The purpose of each earmarked reserve (greater than £2m) is listed below:

Earmarked Reserves for Capital £8.662m

Revenue Reserves for Capital Purposes £8.398m

Over the years sums have been appropriated into this reserve to provide funding for capital investment over and above that provided by central government and that which can be met from capital receipts. The balance represents the sum still available and earmarked for future capital investment.

Other Earmarked Reserves £32.116m

2009/10 Medium Term Financial Plan (MTFP) £4.568m
Funds were identified in 2008/09 to support the MTFP in 2009/10 this was approved at Executive Board in February 2009.

Nottingham Express Transit (NET) £3.712m
NET Joint Reserve
This reserve reflects net surplus PFI grant receipts, plus earned interest, reserved to meet future revenue shortfalls in respect of the scheme for the provision of NET Line One, and shows the City Council's 80% share of this fund. Following changes to the profile of PFI grant payments from Central Government, and a delay to the start of availability payments to the concessionaire, it is now considered that a significant proportion of the accrued balance to date will not be needed for NET Line One and is available for other purposes. In February 2007, Executive Board approved the use of surplus NET Line One monies to meet the ongoing development costs of NET Phase 2

Investment Management Reserve £5.235m
The creation of an Investment Management Reserve was formally approved by the Executive Board on 21 June 2005. The reserve was created, with the aim of providing a fund in anticipation of future volatility in revenue charges arising in the Financing Transactions budget, the revenue surplus (£3.735m) of financing transactions in the year has been transferred to the reserve at year end.

Insurance Reserve £4.744m
The reserve has been replenished in the year to reflect the potential future liabilities in relation to insurance claims.

Working Neighbourhood Fund (WNF) £2.742m
One Nottingham have approved their programme of schemes for 2009/10 and 2010/11. This reserve has been established to hold these funds until required.

Funds only available for specific purposes £38.589m

Schools' Statutory Reserve – Other £8.722m
This represents unspent school balances; these funds have not been delegated to schools but remain under the control of the Local Authority. Part of the reserve is used to finance a school loan scheme, whereby schools are advanced funding and then repay this over a maximum period of three years.

Schools' Statutory Reserve – Schools £7.423m
This represents unspent school balances; these are funds that have been delegated to schools but have not yet been spent. As part of the City's Fair Funding Scheme schools are allowed to carry forward unspent balances from one financial year to the next. Equally, any deficit balances are deducted from the following year's school budget share letter. The £7.423m total schools balance is made up of £9.380m surpluses and £1.957m deficits.

	31 March 2008 £m	Movement £m	31 March 2009 £m
Primary Schools	5.701	(0.637)	5.064
Secondary Schools	2.820	(0.820)	2.000
Special Schools	0.295	0.131	0.426
Nursery Schools	0.109	(0.176)	(0.067)
Schools Statutory Reserve-Schools	**8.925**	**(1.502)**	**7.423**

NHS Local Improvement Finance Trust (LIFT) £2.381m

LIFT is a public-private partnership initiative that is sponsored by the Department of Health. Its principal aim is to replace old and inadequate buildings with new health-related facilities.

The City Council has procured two new Joint Service Centres at Clifton and Hyson Green using the LIFT vehicle. Under this arrangement, which is supported by PFI Credits issued by Communities and Local Government (CLG), the City Council enters into a Lease Plus agreement with the LIFT Company for a 25-year period.

As part of the accounting arrangements for the schemes, a ‘fund’ is established into which PFI grant and required contributions from service departments will be paid in order to provide certainty as to the annual City Council contributions that will be required for the duration of the contract.

IT Development/E Government Fund £5.668m

A major programme of computer hardware and software upgrades was implemented during the late 1990s and early 2000s. These included the introduction of One World, Acorn, etc. Part of the overall funding programme for all the proposals identified revenue savings. To ensure these “revenue” savings were achieved, the relevant budgets were reduced and equivalent sums appropriated directly to the IT Development Fund. These sums continue and provide a reserve for continuing development in the IT hardware and software of the authority.

Supporting people £11.274m

The Supporting People Programme Grant received in 2008/09 was £24.745m. Payments made were £26.845m. The balance of £2.1m has been transferred from the Supporting People Programme Grant Reserve. The reserve has been built up over several years where grant received was in excess of the payments made.

Movement on Other Reserves during the year

	31 March 2008 £m	(To)/from Revenue £m	Other Movements £m	31 March 2009 £m
Capital Adjustment Account	1,523.088	(263.882)	53.791	1,312.997
Useable Capital Receipts	1.711	6.422	(8.105)	0.028
Deferred Capital Receipts	0.000	2.630	0.474	3.104
Financial Adjustment Account	(13.263)	(3.987)	0.000	(17.250)
Revaluation Reserve	267.421	(1.805)	(76.850)	188.766
Pensions Reserve	(449.200)	(22.859)	60.567	(411.492)
Housing Revenue Account	4.382	(1.178)	0.000	3.204
Funds & Balances	73.379	15.575	(9.587)	79.367
General Fund	10.304	1.070	0.000	11.374
	1,417.822	**(268.014)**	**20.290**	**1,170.098**

The purpose of each reserve is listed below:

Capital Adjustment Account

This account represents the amalgamation of accumulated fixed asset revaluation gains up to 31 March 2007 with the balance arising from setting aside resources to finance capital expenditure. This balance is reduced by the write down of the historical cost of fixed assets as they are consumed by depreciation or impairments or written off on disposal.

Useable Capital Receipts

This account holds capital receipts from the sale of fixed assets including the net receipts from the sale of council houses. The receipts are used to finance capital expenditure.

Deferred Capital Receipts

Balances represents future receipts due from long-term debtors, such as council house mortgages and loans to third parties, when the cash is received from the debtor the receipt is transferred to the Useable capital receipts reserve

Financial Instrument Adjustment Account (FIAA)

In response to the changes in accounting policies for 2007/08 for financial instruments, the DCLG introduced statutory regulations to ensure that there was no disproportionate impact on levels of Council Tax from these changes. These regulations affect the rate at which premiums and discounts arising on repaid borrowing are amortised to the General Fund Reserve and the rate at which interest is charged to the General Fund Reserve in respect of some loans.

Statutory regulations allow premiums to be amortised to revenue over the lifetime of either the repaid loan or any replacement loan, whichever is the greater. Discounts must be amortised over the lesser of the remaining lifetime of the repaid loan and 10 years.

In accordance with proper accounting practice, the impairment loss of £8.277m relating to the Icelandic Bank investments has been recognised in the Income and Expenditure Account in 2008/09.

The Authority has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund, and a sum of £8.277m has been transferred to the Financial Instruments Adjustment Account.

The FIAA reflects the cumulative difference between the amounts chargeable to the Income and Expenditure account under UK GAAP and the amount chargeable to the General Fund Reserve under the above statutory requirements.

Revaluation Reserve

This reserve records the accumulated gains on the fixed assets held by the authority arising from increases in value as a result of inflation or other factors. Introduced into the Statement of Accounts with a zero balance in 2007/08, the closing balance on the Revaluation Reserve at 31 March 2009 only shows revaluation gains accumulated since 1 April 2007

Pensions Reserve

The cost of retirement benefits is recognised in the Income and Expenditure Account when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge required against Council Tax is based upon the cash payable in the year. This mismatch is represented by an appropriation to or from the pensions reserve. The balance of the reserve is an estimate of the value of pension liabilities and the net change in the reserve during the year equates to the net change in the pensions liability recognised in the Income and Expenditure Account.

Housing Revenue Account and Major Repairs Reserve

Further details available within the Housing Revenue Account section.

Funds & Balances

Please refer to the earmarked reserves note

General Fund Balance

The General Fund is the main fund of the Council to which all revenue receipts are credited and from which all revenue liabilities are discharged; all such transactions are recorded in the City Council's Income and Expenditure Account. The increase of £1.070m in the General Fund during 2008/09 (decrease £4.447m 2007/08) represents the surplus/ (deficit) on the Income and Expenditure Account and the movement on the Statement of Movement on the General Fund Balance.

36. Contingent Liabilities and Post Balance Sheet Events

Employment Tribunal Cases

There are a small number of Employment Tribunal cases outstanding together with the potential costs arising from the cases. Due to the stage that the cases are at, it is very difficult to make an accurate cost analysis.

Pension deficit Nottingham City Council and Nottingham City Homes

During 2006/7 Supporting People floating support services were re-tendered and as a result the contracts for a number of services delivered by Nottingham City Homes were awarded to new service providers. The issue of pension provision for the transferring employees has become a significant issue delaying the transfer to the new contracts. The Actuary's assessment that was undertaken as part of this has highlighted a deficit relating to the pension fund for the transferring NCH employees in the region of £0.093m.

Planning Application Appeal -Waste Recycling Group

A planning application to extend the incinerator (3rd line) was declined. This decision was appealed against by Waste Recycling Group (WRG) and the appeal was successful. There will be extensive negotiation over what the City should pay based on the Secretary of States decision. These negotiations will involve independent cost arbitrators so the process once the claim is submitted will take a while to resolve.

Insurance Claims

In 1992-1993, one of the Council's insurers, Municipal Mutual Insurance (MMI), ceased accepting new business. Whilst insurers have continued to meet run off claims in full, all claims settled after 1 October 1992 have been paid under the Scheme of Arrangement which provides for a claw back of payments if MMI's assets are inadequate to meet all these liabilities. The final position will remain uncertain until all outstanding claims have been concluded by MMI.

Robin Hood Centre

The Council has been formally advised that the charitable company operating the centre on Maid Marion Way Nottingham closed and went into voluntary liquidation on the 6 February 2009. We have not had notification from the liquidators as to the potential return of the Councils £0.100m investment.

37. Date of Issue

The Statement of Accounts was authorised for issue in {date to be inserted}, by Carole Mills-Evans, Deputy Chief Executive and Director of Resources.

38. Trust Funds

The City Council acts as sole trustee for the following trust funds. The funds do not represent assets of the Council, and they have not been included in the Balance Sheet.

	2008/09				
Trust Fund	**Gross Income £m**	**Gross Expenditure £m**	**Net Expenditure £m**	**Assets £m**	**Liabilities £m**
Bridge Estate	(2.098)	0.482	(1.616)	30.259	(0.409)
Education Trust Funds	(0.003)	0.000	(0.003)	0.074	0.000
Harvey Hadden Stadium	(0.018)	0.187	0.169	0.002	(0.002)
Highfields Leisure Park Trust	(0.136)	0.282	0.146	0.896	(0.007)
Childrens Trust Funds	(0.041)	0.125	0.084	0.064	(0.064)
Derby Road British School Exhibition Fund	(0.017)	0.000	(0.017)	0.090	(0.002)

Bridge Estate
Please refer to the information contained in the group accounts

Education Trust Funds
Transferred from Nottinghamshire County Council and currently administered by the Education Department (Student Awards Section).

Harvey Hadden Stadium
On 18 July 1955 the court made a scheme and order for an athletics stadium to be erected out of the bequest of Harvey Hadden. Under the terms of the scheme the Council was stated to be the owner of Bilborough Park and used its statutory powers to set aside part of the land for use as a stadium. Construction of the stadium began in 1955 with completion in 1960/61. The entire legacy of Harvey Hadden funded part of the cost of construction. Therefore, it follows that the land on which the stadium is built is subject to the Council's obligation to make it available for the use of the stadium charity.

Under the court order there is a requirement for "the Corporation" – now Nottingham City Council – to maintain the stadium built with those funds, "under the name of Harvey Hadden Stadium in good order and condition in perpetuity for the purposes of public recreation".

The objective of the Trust is to provide public recreation for the people of the City of Nottingham forever.

Highfields Leisure Park Trust

The Highfields Leisure Park Trust was created by indenture in 1920 as a gift from Sir Jesse Boot, founder of Boots the Chemist. The land conveyed to the Council was, for the most part, laid out as a park. The land lies to the south of the University and to the north of the railway. It is divided along the east-west axis by University Boulevard.

To the north of University Boulevard is a large boating lake with lakeside walks, formal gardens and fine turf sports facilities including putting, bowls and croquet greens. Plantations of rhododendrons and mature trees provide a unique natural backdrop to enhance the park setting.

To the south of University Boulevard are playing fields, for winter and summer outdoor sports, running track and tennis courts together with an indoor tennis centre.

The objective of the Trust is to provide public recreation and pleasure grounds for the people of the City of Nottingham forever.

Children's Trust Funds

These are balances held on behalf of children who are in the care of the Authority. The Authority administer the funds on behalf of the children, funds are released to cover special item requests while in care and when the child comes of age.

Derby Road British School Exhibition

This fund was established for the purpose of providing financial assistance to children and young people who are residents of the City of Nottingham and under the age of 21; for promoting their education, including social and physical training.

39. Stock and Work in Progress

	31 March 2008 £m	31 March 2009 £m
Community & Culture - Leisure Management	0.064	0.048
Community & Culture - Libraries	0.003	0.004
Community & Culture - Museums	0.120	0.131
Community & Culture - Woodthorpe Grange	0.000	0.039
Environment & Regeneration - Garage	0.020	0.010
Environment & Regeneration - Highways	0.065	0.095
Environment & Regeneration - Stores	0.249	0.189
Environment & Regeneration - Street Scene	0.039	0.000
Environment & Regeneration - Woodfield Industri	0.171	0.235
Royal Centre	0.013	0.022
Community & Culture - Bereavement Services	0.009	0.029
Performance & Stratergy - Design & Print	0.022	0.023
Resources - 25 Year Gift Vouchers	0.005	0.003
	0.780	**0.828**

40. Analysis of Debtors, Bad Debt Provision and Creditors

Debtors

	Debtor 31 March 2008 £m	Bad Debt Provision 31 March 2008 £m	Debtor 31 March 2009 £m	Bad Debt Provision 31 March 2009 £m
Adult Residential Services	0.181	0.000	1.659	(0.651)
Commercial Rents	2.698	(0.716)	2.494	(0.672)
Council Tax	21.393	(13.016)	23.317	(14.452)
Enviroenergy	9.110	(7.158)	10.547	(8.651)
Government Departments	8.405	0.000	14.036	0.000
Housing Benefits	3.589	(2.884)	5.742	(3.938)
Housing Rents	7.882	(5.505)	7.262	(5.255)
HM Revenue & Customs	5.526	0.000	5.265	0.000
National Non-Domestic Rates	6.375	(4.084)	9.012	(5.001)
Nottingham City Homes	7.130	(0.020)	6.939	0.000
On-Street Parking	0.860	(0.497)	0.825	(0.490)
Other Local Authorities	9.194	0.000	6.829	0.000
Payments in Advance	3.736	0.000	3.909	0.000
Poll Tax	4.681	(4.205)	4.680	(4.680)
Other Sundry Debtors	19.453	(2.704)	17.801	(1.551)
	110.213	(40.789)	120.317	(45.341)
Debtors		**69.424**		**74.976**

Creditors	31 March 2008 £m	31 March 2009 £m
Government Departments	(16.264)	(9.275)
Other Local Authorities	(6.947)	(11.655)
Inland Revenue	(6.677)	(6.440)
Nottingham City Homes	(8.189)	(9.444)
Receipts in Advance	(5.500)	(25.206)
Other Sundry Creditors	(90.580)	(61.820)
	(134.157)	**(123.840)**

The receipts in advance figure is understated in 2007/08 by £5.750m, which has been corrected in 2008/09. The corresponding overstatement was included within debtors 2007/08.

41. Defined Benefit Pensions Schemes – the requirements of FRS17

Financial Reporting Standard 17 (FRS17) Accounting for Retirement Benefits is based on the principle that the operating costs of providing retirement benefits should be accounted for at the time the Authority is committed to give them even if the actual giving will be many years into the future. FRS17 also requires that related finance costs be recognised in the period in which they arise. The implementation of FRS17 has a nil impact on the Council Tax.

Change of Accounting Policy

Under the 2008 SORP, the Council has adopted the amendment to FRS17 Retirement Benefits. As a result, quoted securities held as assets in the defined pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated from £601.566m to £595.550m, a decrease of £6.016m, resulting in an increase of the pension deficit of £6.016m.

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance.

The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year.

	Local Government Pension Scheme £m		Teachers Pension Scheme £m	
Income and Expenditure Account	**2007/08 As restated**	**2008/09**	**2007/08 As restated**	**2008/09**
Net Cost of Services				
current service cost	25.012	21.807		
past service cost	8.254	6.723	1.080	2.143
Net Operating Expenditure				
interest cost	47.544	62.547	1.276	1.501
expected return on scheme assets	(40.300)	(41.259)		
Net Charge to the Income and Expenditure Account	**40.510**	**49.818**	**2.356**	**3.644**
Statement of Movement on the General Fund Balance				
- reversal of net charges made for retirement benefits in accordance with FRS17	(40.510)	(49.818)	(2.356)	(3.644)
Actual amount charged against the General Fund Balance for pensions in the year:				
employer's contributions payable to scheme	**25.831**	**28.556**	**1.720**	**2.047**

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of (£60.567m) (£130.646m 2007/08) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £112.074m.

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of retiring members will opt to increase their lump sums to the maximum allowed.

Reconciliation of present value of the scheme liabilities

	Funded liabilities: Local Government Pension scheme £m		Unfunded liabilities: Teachers Pension Scheme £m	
	2007/08 As restated	**2008/09**	**2007/08**	**2008/09**
1 April	**(877.232)**	**(1,025.306)**	**(24.497)**	**(25.460)**
Current service cost	(25.012)	(21.807)	0.000	0.000
Interest cost	(47.544)	(62.547)	(1.276)	(1.501)
Unfunded pension payments	1.261	1.274	0.000	0.000
Contributions by scheme participants	(9.332)	(10.244)	0.000	0.000
Actuarial gains and losses	(85.859)	208.415	(0.327)	2.568
Losses (gains) on curtailments	(0.718)	(0.707)	0.000	0.000
Benefits paid	26.666	30.673	1.720	2.047
Past service costs	(7.536)	0.000	(1.080)	(2.143)
31 March	**(1,025.306)**	**(880.249)**	**(25.460)**	**(24.489)**

Reconciliation of fair value of scheme assets:

	Local Government Pension Scheme £m	
	2007/08 As restated	**2008/09**
1 April	**592.474**	**595.550**
Expected return on Scheme Assets	40.300	41.259
Actuarial gains and losses	(44.460)	(150.415)
Employer contributions	25.831	28.556
Contributions by scheme participants	9.332	10.244
Benefits paid	(27.927)	(31.947)
31 March	**595.550**	**493.247**

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

The actual return on scheme assets in the year was (£109.156m) (2007/08 (£7.244m))

Scheme history

The table below shows for the current accounting period and the previous four accounting periods:

- the present value of the scheme liabilities, the fair value of the scheme assets and the surplus or deficit in the scheme:

Present value of liabilities	2004/05*	2005/06*	2006/07 As restated	2007/08 As restated	2008/09
Local Government Pension Scheme	(823.755)	(874.117)	(877.232)	(1,025.306)	(880.249)
Teachers Pension Scheme	(22.153)	(24.563)	(24.497)	(25.460)	(24.489)
Fair value of assets in the Local Government Pension Scheme	496.853	544.964	592.474	595.550	493.247
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(326.902)	(329.153)	(284.758)	(429.756)	(387.003)
Teachers Pension Scheme	(22.153)	(24.563)	(24.497)	(25.460)	(24.489)
Total	**(349.055)**	**(353.716)**	**(309.255)**	**(455.216)**	**(411.492)**

*The Council has elected not to restate fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS 17 (as revised).

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £411.492m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £247.724m.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy.

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- finance is only required to be raised to cover Teachers pensions when the pensions are actually paid.

The projected pension expense for the year to 31 March 2010 is shown below:

Projected Pension Expense for the year to 31 March 2010	£m
Service Cost	14.246
Interest Cost	59.022
Return on Assets	(31.813)
Total	**41.455**
Employer Contributions	27.250

Sensitivity Analysis

The following table sets out the impact of a change in the discount rates on the Total Liabilities and projected service cost with a plus/minus one year age rating adjustment to the mortality assumption.

Sensitivity Analysis	£m	£m	£m
Adjustment to Discount rate	+0.01%	0%	-0.01%
Present Value of Total Liabilities	863.934	880.249	896.931
Projected Service Cost	13.603	14.246	14.906
Adjustment to mortality age rating assumption	+1 year	None	-1 year
Present Value of Total Liabilities	846.597	880.249	914.226
Projected Service Cost	13.350	14.246	15.149

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. Both the Teachers Pension Scheme and the Nottinghamshire County Council Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the Nottinghamshire County Council Fund being based on the results of the latest Triennial Actuarial Valuation of the scheme as at 31 March 2007.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		**Teachers Pension Scheme**	
	2007/08	**2008/09**	**2007/08**	**2008/09**
Long -term expected rate of return on assets in the scheme:				
Equity Investments	7.5%	6.9%	N/A	N/A
Gilts	4.6%	4.0%	N/A	N/A
Bonds	6.1%	6.5%	N/A	N/A
Property	6.5%	6.4%	N/A	N/A
Cash	5.3%	3.0%	N/A	N/A
Mortality assumptions				
Longevity at 65 for current pensioners:				
Men	20.30	20.30	20.30	20.30
Women	24.00	23.91	24.00	23.91
Longevity at 65 for future pensioners:				
Men	21.30	21.22	21.30	21.22
Women	25.00	24.91	25.00	24.91
Rate of inflation	3.6%	3.0%	3.6%	3.0%
Rate of increase in salaries	5.1%	4.5%	5.1%	4.5%
Rate of increase in pensions	3.6%	3.0%	3.6%	3.0%
Rate for discounting scheme liabilities	6.1%	6.7%	6.1%	6.7%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%	50.0%	50.0%

The Teachers Pension Scheme has no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31March 2008 %	31March 2009 %
Equity Investments	62.00	59.30
Bonds	15.20	20.80
Other Assets	22.80	19.90
	100.00	**100.00**

History of experience gains and losses

The actuarial gains indentified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009. (Experience adjustments are changes that have arisen because events have not coincided with actuarial assumptions made at the last scheme valuation).

	2004/05 %	2005/06 %	2006/07 As restated %	2007/08 As restated %	2008/09 %
For the Local Government Scheme					
Differences between the expected and actual return on assets	4.4	12.9	2.1	(7.5)	(30.5)
Experience gains and losses on liabilities	N/A	(2.4)	0.0	(3.6)	0.0

42. Pension Contributions

Teachers

In 2008/09 Nottingham City Council paid £9.517m to the Teachers Pension Agency in respect of teachers pension costs, this represents 14.1% of teachers pensionable pay. The figures for 2007/08 were £9.427m, 14.1% of pensionable pay. In addition, the Council is responsible for all pension payments relating to gratuities and added years it has awarded. In 2008/09 these amounted to £0.689m (£0.596m in 2007/08).

Other Employees

During 2008/09, the employer’s contribution for other employees was £25.834m, representing 16.3% of pensionable payroll (£24.622m representing 15.8% in 2007/08).

The actuarial valuation for the 3 year period commencing 1 April 2008 sets out the following employer pension fund contribution rates for Nottingham City Council:

2008/09	16.3% of pensionable pay
2009/10	16.8% of pensionable pay
2010/11	17.4% of pensionable pay

Nottingham City Council is also responsible for all pension payments relating to discretionary added years benefits it has awarded, together with the related inflation increases. The annual costs are funded by charges to Services. In 2008/09 these amounted to £0.017m (£0.017m in 2007/08).

43. Collection Fund

The deficit balance on the Collection Fund for 2008/09 was £0.083m (£0.335m 2007/08), this has been split within the Balance Sheet as follows:

Balance Sheet Category	Authority	2007/08 £m	2008/09 £m
Earmarked Reserves	Nottingham City Council	0.288	0.071
Debtors	Police	0.033	0.008
Debtors	Fire	0.015	0.004
		0.336	**0.083**

44. Notes to the Cashflow Statement

44.1 Reconciliation between the net surplus or deficit on the Income and Expenditure Account to the revenue activities net cash inflow shown on the Cash Flow Statement.

	2007/08 £m	2008/09 £m
Surplus/(deficit) for the year	(260.846)	(246.944)
Non Cash Transactions	281.885	271.563
Adjustment for items reported separately on Cashflow		
Interest and Investment Income	(23.699)	(17.416)
Interest payable and similar charges	26.745	37.633
Gain or loss on the disposal of Fixed Assets	0.090	(0.328)
Items on an accrual basis		
(Increase)/Decrease in Stocks	0.122	(0.048)
(Increase)/Decrease in Debtors	4.181	(6.188)
Increase/(Decrease) in Creditors	12.675	(13.915)
Revenue Activities Net Cash Inflow:	**41.153**	**24.357**

44.2 Analysis of Net Debt

	Cash £m	Short Term Deposits £m	Short Term Investments £m	Loans due < one year £m	Loans due > one year £m	Deferred Liabilities £m	Net Debt £m
Balance at 1 April 2007	1.161	171.440	0.000	(33.956)	(426.959)	(0.613)	**(288.927)**
Other Cashflows in year	9.657	(17.440)	0.000	(4.267)	(29.499)	0.378	**(41.171)**
Other Non Cash changes	0.000	0.000	2.997	(5.705)	0.000	0.000	**(2.708)**
Balance at 31 March 2008	**10.818**	**154.000**	**2.997**	**(43.928)**	**(456.458)**	**(0.235)**	**(332.806)**
Balance at 1 April 2008	10.818	154.000	2.997	(43.928)	(456.458)	(0.235)	**(332.806)**
Receipt/payment of interest accrued	0.000	0.000	(2.997)	4.685	0.000	0.000	**1.688**
Other Cashflows in year	3.806	20.550	0.000	(1.250)	6.218	0.220	**29.544**
Other Non Cash changes	0.000	0.000	1.703	(4.786)	0.057	0.000	**(3.026)**
Balance at 31 March 2009	**14.624**	**174.550**	**1.703**	**(45.279)**	**(450.183)**	**(0.015)**	**(304.600)**

44.3 Reconciliation of changes in cash to movement in net debt

	2007/08		2008/09	
	£m	£m	£m	£m
Increase/(Decrease) in cash in year		**9.657**		**3.806**
Cash inflow/(Outflow) from management of liquid resources		**(17.440)**		**17.553**
Cash inflow from:				
New Loans raised		(252.888)		(5.435)
Cash outflow from:				
Loans repaid	219.122		10.403	
Payment of interest accrued at last balance sheet date	0.000		4.685	
Deferred liabilities repaid	0.378	219.500	0.220	15.308
Change in net debt resulting from cash flows		**(41.171)**		**31.232**
Other Non Cash changes:				
Adjustments following re-measurement of Loans	0.000		0.057	
Interest accrued at year end on Short Term Investments	2.997		5.929	
Transfer to/from Long Term Investments	0.000		5.282	
Adjustments to fair value and impairments of Short Term Investments	0.000		(9.508)	
Interest accrued at year end on loans and finance leases carried at nominal value	(5.705)	**(2.708)**	(4.786)	(3.026)
Net Debt Brought Forward		**(288.927)**		**(332.806)**
Net Debt Carried Forward		**(332.806)**		**(304.600)**

44.5 Analysis of changes in cash and liquid resources during the year

	2006/2007 £m	2007/2008 £m	Movement 2007/08 £m	2008/2009 £m	Movement 2008/09 £m
Short Term Investments	0.000	2.997	2.997	1.703	(1.294)
Short Term Deposits	171.440	154.000	(17.440)	174.550	20.550
Cash	13.222	16.540	3.318	21.802	5.262
Bank Overdraft	(12.061)	(5.722)	6.339	(7.178)	(1.456)
Increase/(Decrease) in year	172.601	167.815	(4.786)	190.877	23.062

44.6 Analysis of Government Grants shown in the Cash Flow Statement

Details of grants over £10m are shown within Note 16 – Related Parties.

Supplementary Financial Statements and Notes

Housing Revenue Account

The City Council is required by the provisions of the Local Government and Housing Act 1989 to maintain a separate Housing Revenue Account (HRA). The purpose of this account is to report transactions relating to dwellings available to provide accommodation and other properties ancillary to the housing function.

Resource Accounting in the HRA

In 2001/02, the Government introduced a new financial framework for local authority housing based on resource accounting. The purpose behind resource accounting is to increase the transparency of financial reporting, particularly with regard to the use of resources. The HRA's primary capital resource is its housing stock. A depreciation charge is included in the accounts to reflect the cost of maintaining its capital value.

The Major Repairs Allowance

The introduction of the new financial framework changed the way in which capital expenditure on housing assets was financed. A Major Repairs Allowance (MRA) has now largely displaced borrowing approvals. The MRA is an element of housing subsidy and represents an annual amount deemed equivalent to the cost of maintaining the housing stock in its current condition. The allowance is calculated by the Government using a range of national and regional cost factors applied to the City's stock profile. This calculated allowance is intended to reflect the annual cost to the authority of replacing individual building components as they reach the end of their useful life.

Arms Length Management Fee

On 1 April 2005, an Arms Length Management Organisation, Nottingham City Homes, was created to manage the housing stock. In 2008/09, a £34.709m (£34.375m in 2007/08) management fee was paid to Nottingham City Homes Ltd (NCH Ltd). The management fee has been allocated across the various activities within the HRA, based on the original contractual split and any subsequent agreed amendments to the fee.

Housing Revenue Account Income and Expenditure Account

	2007/08 £m	2008/09 £m
Income		
Gross Rental Income		
Dwelling Rents	(82.599)	(85.800)
Non Dwelling Rents	(1.606)	(1.562)
Charges for Services and Facilities	(0.711)	(0.393)
HRA Subsidy Receivable	(8.488)	(4.220)
Contributions towards expenditure	(0.096)	(0.240)
Total Income	**(93.500)**	**(92.215)**
Expenditure		
Repairs and Maintenance	28.979	30.042
Supervision and Management	27.933	28.197
Rents, rates, taxes and other charges	1.981	2.128
Increased Provision for Bad or Doubtful Debts	1.010	0.634
Depreciation and impairment of fixed assets	169.358	171.870
Debt Management Costs	0.168	0.095
Total Expenditure	**229.429**	**232.966**
Net Cost of Housing Revenue Account Services	**135.929**	**140.751**
HRA services share of Corporate and Democratic Core	0.112	0.041
Net Cost of Services	**136.041**	**140.792**
(Gain) on sale of HRA fixed assets	(0.015)	(0.819)
Interest payable and similar charges	12.787	12.953
Amortisation of premiums and discounts	(0.009)	0.000
Interest and Investment Income	(0.131)	(0.031)
Deficit for the year on HRA Services	**148.673**	**152.895**

Statement of Movement on the Housing Revenue Account Balance

	2007/08 £m	2008/09 £m
Deficit for year on the HRA Income and Expenditure Account	148.673	152.895
Net additional amount required by statute to be (credited) to the HRA balance for the year	(147.423)	(151.717)
Decrease in the HRA Balance	**1.250**	**1.178**
Housing Revenue Account Balance Brought Forward	(5.632)	(4.382)
Housing Revenue Account Balance Carried Forward	**(4.382)**	**(3.204)**

Note to the Statement of Movement on the HRA Balance

	2007/08 £m	2008/09 £m
Items included in the Housing Revenue Account Income and Expenditure Account but excluded from the movement on the HRA Balance for the year		
Difference between amounts charged to income and expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute.	2.395	1.841
Difference between any other items of income and expenditure determined in accordance with the SORP and determined in accordance with the statutory HRA	(153.786)	(152.839)
Gain or (loss) on sale of HRA Fixed Assets	0.015	0.819
Items not included in the Housing Revenue Account Income and Expenditure Account but included in the movement on the HRA Balance for the year		
Transfer to/from Major Repairs Reserve	1.105	(2.160)
Voluntary set aside for repayment of debt	0.398	0.622
Capital expenditure funded by the HRA	2.450	0.000
Net additional amount required by statute to be debited or (credited) to the Housing Account Balance for the year	**(147.423)**	**(151.717)**

Notes to the Housing Revenue Account

1. Housing Stock

The City Council was responsible for managing the following housing stock:

	31 March 2008 Number	31 March 2009 Number
House and Bungalows		
- 1 Bedroom	1,012	1,011
- 2 Bedroom	5,928	5,909
- 3 Bedroom	11,007	10,956
- 4 or more Bedrooms	597	597
Flats		
- 1 Bedroom	6,983	6,930
- 2 Bedrooms	3,243	3,205
- 3 or more Bedrooms	323	322
Total	**29,093**	**28,930**

2. Valuation of Housing Assets

The value of land, houses and other property within the HRA in 2008/09 were as follows:

	Value at 31 March 2008 £m	Value at 31 March 2009 £m
Operational Assets		
Council Dwellings	1120.476	906.528
Other Land and Buildings		
Land	0.492	0.503
Buildings	0.899	0.889
Vehicles, IT and Other Equipment	1.111	0.762
Infrastructure	18.369	20.516
	1141.347	**929.198**
Non-operational Assets		
Land	4.888	4.621
Buildings	9.386	9.234
	14.274	**13.855**
Total value of Assets	**1155.621**	**943.053**

3. Asset Value of Dwellings

The vacant possession valuation of Council dwellings at 31 March 2009 was £1,813.06m. The Balance Sheet value of dwellings was £906.53m. The difference of £906.53m reflects the fact that social housing rents generate a lower income stream than could be obtained in the open market. Operational assets in a commercial environment are required to earn a rate of return. The value placed on such assets will reflect the required economic rate of return in relation to the income streams that the assets might be expected to generate throughout their economic life. To the extent that income streams are constrained to serve a wider social purpose, the value of capital assets employed for this purpose will be reduced.

Council dwellings have been re-valued in 2008/09 based on a desk top review of beacon properties by Chartered Surveyors Herbert Button & Partners and Freeman & Mitchell.

4. The Major Repairs Reserve

The purpose of this reserve is to earmark funding to provide for the long-term maintenance of the housing stock. Movements on the reserve in 2008/09 were as follows:

	2007/08 £m	2008/09 £m
Balance Brought Forward	(2.500)	0.000
Credits to the Reserve		
Depreciation on HRA Assets	(15.571)	(19.004)
Appropriation from HRA	(1.105)	0.000
	(19.176)	(19.004)
Debits to the Reserve		
Capital Expenditure	19.176	16.844
Appropriation to HRA	0.000	2.160
Balance Carried Forward	**0.000**	**0.000**

5. Summary of Capital Expenditure

Capital expenditure of £30.379m (£35.896m in 2007/08) in respect of HRA Assets was financed from a range of sources in 2008/09. This is set out below:

	2007/08 £m	2008/09 £m
Capital Expenditure	35.896	30.379
Financed by:		
Borrowing	10.069	12.277
Capital Receipts	4.193	0.000
Revenue Contributions	2.450	0.000
Major Repairs Allowance (MRA)	19.176	16.844
Other Grants and Contributions	0.008	1.258
	35.896	30.379

6. Summary of Capital Receipts

Capital receipts of £4.970m (£16.31m in 2007/08) arose from the sale of land, houses and other property within the HRA in 2008/09. Of this total, £4.598m (£15.698m in 2007/08) related to the disposal of houses and flats under the right to buy scheme.

7. Depreciation

Depreciation was charged in respect of HRA operational assets in 2008/09 as follows:

	2007/08 £m	2008/09 £m
Depreciation		
Dwellings	14.433	17.849
Other Operational HRA Assets	1.138	1.155
	15.571	**19.004**

8. Impairment

Impairment costs of £153.112m (£153.786m in 2007/08) have been charged in 2008/09.

£137.365m (£143.652m in 2007/08) is in respect of revaluation losses arising as a result of the revaluation of housing dwellings undertaken in 2008/09. There are no revaluation gains accumulated on the revaluation reserve to offset losses against. The losses are debited to the Housing Revenue Account Income and Expenditure Account. This is accordance with the Statement of Recommended Practice.

£16.093m (£10.032m in 2007/08) relates to capital expenditure that has been incurred which has not increased the value of assets.

There is an impairment reversal of £345,550 in respect of impairment costs charged in previous years in relation to properties that have been fire damaged. (In 2007/08 there was an impairment cost of £405,550 in respect of fire damaged properties.)

The impairment costs are reversed out in the Statement of Movement on the HRA balance, so there is no impact on rent levels.

9. Housing Subsidy

The Housing Revenue Account records the receipt of £4.220m (£8.488m 2007/08) in Housing Subsidy in 2008/09. This is an estimate, the amount claimed being subject to audit. The subsidy elements are generally based on notional items, which differ from the credit and debit items that are posted to the actual Housing Revenue Account. These are broken down as follows:

	2007/08 £m	2008/09 £m
Subsidy elements:		
Charges for Capital	17.148	17.051
Interest on Receipts	(0.053)	(0.044)
Maintenance Allowance	32.909	33.126
Major Repairs Allowance	16.676	16.844
Management Allowance	20.032	20.106
Rent Constraint Allowance	2.376	0.046
Rent	(80.600)	(82.909)
Total Subsidy	**8.488**	**4.220**

Housing Subsidy is based on a series of allowances paid to the Council by the Government. Allowances for management and maintenance are based on the audited number of dwellings held by the Council. A Major Repairs Allowance (MRA) is also based on the City's stock profile and is intended to reflect the cost of maintaining the housing stock in its existing condition. The MRA is transferred to the Major Repairs Reserve (see note 4).

A further allowance is paid to subsidise the cost of capital charges. It is based on the amount of debt deemed to be eligible for subsidy multiplied by a Consolidated Rate of Interest (CRI).

These allowances are offset by a deduction to reflect rent income received. This is based on the number of dwellings held multiplied by a specified guideline rent.

A new component of Subsidy, the Rental Constraint Allowance, was introduced in 2006/07 and 2007/08 to compensate Councils in circumstances where their rent increase was restricted to the national maximum of 5%.

10. Rent Arrears and Bad Debt Provision

Gross rent arrears (including service charges and overpaid housing benefit) in respect of current and former tenants amounted to £6.077m at 31 March 2009 (£6.664m at 31 March 2008). A total bad debt provision of £5.534m has been established at 31 March 2009 (£5.784m at 31 March 2008).

11. Average Rent for HRA Dwellings

Year	Average Rent (£)
2004/05	45.83
2005/06	48.07
2006/07	50.68
2007/08	52.94
2008/09	56.04

The average rent figures have been calculated on a 50-week basis and exclude service charges.

Collection Fund

This account shows the income received from Council Tax payers, Community Charge payers and Business Rate payers.

	Note	2007/08 £m	2008/09 £m
INCOME			
Income from Council Tax	**1**	(81.533)	(84.611)
Transfers from General Fund			
Council Tax Benefit	**3**	(25.349)	(27.428)
Income collectable from business ratepayers	**4**	(114.518)	(124.932)
Release of excess Bad Debt Provision on Poll Tax		(0.002)	(0.001)
Contribution towards previous years' deficit	**2**	0.000	0.000
TOTAL INCOME		**(221.402)**	**(236.972)**
EXPENDITURE			
Precepts- Police Authority		10.281	10.883
- Fire Authority		4.706	4.890
- City Council General Fund		90.056	93.577
Business Rates			
Payment to national pool	**4**	112.559	122.822
Cost of collection	**4**	0.501	0.500
Amounts written off and provision for losses	**4**	1.230	1.337
Interest on refunds	**4**	0.228	0.273
Council Tax			
Amounts written off and provision for losses		2.111	2.436
Residual Poll Tax Payment to General Fund		0.002	0.001
TOTAL EXPENDITURE		**221.674**	**236.719**
Movement on the Collection Fund Balance		0.272	(0.253)
(Surplus)/Deficit Brought Forward from previous year		0.064	0.336
(SURPLUS)/DEFICIT CARRIED FORWARD		**0.336**	**0.083**

Notes to the Collection Fund

1. Council Tax

Source	2007/08 £m	2008/09 £m
Gross Income	(136.383)	(142.340)
LESS:		
Exemptions	14.248	14.872
Disabled Relief	0.112	0.112
Discounts	15.141	15.317
INCOME FROM TAXBASE	(106.882)	(112.039)
LESS:		
Council Tax Benefit	25.349	27.428
Council Tax Income from Taxpayers	**(81.533)**	**(84.611)**

The income generated from the tax base is primarily dependent on the number of properties and the Council Tax valuation bands into which they fall. The tax base is normally expressed in terms of Band D equivalent dwellings and, at 31st March 2009, equated to 77,239.1 Band D dwellings (76,636.3 2007/08). An analysis of the tax base is shown below and reveals that the vast majority of properties in the City fall into Bands A, B and C. This is based on a snapshot of the number of properties at a particular date and will not tie up exactly to the income from tax base figure below.

Band	Average Number of Properties	Taxable Properties after discounts, exemptions etc.	Conversion Factor to Band D	Band D Equivalents
A	84,534	67,076	6/9	44,697
B	20,972	16,072	7/9	12,500
C	14,797	11,456	8/9	10,183
D	6,372	5,107	9/9	5,107
E	2,276	1,931	11/9	2,360
F	971	868	13/9	1,253
G	683	609	15/9	1,015
H	110	62	18/9	125

The original estimate of the number of Band D equivalents multiplied by the Band D tax for the year gives the amount payable to the Police, Fire and City Council from the Collection Fund:

	2007/08	2008/09
Band D Equivalents	74,080	74,733
Band D Tax	£1,417.97	£1,463.21
	£m	**£m**
Amount payable to Police, Fire and the City	105.043	109.350

2. Deficit on Council Tax Element of the Collection Fund

There was a budgeted nil deficit in 2007/08 (Nil 2006/07) on the Council Tax element of the Collection Fund.

3. General Fund

The General Fund Reimburses the Collection Fund in respect of income not collectable due to the granting of Council Tax benefit. The General Fund is then substantially reimbursed from Government grant.

	2007/08 £m	2008/09 £m
Council Tax Benefit reimbursed	(25.349)	(27.428)

4. National Non-Domestic Rates

The Council collects Non-Domestic Rates for its area, based on local rateable values multiplied by a uniform rate. The District Valuer and the Government determine these factors respectively.

Non-Domestic Rate Transactions	**2007/08 £m**	**2008/09 £m**
Amount due based on Rateable Values	(122.960)	(134.414)
Transitional Relief		
Gainers	0.449	(0.155)
Losers	(1.349)	(0.315)
	(123.860)	(134.884)
Less		
Mandatory Relief	7.634	8.010
Discretionary Relief	0.314	0.369
Small Business Relief	1.394	1.573
	(114.518)	**(124.932)**

The income was applied as follows:

Application of Non Domestic Rate Income	**2007/08 £m**	**2008/09 £m**
Towards City's Costs of Collection	0.501	0.500
Amounts written off and provision for losses	1.230	1.337
Interest paid on refunds	0.228	0.273
Paid to national pool	112.559	122.822
	114.518	**124.932**

As shown above, the great majority of this income is paid to a national pool managed by the Government. All local authorities receive a distribution from the pool based on a standard amount per head of resident population and on the range of services they provide. In 2008/09 the City received £141.465m (£125.070m in 2007/08) and these amounts are shown in the Income and Expenditure Account.

Relevant statistics are as follows:

Non Domestic Rate Statistics	**2007/08**	**2008/09**
Average Number of properties rated	10,372	10,397
Rateable value at 31 March	£310,611,906	£312,024,316
Uniform rate per **£** rateable value:	44.1p	45.8p
Supplement for properties not in receipt of Small Business Relief	0.3p	0.4p

Group Financial Statements and Notes

1. Introduction

The Accounting Code of Practice requires that where a local authority has material financial interests and a significant level of control over one or more organisations, it should prepare Group Financial Statements. The standard main financial statements consider the Council only as a single entity, therefore the group financial statements provides an overall picture of the Council's financial activities and the resources employed in carrying out those activities as a group. The group accounts contain core financial statements similar to those included in the Council's single entity statements, consolidated with figures for the Council's subsidiaries and an associate.

The following pages include:

- Group Income and Expenditure Account
- Reconciliation of the Single Entity Surplus/Deficit to the Group Surplus/Deficit
- Group Statement of Total Recognised Gains and Losses
- Group Balance Sheet
- Group Cash Flow Statement

Figures shown for 2007/08 within the Group Income and Expenditure Account and the Group Cash Flow Statement have been restated from the published 2007/08 Statement of Accounts in order to present a more accurate Group Accounts for Nottingham City Council.

2. Inclusion within the Group Accounts

The Council maintains relationships with a number of organisations over which it has varying degrees of control or influence. An assessment of all of the Council's joint arrangements has been carried out to determine which of the following categories they fall under:

- Subsidiary – where the Council exercises control and gains benefits/exposures to risks arising from this control. These entities are included in the group.
- Associates – where the Council exercises a significant influence and has a participating interest. Where these are material they have been included in the group.
- Joint Ventures – where the Council exercises joint control with one or more organisations. Where these are material they have been included in the group.
- Simple Investment – where the Council holds an insufficient interest to justify inclusion in the group financial statements. These entities are not included in the group.
- No group relationship – where interest is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group.

For each of the group entities, the group accounts include a share of the operating results, assets and liabilities. Subsidiaries are accounted for on an acquisition basis with inter-group transactions written out. An associate has been accounted for by including the Council's share of their net operating results. For 2008/09 the financial details of these organisations have been consolidated within the Group Accounts where it is considered that those details have a material effect upon those accounts (Harvey Hadden Stadium Trust and Highfields Leisure Park Trust have both been excluded from the Group financial statements in 2008/09 on this basis although they are incorporated within the 2007/08 accounts).

Details of the Council's relationship with each of them are given in Group Accounts Note 1.

The Group Accounts for 2008/09 have been completed using audited accounts from Nottingham Ice Centre, Nottingham City Transport, Enviroenergy, Nottingham City Homes and Connexions, and unaudited accounts from Bridge Estate.

3. Accounting policies used in preparing the Group Financial Statements

The financial statements produced by individual group entities have been realigned in order to ensure consistent accounting policies in the preparation of the Group Statements. The accounting policies followed in the preparation of the Group Financial Statements differ from those applicable to the authority's primary financial statements only in the following respects:

1. Fixed assets held by group entities which are sufficiently specialist in nature not to fall within the scope of the Council's accounting policies are valued in accordance with the accounting policies of the individual entities.

2. Any trust funds which the Council controls and which generate economic benefits or deliver goods or services in accordance with the authority's objectives have been evaluated in terms of their impact on the Group Financial Statements; where this impact has been judged to be material; the trust has been included.

Group Income and Expenditure Account

	2007/08 Net Exp £m	2008/09 Gross Exp £m	2008/09 Gross Inc £m	2008/09 Net Exp £m
Gross Expenditure, Income and Net Expenditure on the continuing operations of the local authority group	329.182	970.860	(648.855)	**322.005**
Gross Expenditure, Income and Net Expenditure on the Housing Revenue Account on the local authority group	148.673	232.966	(92.215)	**140.751**
Reporting authority's share of the operating result of an associate	0.000	0.376	(0.618)	**(0.242)**
Net Cost of Services	**477.855**	**1204.202**	**(741.688)**	**462.514**
Loss on the disposal of fixed assets	**0.090**	9.422	(9.750)	**(0.328)**
Amount payable into the Housing Capital Receipts Pool	**12.008**	3.514		**3.514**
(Surpluses)/Deficits on trading undertakings and works organisations	**(4.672)**	120.837	(94.940)	**25.897**
Interest payable	**28.447**	40.394		**40.394**
Reporting authority's share of interest payable of an associate	**0.000**	0.037		**0.037**
Interest and investment income	**(25.359)**		(18.742)	**(18.742)**
Reporting authority's share of interest and investment income of an associate	**0.000**		(0.344)	**(0.344)**
Pensions interest costs and expected return on pensions assets	**8.489**	22.789		**22.789**
Taxation of Group Entities	**0.370**	0.711	(0.175)	**0.536**
Reporting authority's share of taxation of an associate	**0.000**	0.085		**0.085**
Dividend payable by subsidiary companies	**0.000**	(0.425)		**(0.425)**
Minority interest share of profits of subsidiaries	**0.000**	0.085		**0.085**
Net Expenditure	**497.228**	**1401.651**	**(865.639)**	**536.012**
Demand on the Collection Fund	**(90.057)**		(93.578)	**(93.578)**
General government grants	**(21.953)**		(54.931)	**(54.931)**
Non-domestic rates redistribution	**(125.070)**		(141.465)	**(141.465)**
(Surplus)/Deficit for the Year	**260.148**	**1401.651**	**(1155.613)**	**246.038**

Reconciliation of the Single Entity Surplus or Deficit for the Year to the Group Surplus or Deficit

	2007/08 £m	2008/09 £m
Deficit on Nottingham City Council's Income and Expenditure Account for the year	259.324	246.021
Less: subsidiary dividend income	0.000	0.425
Add: (Surplus)/deficit arising from other entities included in the group accounts analysed into the amounts attributable to:		
Subsidiaries	0.824	0.056
Associate	0.000	(0.464)
Group account deficit for the year	**260.148**	**246.038**

Group Statement of Total Recognised Gains and Losses

	2007/08 £m	2008/09 £m
Net deficit for the year	260.148	246.038
(Surplus) or deficit on revaluation of fixed assets	(272.660)	72.637
Actuarial (gains)/losses on pension fund assets and liabilities	137.773	(61.905)
Other (gains) recognised in the STRGL	(0.005)	(5.120)
Attributable Movement on Collection Fund	(0.233)	(0.217)
Total Recognised losses for the year	**125.023**	**251.433**
Prior Year Adjustment	16.027	1.985
	141.050	**253.418**

Group Balance Sheet

Balance Sheet	31 March 2008 £m	31 March 2009 £m
Fixed Assets		
Intangible Assets	1.291	0.973
Tangible Fixed Assets		
Operational assets		
- Council Dwellings	1120.476	906.528
- Other land and buildings	764.496	831.653
- Vehicles, plant and equipment	43.245	53.030
- Infrastructure assets	166.593	176.534
- Community assets	14.332	17.705
Total Operational Assets	**2110.433**	**1986.423**
Non operational assets	359.641	251.857
TOTAL FIXED ASSETS	**2470.074**	**2238.280**
Long term investments	31.257	10.761
Long term debtors	21.125	19.427
TOTAL LONG TERM ASSETS	**2522.456**	**2268.468**
Current assets:		
- Stocks and work in progress	2.725	3.040
- Debtors	47.547	58.575
- Investments	156.997	185.502
- Cash and bank	24.564	28.131
TOTAL ASSETS	**2754.289**	**2543.716**
Current liabilities:		
- Borrowing repayable on demand or within 12 months	(46.004)	(48.760)
- Creditors	(127.403)	(129.625)
- Bank overdraft	(1.879)	(7.177)
	(175.286)	**(185.562)**
TOTAL ASSETS LESS CURRENT LIABILITIES	**2579.003**	**2358.154**
Borrowing repayable within a period in excess of 12 months	(456.458)	(450.310)
Creditors: Amounts falling due after more than one year	(18.243)	(11.303)
Deferred liabilities	(1.374)	(1.423)
Government grants-deferred	(160.895)	(206.055)
Unapplied grants and contributions	(11.045)	(50.386)
Liability related to defined benefit pension scheme	(477.219)	(440.434)
Provisions	(24.900)	(22.792)
TOTAL ASSETS LESS LIABILITIES	**1428.869**	**1,175.451**
Capital Adjustment Account	1534.153	1323.173
Useable Capital Receipts	0.000	4.243
Deferred Capital Receipts	0.000	3.511
Financial Instruments Adjustment Account	(13.263)	(18.399)
Revaluation Reserve	285.952	203.444
Pensions Reserve	(469.211)	(432.273)
Housing Revenue Account	4.382	3.205
Fund Balances and Reserves	83.847	79.591
Un-earmarked Reserves	10.304	11.374
Profit and loss and other reserves of group entities	(7.295)	(2.944)
Group Balances and Reserves	**1428.869**	**1174.925**
Minority Interest - Equity	0.000	0.526
Total Balances and Reserves	**1428.869**	**1175.451**

Group Cashflow Statement

	2007/08 £m	2008/09 £m
Net Cash Inflow from Revenue Activities	**54.925**	**33.031**
Returns on Investments and Servicing of Finance		
Cash outflows		
Interest Paid	(29.707)	(29.687)
Interest element of finance lease rental payments	(1.013)	0.000
Cash inflows		
Interest received	23.492	16.396
Dividends received from investments	0.000	0.425
Taxation	0.214	(0.301)
Capital Activities		
Cash outflows		
Purchase of fixed assets	(109.165)	(109.320)
Purchase of long-term investments	(19.127)	(1.102)
Other capital cash payments	(17.765)	(3.205)
Cash inflows		
Sale of fixed assets	18.308	12.113
Proceeds from Long Term Investments matured in the year	0.000	16.337
Capital grants received	20.538	82.106
Other capital cash receipts	17.529	21.684
Net Cash Inflows/(Outflows) before Financing	**(41.771)**	**38.477**
Management of Liquid Resources		
Net increase/(decrease) in short-term deposits	17.440	(20.550)
Net increase/(decrease) in other liquid resources	4.714	(9.912)
Financing		
Cash outflows		
Repayments of amounts borrowed	(219.509)	(10.879)
Capital element of finance lease rental payments	(3.898)	(3.568)
Dividends paid on preference shares	(0.684)	(0.735)
Cash inflows		
New long-term loans raised	103.652	5.258
New short-term loans	149.569	0.178
Net Increase in Cash	**9.513**	**(1.731)**

Reconciliation of Net Surplus on Group Income and Expenditure Account to Net Cash Inflows before financing.

	2007/08 £m	2008/09 £m
(Deficit) for the year on the Group Income and Expenditure Account	(260.148)	(246.038)
(Deficit) for the year on the HRA and Collection Fund	(1.522)	(0.923)
Non-Cash Transactions	284.446	275.831
Adjustment for items reported separately on cashflow		
Adjust for Returns on Investment and Servicing of Finance	17.303	21.450
Items on an accrual basis		
(Increase)/Decrease in Stocks	0.354	(0.294)
(Increase)/Decrease in Debtors	(0.469)	(5.387)
Increase/(Decrease) in Creditors	14.603	(10.016)
Movements in Pension Deficit	0.358	(1.592)
REVENUE ACTIVITIES NET CASH INFLOW	**54.925**	**33.031**

Notes to Group Accounts

1. Details of Subsidiary Entities, Associates and Trust Funds included in the Group Accounts

Subsidiary Entities

Nottingham City Transport Limited (NCT Ltd) (Registered Number: 2004967)

Nature of Business
The company's main activities are the operation of public transport in the Nottingham city area, running both buses and trams within its business.

Relationship with the Authority
This company is controlled by Nottingham City Council and commenced trading on 26 October 1986. The total shareholding owned by Nottingham City Council is 95%. Transdev Plc has a minority interest in NCT of 5% which comprises of 238,526 B Ordinary shares at £1 each.

The company has the following shares in issue:

- 4,532,000 "A" Ordinary shares at £1 each, which are owned by the City Council.
- 238,526 "B" Ordinary shares at £1 each, which are owned by Transdev Plc.
- 2,882,750 £1 cumulative, convertible, redeemable preference shares owned by Transdev Plc. These shares carry a 10% coupon rate and are convertible at the rate of 3.64 preference shares to 1 "B" Ordinary share at any time. The shares are redeemable by the shareholder at any time after 1 January 2005, and by the Company at any time after 1 January 2010.

The "A" and "B" shares rank pari passu in all material respects.

The accounting treatment in respect of the minority interest has been reviewed in 2008/09 and now takes account of 100% with an adjustment for the minority interest. The 2007/08 Group financial statements reflect 95% share.

Accounts
Copies of the accounts of NCT Ltd can be obtained from Companies House, Crown Way, Maindy, Cardiff.

Audit Opinion
The accounts used to produce the 2008/09 Group Accounts are audited.

Enviroenergy Limited (Registered Number: 4131345*)*

Nature of the business
Its main activities are the production of heat and steam for supply to domestic and commercial customers, along with the generation and sale of electricity.

Relationship with the Authority
Nottingham City Council is the ultimate controlling party of Enviroenergy Ltd, which owns 100% of the issued share capital. Nottingham City Council acquired the business and associated assets of the company on 28 June 2001.

Accounts
Copies of the accounts of Enviroenergy Ltd can be obtained from Companies House, Crown Way, Maindy, Cardiff.

Audit Opinion
The accounts used to produce the 2008/09 Group Accounts are audited.

Nottingham Ice Centre (Registered Number: 3563341)

Nature of the business
The principal activity of the company is to manage the trading aspects of the National Ice Centre.

Relationship with the Authority
Nottingham City Council is the ultimate controlling party of Nottingham Ice Centre Ltd, which owns 100% of the issued share capital.

Accounts
Copies of the accounts of NIC Ltd can be obtained from Companies House, Crown Way, Maindy, Cardiff.

Audit Opinion
The accounts used to produce the 2008/09 Group Accounts are audited.

Nottingham City Homes Limited (Registered Number: 05292636)

Nature of the business
The principal activities of the company are to act as the managing agent of Nottingham City Council's housing stock, and to provide a repairs and maintenance service to the landlord in respect of these properties.

Relationship with the Authority
The company is incorporated as a private company limited by guarantee under the Companies Act 1985. As such it has no share capital. The company's sole member is Nottingham City Council.

Accounts
Copies of the accounts of Nottingham City Homes Ltd can be obtained from Companies House, Crown Way, Maindy, Cardiff.

Audit Opinion
The accounts used to produce the 2008/09 Group Accounts are audited.

Associate

Connexions Nottinghamshire Ltd (Registered Number: 4172770)

Nature of the business
Connexions provides quality guidance, support and personal development services for all 13-19 year olds in Nottinghamshire. Connexions Personal Advisers, based in schools, colleges, Connexions centres and in the community, can provide help and advice on a range of issues from careers, employment, training and education to health, housing, money and relationships. Supporting the face-to-face Personal Adviser service is a wealth of information services both paper-based and online. At Connexions, their vision is to significantly reduce youth unemployment in Nottinghamshire and raise achievement at all levels. To do this they recognise that they must work with and support partner organisations, particularly those who provide opportunities for young people, parents, employers and young people.

Relationship with the Authority
The company is jointly owned by Nottingham City Council and Nottinghamshire County Council.

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

Audit Opinion
The accounts used to produce the 2008/09 Group Accounts are audited.

Trust Funds

Bridge Estate (Registered Number: 220716)

Nature of the Trust Fund
The earliest mention of Bridge Estate is in 1302. Since that date, various bequests of land and property have been made, the income from which being set aside for the maintenance of bridges over the River Trent. By 1882 the income generated by the Estate was in excess of that required for the maintenance of Trent Bridge and consequently the objectives of the Estate were extended by virtue of section 78 of the Nottingham Corporation Act 1882.

The objectives of the charity are as follows:

- Provide for the efficient maintenance and repair of Trent Bridge and the approaches to it.
- In effect, to set up a contingency fund for the possible construction of such new bridge or bridges over the River Trent as may be found necessary or desirable.
- The residue of such income is to be applied as the Trustee thinks best for the improvement of the City of Nottingham and the public benefit of its inhabitants.

It was established in 1945 that Bridge Estate was, and had from the beginning been, a charity. Consequently, the property of the Estate and the Council as Trustee are subject to the law affecting charitable trusts, the jurisdiction of the Charity Commissioners and the provisions of the Charities Act 1960.

Relationship with the Authority

Bridge Estate is a charity of which Nottingham City Council is sole trustee. All transactions relating to Bridge Estate are subject to the same Financial Regulations and procedures as those relating to land held by the City Council. All transactions are approved by the Executive Board or where appropriate by Executive Members or officers using Delegated Authority.

Accounts

Copies of the accounts of Bridge Estate can be obtained from Financial Accounting, Resources, Finance, Severns House, 20 Middle Pavement, Nottingham NG1 7DW.

Audit Opinion

The accounts used to produce the 2008/09 Group Accounts are unaudited.

Other joint arrangements with Nottingham City Council:

The Council has considered its relationship with companies, associates, joint arrangements and partnerships and the following organisations have been excluded from the Group financial statements on the basis of risk and materiality.

Harvey Hadden Stadium Trust (Registered Number: 522271)

Nature of the Trust Fund

On 18 July 1955 the court made a scheme and order for an athletics stadium to be erected out of the bequest of Harvey Hadden. Under the terms of the scheme the Council was stated to be the owner of Bilborough Park and used its statutory powers to set aside part of the land for use as a stadium. Construction of the stadium began in 1955 with completion in 1960/61. The entire legacy of Harvey Hadden funded part of the cost of construction. Therefore, it follows that the land on which the stadium is built is subject to the Council's obligation to make it available for the use of the stadium charity.

Under the court order there is a requirement for "the Corporation" – now Nottingham City Council – to maintain the stadium built with those funds, "under the name of Harvey Hadden Stadium in good order and condition in perpetuity for the purposes of public recreation".

The objective of the Trust is to provide public recreation for the people of the City of Nottingham forever.

Relationship with the Authority

Harvey Hadden Stadium Trust, Nottingham is a charity of which Nottingham City Council is sole trustee. The Trustees are members of the City Council. The Executive Board of the City Council meets to make recommendations on the management of the Charity in their capacity as Trustees. All transactions relating to Harvey Hadden Stadium Trust are reported to the Council in the same way as transactions involving Council business. An annual report is submitted by the Trustees, which follows the format outlined by the Charity Commission regarding Harvey Hadden Stadium Trust.

Highfields Leisure Park Trust (Registered Number: 1006603)

Nature of the Trust Fund

The Highfields Leisure Park Trust was created by indenture in 1920 as a gift from Sir Jesse Boot, founder of Boots the Chemist. The land conveyed to the Council was, for the most part, laid out as a park. The land lies to the south of the University and to the north of the railway. It is divided along the east-west axis by University Boulevard.

To the north of University Boulevard is a large boating lake with lakeside walks, formal gardens and fine turf sports facilities including putting, bowls and croquet greens. Plantations of rhododendrons and mature trees provide a unique natural backdrop to enhance the park setting. To the south of University Boulevard are playing fields, for winter and summer outdoor sports, running track and tennis courts together with an indoor tennis centre.

The objective of the Trust is to provide public recreation and pleasure grounds for the people of the City of Nottingham forever.

Relationship with the Authority

Highfields Leisure Park Trust, Nottingham is a charity of which Nottingham City Council is sole trustee. The Trustees are members of the Executive Board who are appointed by the City Council. The Executive Board of the City Council meets to make recommendations on the management of the Charity in their capacity as Trustees. All transactions relating to Highfields Leisure Park Trust are reported to the Council in the same way as transactions involving Council business. An annual report is submitted by the Trustees, which follows the format outlined by the Charity Commission regarding Highfields Leisure Park Trust .

EMBC Procurement Ltd (Registered Number: 5882746)

Nature of the Company

The principal activity of the company from 2008/09 onwards is to be that of contract manager, regulator and broker of an Internet Service Provider network for education and schools in the East Midlands. The main purpose of this is to provide a safe and secure network for schools and other educational establishments.

Relationship with the Authority

The company is wholly owned by the Local Authorities of Derbyshire, Leicester City, Leicestershire, Lincolnshire, Northamptonshire, Nottingham City, Nottinghamshire, and Rutland.

Local Education Partnership (Registered Number; 6506329)

Nature of the Trust Fund

This company was set up in June 2008 and the principal activities of the company are the provision of the construction project development and partnering services within the Education section in accordance with the terms and agreement set up with Nottingham City Council.

Relationship with the Authority

Nottingham City Council has a 10% shareholding in the company. 10% is also held by the Building for Schools Future Investment and 80% is held by Carillion.

Nottingham Business Development Limited (Registered Number: 6055235)

Nature of the Company

Nottingham Business Development Limited's principal activity is to build business links between Nottingham and China, and particularly with priority sectors in key geographically targeted areas:

- Environmental technology
- Transport
- Healthcare (Biotech)
- Construction/Property
- Banking and Finance
- Food and drink

Building links for Higher Education and Further Education are a further focus for the company.

The company is also dedicated to building links and facilitating projects in political, educational and cultural exchanges.

Relationship with the Authority

The two Directors are full time employees of the City Council. The Council contributes £0.020m towards the administration costs of running an office in China.

Nottingham Regeneration Ltd (NRL) (Registered Number: 3665996)

Nature of the company

The main focus of the NRL is firmly on the delivery of sustainable physical regeneration and the key objectives are as follows:

1. To improve the local economy to underpin Nottingham's position as a core city;
2. Assist in providing opportunities for employment and training;
3. Help create balanced communities with greater and better housing choice, and
4. Set new standards of design quality and sustainability to inspire a more creative approach to the built environment.

Relationship with the Authority

Joint partnership with the East Midlands Development Agency, English Partnerships, Greater Nottingham Partnership, Nottingham City, Nottinghamshire County, Rushcliffe Borough, Gedling Borough, Broxtowe Borough and Ashfield District Councils. The Greater Nottingham Local Authorities strengthened their input over the year with the arrival of the Chief Executive of Rushcliffe Borough Council on the Board.

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. In this authority, that responsibility rests with the Chief Finance Officer.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

The statement of accounts was approved at a meeting of the Council on 26 June 2009.

Councillor Williams
Chair of the Audit Committee
Date: 26 June 2009

The Chief Finance Officer's Responsibilities

I am responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the Statement of Recommended Practice, issued in 2007 by the Chartered Institute of Public Finance and Accountancy (the Code of Practice).

In preparing this Statement of Accounts, I have:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code of Practice.

I have also:

- Kept proper accounting records that were up-to-date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

These financial statements replace the unaudited financial statements authorised at the meeting of Audit Committee on 26 June 2009. The certification and record of approval by members included in the statement of accounts originally approved by members does not need to be repeated in the updated statement of accounts.

Carole Mills-Evans
Chief Finance Officer, Deputy Chief Executive & Corporate Director of Resources
The Guildhall
Burton Street
Nottingham
NG1 4BT
Date: 30 September 2009

The Annual Governance Statement

Scope of responsibility

Nottingham City Council (the 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 Council 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, it is essential that proper arrangements are put in place to ensure sound governance and effective exercise of Council functions. This includes effective risk management.

The Council has approved and adopted a code of corporate governance consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how the Council 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.

The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values, by which the Council is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables monitoring of the achievement of 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 Council'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 Council for the year ended 31 March 2009 and up to the date of approval of the annual report and Statement of Accounts.

Arrangements for identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users

The function of governance is to ensure that the Council and its partners fulfil their purpose and achieve their intended outcomes for citizens and service users and operate in an effective, efficient, economic and ethical manner. This concept should guide all governance activity. The Council has to develop and promote a clear vision of its purpose and intended outcomes for citizens and service users that are clearly communicated, both within the Council and to external stakeholders.

The Council's key objectives are contained in the Council Plan. Progress against strategic priorities is monitored and reported to the Executive Board each quarter. In addition, all directorates have strategic service plans which link to the Council Plan and which have been regularly monitored. The Scrutiny function is well established and has an agreed programme of scrutiny reviews. The plans are regularly reviewed. The introduction of a performance management framework and revised strategic service plan formats establish a clear relationship between corporate priorities and decisions taken, from the top down to individual level via service planning.

The Council has accepted that knowledge and understanding of local communities and neighbourhoods is critical to deliver fit for purpose services. Improving public involvement with the work of the Council has been identified as a priority. The strategic approach to consultation and communications has been strengthened by the development of a Consultation Framework to ensure that dialogue takes place in a consistent manner within agreed consultation programmes. The Consultation Framework is intended to enable the Council to achieve co-ordinated consultation and use findings in its decision-making processes and feedback the outcomes to consultees. It is intended to strengthen the Council's customer focus by promoting a structured approach to engaging customers / stakeholders and using their views in decision-making processes to improve services on a continuous basis. The framework leaves the Corporate Leadership Team (CLT) to identify key strategic priorities for corporate consultation.

The Council, working with partners, has developed an outline long term vision and strategic thinking based upon extensive consultation. The result is 2030 Vision and the Sustainable Community Strategy. A range of Council publications such as Arrow, and other vehicles, particularly the intranet and internet are used to let employees and local people know about progress on the highest priorities. Further, Nottingham's public has been asked for its dreams and aspirations for the City through the local media. In addition, the knowledge and understanding gained from engagement with stakeholders, including the results of the Council's MORI Poll, together with Government's national priorities have been distilled into the One Nottingham plan. Each priority area within the One Nottingham plan has an accountable theme partnership and an individual who will be supported by One Nottingham and who will be asked to report on progress on delivery. The Council's purpose and vision is clearly set out in the Council Plan 2008-2011, which dovetails with the objectives in the new Local Area Agreement (LAA) (including the need for quality services) and sets priorities with performance targets. Both plans have been widely communicated and are based on extensive consultation with the community.

In addition to their specific portfolio responsibilities, all Portfolio Holders have a common responsibility to promote and be accountable for the services in their portfolio within the Council and the City as a whole, and nationally and internationally as required, representing the Council's views on matters of corporate or strategic policy within their portfolio. The Leader has responsibility to promote the City, the Council and its core values and objectives.

A Communications Strategy is now in place aimed at letting the community and stakeholders know what the Council does, why it does the things it does and how communities' needs are being listened and responded to; as well as informing staff about the activities and priorities of the Council so that work is conducted to maximum effect. Mediums used for communication include publications such as Arrow, Impact, the intranet and the internet. The Arrow is posted to all 114,000 households, making it an ideal platform to inform local residents about what the City Council is doing. Nine special 'area' editions are published four times a year with information local to the City's different neighbourhoods.

Arrangements for reviewing the authority's vision and its implications for the authority's governance arrangements

Good governance flows from a shared ethos or culture, as well as from systems and structures. It cannot be reduced to a set of rules, or achieved fully by compliance with a set of requirements. This spirit or ethos of good governance can be expressed as values and demonstrated in behaviour.

It builds on the seven principles for the conduct of people in public life that were established by the Committee on Standards in Public Life (the Nolan principles). In England, the Local Government Act 2000 outlined ten principles of conduct - an additional three to those identified by Nolan - for use in local government bodies. The seven Nolan principles and three additional principles are included in the guidance notes accompanying this Framework.

A hallmark of good governance is the development of shared values, which become part of the organisation's culture, underpinning policy and behaviour throughout the organisation, from the governing body to all staff. These are in addition to compliance with legal requirements on, for example, equal opportunities and antidiscrimination.

The overview and scrutiny function is undertaken by the Overview and Scrutiny Committee, supported by standing panels. The Overview and Scrutiny Committee itself is the co-ordinating forum for overview and scrutiny. It manages the process and commissions task and finish panels and reviews.

Overview and Scrutiny members:

- contribute to policy development and help to shape major plans and strategies,
- publicly hold the Executive to account for the decisions it makes,
- review issues of concern or particular interest to the people of Nottingham,
- examine matters of wider public interest which are not necessarily the responsibility, or sole responsibility, of the Council, but which affect the well-being of the City and its people, and
- manage the call-in process in accordance with the Overview and Scrutiny rules in the Constitution.

Overview and Scrutiny councillors play an important role in supporting the programme of improvements to Council services. These arrangements are designed to complement and add value to the work of the authority, whether that work is carried out by the Executive, colleagues or other decision making parts of the Council. Councillors with an overview and scrutiny role work independently, openly and transparently and the recommendations made are founded in the evidence received from experts in the fields being reviewed, the users and from officers. The Committee and Panels try to involve representatives of non-council organisations, interest groups and members of the public in their activities where it is considered that such involvement would bring new perspectives, expertise and/or specialist knowledge, to allow scrutiny to fulfil its role.

Members of the Committee keep an overview of the development of major Council plans and strategies such as the Council Plan, the One Nottingham Plan and the LAA and they may make suggestions for improvements. External inspection reports and the recommendations contained within are also considered by the Committee in order to gain most benefit from the inspectors' recommendations and help embed good practice in the area of inspection. An annual report on scrutiny activity is produced, covering the vision for Overview and Scrutiny, its role and its method of working. The scrutiny function work demonstrates that it is holding the Executive to account when considered necessary.

Minutes of Council, Board and Committee meetings are available to the public. Associated reports clearly explain technical issues and their implications and where more than one course of action is possible, the alternatives are analysed and justification given for the preferred choice.

Arrangements for measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources

The Council Plan reflects national and local priorities and contains targets to be met in achieving these priorities. These are translated into actions through strategic service plans. Quarterly performance reports are used to monitor the achievement of targets and include meetings with Portfolio Holders and reports to Scrutiny. Benchmarking against the performance of a similar group of councils is undertaken as part of performance improvement activity; examples of this activity include Best Value Performance Indicators (BVPIs) and MORI surveys.

The results from the final Comprehensive Performance Assessment (CPA) 2008 judged the Council to have a two star overall performance (improving well) The Audit Commission said "Nottingham City Council is improving well. It is making good progress in delivering outcomes in line with its highest priorities, and has increased its capacity to make further progress. The pace of improvement, relative to that of similar councils, is good for educational attainment, reducing overall levels of crime and increasing waste minimisation and recycling."

Quality of services is monitored by seeking the views and experiences of residents, service users, and staff through residents' surveys, using BVPIs, consultation and focus groups, analysis of complaints and comments received, and staff surveys.

Services and performance are also subject to periodic scrutiny by the Audit Commission and other specific interest external agencies such as CSCI and OFSTED.

The introduction of the Performance Management Framework has established a clear relationship between corporate objectives and strategic service plans. The Framework and departmental planning establish a clearer relationship between corporate priorities and decisions taken. The Best Value Performance Plan 2008/09 (BVPP) provides details on performance and progress against corporate priorities and BVPIs. The Council also publishes its Statement of Accounts, the latest being for 2007/8. The concept of value for money (vfm) has been around for many years in public services. Nottingham has recognised the requirement and has tried to address the need to provide vfm in a cohesive and consistent way across all service areas. The introduction of a Value for Money Framework in June 2006 was intended to assist in the delivery of the Council Plan, particularly in relation to the 'Serving Nottingham Better' improvement programme.

Portfolio Holders and the Executive Board make decisions based upon colleague recommendations and in response to changing legal or financial obligations. The reports containing recommendations to be considered clearly explain the technical issues and their implications and relate the recommended action to agreed policies and strategies. Where more than one course of action is possible, the alternatives are analysed and justification given for the preferred choice. Professional advice is taken when decisions have legal or financial implications in advance of decision making. Advice on legal and financial matters is taken from both internal, and where necessary, external sources.

The advice given will usually be contained within the board papers although advice may also be presented to the meeting, to facilitate discussion. Reports are usually circulated with the agenda where possible, to allow consideration in advance of the meeting at which a decision is to be taken. Where appropriate the recommendation will be supported by appropriate external evidence or advice.

The Council's budget process establishes the resources required to deliver its services and objectives and involves a review of the overall use of resources. The Council received 2 out of 4 for its Use of Resources score in the latest assessment by the Audit Commission. Appropriate limits have been approved in line with the Prudential Code for Capital Accounting. Budgets are monitored regularly and councillors receive financial information which is relevant, understandable and consistent with underlying financial records. Financial reserves are kept under review and the Council maintains an adequate Internal Audit function. Financial procedures are identified in approved Financial Regulations. The accounts are prepared in accordance with statutory and professional guidance and complies with the statutory timetable for publication.

The Executive Board receives detailed performance information on a quarterly basis. A considerable amount of performance data is available, including quarterly performance updates.

Arrangements for 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, approved by City Council, sets out how the Council operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. Responsibility for decision making, the role of the City Council, Executive Board, Committees and the process for determining Key Decisions are defined in the Constitution. Delegations are detailed so that the functions of City Council, Executive Board, Portfolio Holders, Committees and officers are specified.

The City Council has overall responsibility for directing and controlling that organisation. The Council comprises 55 councillors with the Labour Party having overall control. The councillors meet as a full council around every six weeks. A limited number of items of business, such as approving the level of council tax, must be considered by the full council. For other decisions, the Leader and eight Executive councillors hold decision-making powers through the Executive Board which has a place for a councillor from a minority political group. Each Executive councillor, including the Leader, has a portfolio which supports the priorities of the Council.

The role of each Portfolio Holder is defined in terms of both general and specific responsibilities. Councillors who are not on the Executive may be members of one of the regulatory committees or undertake overview and scrutiny activities. Detailed terms of reference are in place for committees. The role of Overview and Scrutiny is set out in the detailed terms of reference for the committee itself and for the panels which report to it. There is a clear distinction between the Executive and Scrutiny functions within the Council and clearly defined roles for both Executive and Scrutiny which are understood by both bodies. An annual report on the scrutiny function activity is produced, which is both detailed and informative.

The Council has protocols in place to ensure communication between councillors and colleagues in their respective roles and which govern their relationship. These arrangements have been reviewed by CLT and external expertise provided by the Leadership Centre for Local Government to develop councillor/colleague relationships.

Arrangements for developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff.

The Council recognises that, to be effective in fulfilling their role, councillors will need to work closely with and talk to colleagues at all levels and that this principle should be safeguarded in the current governance and neighbourhood arrangements. The Council has put in place arrangements to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and their continuing compliance in practice is monitored. Breaches of the Code of Conduct for Members are considered by the Standards Committee. Staff can report non conformity with appropriate ethical standards via the Confidential Reporting Code. Councillors can raise issues of non compliance directly with the Standards Committee. Members of the public are encouraged to report concerns through any of the routes included in the Confidential Reporting Code, or via the Council's complaints procedure.

At an individual level, the Council has developed and adopted formal codes of conduct defining the standards of personal behaviour, to which individual councillors and colleagues are required to adhere. Under the Local Government Act 2000, all councillors have to sign a declaration to abide by and uphold the City Council's Code of Conduct for Members. Under the Code all councillors are also required to register various interests. In addition to their specific portfolio responsibilities all Portfolio Holders also have a common responsibility to ensure that the executive functions within the portfolio are performed in accordance with approved Council policies and strategies, and to the highest ethical standards. These values are also enshrined in the respective codes of conduct for employees, councillors and the councillor/colleague protocol.

The Code of Conduct for Members (which has been updated to comply with the new model) and Code of Conduct for Officers are designed to ensure conformity with appropriate ethical standards. The Council's Monitoring Officer maintains the Register of Members’ Interests that have been brought to his attention. Councillors are obliged, by law, to keep their registration up-to-date and to inform the Monitoring Officer of any changes within 28 days of the relevant event. A councillor's failure to register interests can be the subject of a complaint. Most councillors have received training relating to the new Code of Conduct.

The need for disclosure of conflicts of interest is a standard agenda item at all meetings, and a review of the minutes of the Executive Board indicates that potential conflicts of interest are regularly disclosed. The Council has put arrangements in place to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and their continuing compliance in practice is monitored. Breaches of the Code of Conduct for Members are considered by the Standards Committee. Members of the public are encouraged to report concerns through any of the routes included in the Confidential Reporting Code or via the Council's complaints procedure. The complaints procedure is reasonably well publicised. This is less so in the case of the Confidential Reporting Code, particularly from an external perspective. Staff can report non conformity with appropriate ethical standards via the Confidential Reporting Code.

The Council has a Standards Committee in place, which meets roughly quarterly and reports to City Council. The Committee remains primarily focused on issues of councillors' conduct and its remit includes the requirement to:

- consider any matters referred to it by the Monitoring Officer, including annual report of the Monitoring Officer;
- to promote and maintain high standards of conduct by councillors and co-opted members;
- to hear cases under the Council's procedure for dealing with complaints about councillors' conduct; and
- to consider matters referred to it under relevant legislation.

It has had involvement in Government consultation regarding a new code of conduct. Councillors can raise issues of non compliance directly with the Standards Committee.

Arrangements for 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

Decision making within a good governance framework is complex and challenging. It must further the organisation's purpose and strategic direction and be robust in the medium and longer terms. To make such decisions, councillors must be well informed.

Councillors making decisions need the support of appropriate systems, to help ensure that decisions are implemented and that resources are used legally and efficiently. Risk management is important to the successful delivery of public services. An effective risk management system identifies and assesses risks, decides on appropriate responses and then provides assurance that the chosen responses are effective.

The Risk Management Framework sets out the way in which the Council identifies, monitors and manages its strategic, operational and project / partnership risks. It consists of three elements, a strategy which sets out why risk management is important, policy which specifies the Risk Management system and a priority action plan which identifies the priorities for risk management activities in a financial year. The Council manages its risk through a hierarchy of risk registers that are reviewed, updated and reported on according to the policy requirements of the Risk Management Framework. The highest level is the Strategic Risk Register which is owned by CLT and the Executive Board.

Further registers are managed at the departmental and service level. The Overview and Scrutiny Committee has overseen the risk management process for the Council.

The basic requirements for risk management are defined in the Risk Management Framework. Additional guidance has been developed to ensure all projects are subject to risk management that is proportionate to their mission criticality. Project risks are reviewed by project governance boards and, in the case of major capital projects, the Corporate Project Advisory and Resources and Investment Group. The effectiveness of the project risk management in capital projects is reviewed through the Council's 4Ps Gateway Review Programme.

Risk management in partnerships is also executed through a portfolio of risk registers and regular review and reporting for and with the appropriate governance boards. A multi-agency training programme is in place to promote a co-ordinated approach across partner organisations.

This Framework has the full support of the Council members and Chief Executive which is vital as the co-operation and commitment of all directorates and employees is required, to ensure that risks to key objectives at strategic, operational and project / partnership levels are identified, measured, monitored and managed in a pro-active and explicit manner. Embedding risk management, to make it a natural part of the decision-making process, is an on-going process. Councillors and managers at all levels are being trained so that risk management is part of their job. During 2008/9 risk management within the Council has been developed, with the responsibility for the overview of risk now lying with the Audit Committee, and management responsibility moving to the Director of Performance and Scrutiny. Developments include:

- risk awareness workshops have been conducted;
- risk registers are being populated.
- the implementation of quarterly risk reporting to Audit Committee
- the development of the capacity and capability of the Corporate Risk Management Group to fulfil its responsibilities, as set out in the approved Risk Management Framework;
- the development of a consistent and effective corporate approach to risk management in strategic planning, partnership management, financial planning, performance management and project management.

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

The operation of an effective Audit Committee is an essential part of good governance. An Audit Committee was established in 2008/09 with its main objectives as follows:

- provide assurance of the adequacy of the Risk Management Framework and the associated control environment;
- scrutinise the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment;
- oversee the financial reporting process;
- approve the Council's Statement of Accounts, both "subject to audit" and the final document.

Its main functions are:

- reviewing the mechanisms for the assessment and management of risk;
- approving the Council's Statement of Accounts, both 'subject to audit' and the final document;
- receiving the Council's reports on the Statement on Internal Control and the AGS and recommending their adoption;
- approving Internal Audit's strategy, planning and monitoring performance;
- receiving the Annual Report and other reports on the work of Internal Audit;
- considering the external auditor's annual letter, relevant reports and the report to those charged with governance;
- considering arrangements for and the merits of operating quality assurance and performance management processes;
- considering the exercise of officers statutory responsibilities and of functions delegated to officers.

Arrangements for ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

The Constitution and its appendices (which is regularly updated) clearly define those matters specifically reserved for collective decision of the Authority and those matters that may be delegated.

The Council's staff establishment incorporates all posts required by statute. The roles of the Leader and Chief Executive are laid down in the City's Constitution and in the relevant job description. The Chief Executive as Head of Paid Service is ultimately responsible and accountable to the Council for all aspects of operational management.

The responsibilities of the S151 Officer include responsibility to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.

The responsibilities of the Monitoring Officer include responsibility to the Council for ensuring that agreed procedures are followed and that all applicable statutes, regulations and other relevant statements of good practice are complied with. The Monitoring Officer is responsible for arrangements for whistle blowing to which staff and those contracting with the Council have access. Arrangements have been put in place for "whistle blowing" to which staff and those contracting with the Council have access. A step by step guide to making a complaint is published on the internet and the right of complaint is well publicised. Complaints can be initiated by contacting the office or section responsible, writing to the Director of the section concerned, or by contacting local councillors. Guidance draws attention to the right of referral to the Ombudsman.

Professional advice is taken when decisions have legal or financial implications in advance of decision making. Advice on legal and financial matters is taken from both internal and, where necessary, external sources. The advice given will usually be contained within the board papers and minutes. The Council has in place Budget and Policy Framework Procedure rules which set out how budget and policy decisions are made. Key roles are performed by statutory officers, including the Council's Monitoring Officer and Section 151 Officer.

A regular programme of work is carried out by Internal Audit reviewing compliance with established procedures. In addition, scrutiny committees, external audit and external inspection agencies contribute to the review of the Council's compliance with its policies, procedures, laws and regulations.

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

Effective local government relies on public confidence in authority members, whether elected or appointed, and in officers. Good governance strengthens credibility and confidence in public services. The Council needs the right skills to direct and control them effectively. Governance roles and responsibilities are challenging and demanding, and councillors need the right skills for their roles. In addition, governance is strengthened by the participation of people with many different types of knowledge and experience.

Good governance means drawing on the largest possible pool of potential councillors to recruit people with the necessary skills. Encouraging a wide range of people to stand for election or apply for appointed positions develop a greater range of experience and knowledge. It will also help to increase the diversity of councillors in terms of age, ethnic background, social class, life experiences, gender and disability. For colleagues the Council has a policy of recruitment and promotion on merit, and recruits outside the Council where appropriate.

Executive councillor performance is reviewed at an individual level. The Executive is subject to scrutiny by Overview and Scrutiny at decision and policy development level. The role of colleagues is to support councillors and this includes offering training courses to councillors via Councillor Services which advertises courses and training available on a monthly basis. Any uptake is logged. All councillors receive induction training upon taking up office, and are encouraged to identify their personal training requirements. The Member Development Steering Group together with Councillors' Services and the Overview and Scrutiny Team identify suitable learning opportunities for councillors, there are also councillor development briefings scheduled and policy briefings on current topics. Serving Nottingham Better has a specific work stream to enhance councillor development.

Corporate Directors are experienced in their respective fields and are assessed as part of their Personal Development Reviews (PDR). Most hold relevant professional qualifications which impose the requirement for continuing professional development. Corporate Directors organise their own training within the context of PDR and any development obligations imposed by professional bodies of which they are members. Similarly the skills of other staff are developed on an ongoing basis as part of the PDR process.

The role of colleagues is to support councillors, and this includes offering training courses to them, with courses and training advertised each month and any training recorded. At present Executive councillor performance is reviewed at individual but not group level. The Executive is subject to scrutiny by Overview and Scrutiny at decision and policy development level. Councillors receive training and development necessary to effectively discharge their governance roles. This is achieved in a number of ways including induction training and training relevant to panels and boards. For example councillors on the Audit Committee have all received training in audit, risk and budget scrutiny. Both the Executive Board and Overview and Scrutiny Committee take outside external advice when considered appropriate.

Arrangements for establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

Local Government is accountable in a number of ways. Elected local authority councillors are democratically accountable to their local area and this gives a clear leadership role in building sustainable communities. All councillors must account to their communities for the decisions they have taken and the rationale behind those decisions. All authorities are subject to external review through the external audit of their financial statements. They are required to publish their financial statements and are encouraged to prepare an annual report. Many are subject to national standards and targets. Their budgets are effectively subject to significant influence and overview by government, which has powers to intervene. Both councillors and colleagues are subject to codes of conduct. Additionally, where maladministration may have occurred, an aggrieved person may appeal either through their local councillor or directly to the Ombudsman.

Arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority are in development. It is difficult for any local authority to encourage new talent for membership of the Council as the electoral framework renders any succession process uncertain and there is no control over councillor selection. Increasingly though, the Council engages with the community it serves, via partnership working and other methods, and gains expertise as a result of this engagement.

The Council is accountable to the community it serves, and publishes, on an annual basis, information on it's vision, strategy, plans, financial performance and outcomes, achievements and the satisfaction of service users in the previous period. The Council is dedicated to providing the easiest possible access to information while protecting individuals' privacy. Some information will not be available to the public as there are several grounds for exemption under the Freedom of Information Act. Most of these exemptions are subject to the application of a Public Interest Test which is applied by Information Governance. This is a test of whether the reasons for disclosing the information are outweighed by the exemption. Most Council meetings are open to the public and all minutes of meetings are available for examination and reports clearly explain technical issues and their implications. A few simple rules have been introduced to help the public question session run smoothly and to be of maximum benefit to the public and the Executive Board meets in public (except for exempt items).

Portfolio Holders are charged with the general responsibility to promote and be accountable for the services in their portfolio within the Council and the City as a whole and a Portfolio Holder has specific responsibility for customer services and consultation.

The Council has committed itself to wide consultation on matters of local concern. The Council expects that any consultation carried out is used to engage and gain the views of relevant communities, plan what needs to be achieved, establish how far the services meet their objectives from the customer's perspective, enable changes to services in line with customer feedback, determine how visible changes can be tracked as a result of consultation and provide feedback on the results and actions arising from consultation. The consultation framework is intended to enable the Council to achieve co-ordinated consultation and use findings in its decision-making processes and feedback the outcomes to consultees.

The framework is intended to strengthen the Council's customer focus by promoting a structured approach to engaging customers / stakeholders and using their views in decision-making processes to improve services on a continuous basis.

A range of Council publications including the Arrow, the internet and intranet are used to let local people and employees know about progress on the Council's plans. The eConsult section of the internet site allows registered users to find out about current consultations in Nottingham, register interest in future consultations and see what has happened as a result of past consultations. Registration is free and consultation feedback can be obtained online. The Council officially welcomes and positively encourages public involvement in the way in which business is conducted. A vast number of meeting minutes and supporting documents are accessible to the public and it is only in relation to a small proportion of the Council's business that the public is excluded. Any decision to exclude the public is considered carefully and must meet specific criteria.

The People Management Strategy, which had been agreed by CLT sets out the primary Human Resources / people agenda for employees at all levels, making links to the Council Plan and other relevant plans, strategies and activity and outlines priorities for service improvements in order to Serve Nottingham Better. The Staff Survey of February 2008 provides a baseline concerning the various perceptions of staff and an internal communications policy has been developed.

Councillors and the most senior managers are clearly identified on the Council's internet site and periodically in the Arrow. The accountability of individuals is particularly well defined in the LAA, One Nottingham Plan, in which each priority area has both an accountable theme partnership and an individual who will be supported by One Nottingham and who will be asked to report on progress on delivery. Similar arrangements are in place in the Council Plan 2008-11. This Council has committed to the creation of sustainable and democratic communities, encouraging active citizenship and democratic engagement by developing of the role of area committees; wide consultation on matters of local concern; events such as those that take place in Local Democracy Week and the promotion of councillors and their key roles within their communities. Other methods used to engage with the community include the Customer Suggestion Scheme, "Your Choice Your Voice" events and the Council's Infopoint.

Arrangements for incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the authority's overall governance arrangements.

Council colleagues and councillors are nominated as Council representatives within or when dealing with partner organisations. Reports reflecting the establishment, vision, governance arrangements and methods of delivery of these partnerships are directed to the appropriate board or committee for scrutiny. The Council has a Director of Strategic Partnerships who is in a position to advise and direct colleagues on these issues. A Partnership Governance Framework has been approved by the Executive Board (May 2009) which will be used to monitor and develop the governance arrangements in the Council's partnership arrangements.

Review of Effectiveness

The Council 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.

Process that has been applied in maintaining and reviewing the effectiveness of the governance framework.

City Council

City Council, comprising all 55 councillors, is the foremost public decision making forum of the Council that sets the policy framework and budget. The policy framework consists of the most important plans and strategies adopted by the Council. The Council meeting is chaired by the Lord Mayor and normally meets ten times per annum.

City Council considered reports on the following issues relevant to keeping the internal controls of the organisation under review:

- Executive governance arrangements
- Amendments to the Constitution
- Nottingham Local Plan November 2005 - Saved Policies
- Children & Young People's Plan 2008-11
- Committee Memberships
- Overview & Scrutiny Annual Report 2007/08
- Nottingham's Future: A Core Strategy Green Paper
- 2030 Vision & Sustainable Community Strategy
- Audit Commission Act 1998 - Section 8 Public Interest Report on Allocations of Council Properties & Related Matters
- Annual Treasury Management Strategy, Annual Investment Strategy & Strategy for Debt Repayment
- Appointment of Chief Executive/Head of Paid Service
- Budget 2009/10

Executive Board

The role of the Executive Board is to take key decisions as defined by City Council. The work also encompasses receiving performance and financial information which determines the strategic direction of the Council.

The Executive Board considered reports on the following issues relevant to keeping the internal controls of the organisation under review

- Key Decision - Asset Management Plan Refresh 2008
- Medium Term Financial Strategy
- Key Decision - Approval of Primary Strategy for Change
- Key Decision - Nottingham Building Schools for the Future (BSF) Programme / Approval of Final Business Case

- Housing Strategy
- Investment Strategy Review
- Local Code of Corporate Governance
- Executive Governance Arrangements
- Appointments to Outside Bodies
- Key Decision - Three Cities New Growth Point - Nomination of Accountable Authority
- Corporate Plan Refresh
- Key Decision - Revised Pay & Grade Structure & Terms & Conditions for Local Government Service Employees
- Commission for Social Care Inspection Report - Independence Wellbeing & Choice
- Outline Vision & Sustainable Community Strategy Priorities for Nottingham
- Nottingham City Joint Strategic Needs Assessment
- Final Performance Report for the 2006/2009 Local Area Agreement
- Nottingham's New Local Area Agreement 2008-2011
- Key Decision - Pre-Audit Outturn 2007/08
- Treasury Management Annual Report 2007/08
- Review of 2008/09 Revenue Budget
- Key Decision - Medium Term Financial Plan (MTFP) 2008/09 - 2010/11 Capital Programme Monitoring & Forecasting at 31 July 2008
- Key Decision - Children's Trust Arrangements: Next Steps
- Key Decision - Development of a Local Housing Company
- Key Decision - Nottingham City Council Nottingham City Homes Management Agreement
- Building Schools for the Future (BSF) Governance Arrangements
- Treasury Management 2008/09 Half Yearly Update
- Key Decision - Medium Term Financial Plan (MTFP) 2008/09 - 2010/11 - Capital Programme Monitoring & Forecasting at 31 October 2008
- Corporate Procurement Strategy 2009-2012
- Key Decision - Council Tax - Determination of the 2009/10 Tax Base
- Review of the Annual Treasury Management & Investment Strategies
- Annual Performance Assessment of Adult Services 2007/08
- Key Decision - Medium Term Financial Plan 2009/10 - 2011/12
- Key Decision - Local Area Agreement 2008-11 - Refresh Update for 2009
- Performance to the Third Quarter 2008/09 (April to December)

Overview and Scrutiny Committee

The scrutiny of Executive decisions is an essential element in the effective governance of the Council and the scrutiny function has wide-ranging powers under the Local Government Act 2000 to examine policy development, executive decisions and matters of wider local concern.

Councillors who are not on the Executive are charged with keeping an overview of Council business and City concerns and scrutinising areas of particular interest or concern. Their role is to hold the Executive to account, when deemed necessary, in the business they undertake and also to assist in the development and review of Council policy. Tasks involve looking in detail at areas of service delivery or issues of general concern in the Council, external partnerships and organisations.

The Committee makes recommendations to the Executive or to the whole Council and, on occasion, to outside organisations, on issues which might include suggestions for improvements or different ways of doing things. The Council also has a statutory responsibility to scrutinise substantial developments or variations in NHS services and this is undertaken by the Health Scrutiny Panel or by the Joint City / County Health Scrutiny Committee.

The Overview and Scrutiny Committee considered reports on the following issues relevant to keeping the internal controls of the organisation under review.

- Housing Strategy for Nottingham City 2008-11
- Work Programme Progress Report & Review
- Minutes of Panels etc and Updates from Chairs (for information)
- To Note Terms of Reference & Membership
- Overview & Scrutiny Select Committees
- Nottingham City Homes
- Spotlight Review - People Feeling Able to Influence Decisions Affecting their Local Area
- Overview & Scrutiny Annual Report 2007/08
- Executive Forward Plan
- Work Programme Yearly Review
- Refresh of the Corporate Plan
- Protocols / Working With Area Committees & Area Management & Councillors Calls for Action
- Membership
- An Outline Vision & Sustainable Community Strategy: Priorities for Nottingham
- Nottingham's New Local Area Agreement 2008-2011
- Performance - Final Report 2006-2009 Local Area Agreement
- Performance for the Year April 2007 - March 2008
- Proposed Framework for Working Between Nottingham City Council Overview & Scrutiny & One Nottingham & Local Area Agreement Partners
- Executive Board Responses to Overview & Scrutiny Committee Presentations
- The Authority's Relationship with the Voluntary & Community Sector - Progress on Outstanding Matters
- Implications for Overview & Scrutiny of Recent Legislation & Government Papers
- Comprehensive Area Assessment - Consultation Document
- Response to Government Consultations
- Medium Term Financial Plan & Budget
- Treasury Management
- Spotlight Review - Influencing Decision Making
- Serving Nottingham Better Update
- Minutes of Select Committee (for information)
- Debt Collection - Progress Report
- Fixed Assets - Their Real Value
- The Leach Review - Taking Forward Recommendations
- The Role of Audit Committee
- Medium Term Financial Plan - Updated Position

- Performance to the Second Quarter 2008/09 - Local Area Agreement & Council Plan
- Equality Standard for Local Government: Level 4 Self Assessment Report Including Progress Against the Schemes
- Update on Icelandic Banks & Draft Annual Treasury Management &
- Investment Strategies 2009/10
- Local Area Agreement 2008-2011 - Refresh Update for 2009
- Work Programme Progress Report & Review
- Budget 2009/10
- Value for Money Spotlight Review - Follow Up

Audit Committee

The Audit Committee has responsibility for the development of risk within the Council and has been the designated body for the overview of the Council's Internal Audit function.

The Audit Committee Considered reports on the following issues.

- Role and Remit of Audit Committee
- Internal Audit:
    - Annual Report 2007/08
    - Annual Plan 2008/09 & Strategic Plan 2008-11
    - Counter-Fraud Strategy
    - Internal Audit Charter
- Statement of Audit Progress - Audit 2007/08
- Audit and Inspection Plan - Audit 2008/09
- Statement of Accounts 2007/08
- Annual Governance Statement 2007/08
- Annual Ombudsman Report 2007/08
- Risk Management within Nottingham City Council - Annual Report 2007/08
- Statement of Audit Progress - Audit 2007/08 & 2008/09
- Internal Audit Reports Selected for Examination
- Internal Audit Quarterly Report 2008/09
- Annual Governance Report - Nottingham City Council Audit 2007/08
- Integrated Planning & Performance Management Framework
- Icelandic Banks & Draft Annual Treasury Management & Investment Strategies 2009/10 - Update
- Risk Management: Refresh & Update of the Strategic Risk Register
- Final Accounts Memorandum 2007/08
- Use of Resources 2007/08
- Annual Governance Statement - Progress Made to Date on Issues Reported 2007/08 & Process for Producing 2008/09 Statement

Standards Committee

The Council has a Standards Committee that oversees this Code of Conduct and other governance matters. The Standards Board for England is responsible for promoting high ethical standards and receiving allegations that councillors' behaviour may have fallen short of the required standards.

The Standards Committee has received reports including:

- Standards Committees - Local Determination Regime
- Government Consultation: Proposed Amendments to Local Authority Members' Code of Conduct & Introduction of An Officers' Code of Conduct
- Government Consultation on Code of Recommended Practice on Local Authority Publicity
- Section 8 Audit Commission Act 1998 - District Auditor's Recommendations

Internal Audit

Corporate Directors are responsible for ensuring that proper standards of internal control operate within their directorates. Internal Audit reviews these controls and gives an opinion in respect of the systems and processes put in place. The service operates within professional standards as laid down by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The 2008/09 Audit Plan as agreed by Corporate Directors and councillors has been completed in accordance with the professional standards set for the service. The Internal Audit service has undertaken reviews of the internal control procedures in respect of the key systems and processes of the Council and where appropriate its partners. The work was planned using a risk based model of the Council's activities. The work has been supplemented by ad hoc reviews in respect of irregularities and other work commissioned by corporate directors or the partners of the Council and the work undertaken by external review agencies. Reports in respect of all reviews have been issued to the responsible officers, together with recommendations and agreed action plans. Further, each quarter, a list of reports has been sent to the Audit Committee for consideration.

2008/09 has been a challenging year. Available resources have reduced and others have been allocated to higher risk work. The Head of Internal Audit has conducted a review of all Internal Audit reports issued in 2008/09, external sources of assurance given by independent review bodies and internal assurances in respect of measures in place to identify and control key risks to the Council's objectives. In summary, although no systems of control can provide absolute assurance, nor can Internal Audit give that assurance, on the basis of the audit work undertaken during the 2008/09 financial year, there have been no significant issues (as defined in the CIPFA Code of Practice) reported by Internal Audit.

Furthermore, on the basis of the audit work undertaken during the 2008/09 financial year, covering financial systems, risk and governance, the Head of Internal Audit is able to conclude that reasonable assurance can be given that the internal control system is operating effectively within the Council and within its associated partners.

Other assurance mechanisms

All Corporate Directors and statutory officers have provided a signed assurance statement supporting this AGS for 2008/09. The Chief Finance Officer (Section 151 Officer) and Monitoring Officer have provided signed assurance statements in respect of their personal responsibilities. These statements have been supplemented by assurance gathered from key officers responsible for Internal Audit, Risk, Human Resources and partnerships, and have also been informed by independent external reviews conducted, including the Audit Commission.

The assurance is based around a questionnaire developed from the CIPFA/SOLACE Framework for Corporate Governance. The Statement has also drawn on information included in the Council's Corporate Risk Register.

In summary, the Council has reviewed its systems of internal control and has taken a comprehensive approach to considering and obtaining assurance from many different sources. The Council has been advised on the implications of the result of the review of the effectiveness of the governance framework by Performance and Resources Standing Panel and a plan to address weaknesses and ensure continuous improvement of the system is in place.

ISSUES PREVIOUSLY REPORTED

ISSUES WORTHY OF NOTING

Children's Services

Children's Services continue to be in the process of transition during which time services to customers will be redesigned and reconfigured. Children's Services continue to be engaged in a significant change agenda and are managing a number of high profile and technically complex projects including Building Schools for the Future, Academies, Children's Homes, and School Reorganisation. These change programmes will deliver the services' priorities but present a number of risks (safeguarding educational attainment, finance, reputation, and staffing) that need to be managed and resourced.

The pressure in relation to external placements, special educational needs and the relatively slow move towards commissioning is a key risk and requires active management in order to deliver efficiencies or redirection of resources in the longer term to fund placements. Safeguarding continues to be a significant risk with high thresholds, budget pressures and the preventative strategy not fully embedded.

Position reported in Annual Governance Statement (2007/2008)

The risk on safeguarding identified last year continues to be a risk with threshold still high despite additional budget availability.

The Corporate Director of Children's Services has agreed an arrangement whereby she meets with the Consultant Chief Executive and the Head of Paid Service together on a bi-monthly basis with updates in between meetings if necessary to ensure that the responsibility of the Head of Paid Service as the reference point for Laming accountability is enacted.
Children's Services have been engaged in a significant change agenda. The principal programmes have progressed well, with risks being effectively managed. A recent Gateway review identified capacity of staff as a key risk. Capacity of staff is a risk that the Corporate Director of Children's Services has identified to the Consultant Chief Executive, Previous Acting Head of Paid Service and Lead Member.
The BSF and Academies programmes are at a critical stage as new governance arrangements are being put in place.
External placements, as envisaged, present a huge financial challenge with a 2007/08 overspend of £3.98m.

A number of improvements have been made to commissioning and procurement, including establishing a placements team which manages the procurement of external placements, which has already achieved significant savings. However vacancies and sickness have been a major risk factor.

Latest Position

Good progress is being made towards the establishment of a Children's Trust; shadow arrangements were implemented in January 2009 and the Children's Trust assumed its responsibilities in April 2009. Services to disabled children have been identified; children with high and continuing health needs and those receiving Children and Adolescent Mental Health Service (CAMHS) support as the focus for Joint Commissioning. The outcome will be the re-direction of resources in line with assessed needs and priorities

The area reviews of schools are on track, but the nature of school organisation is changing from removing surplus places to reconfiguring schools to meet the needs of growing and changing communities and to support raising standards, by creating all through primary schools wherever possible. Whilst this is less controversial than closing schools, it is more challenging and complex (in the context of 3-19 provision, competitions and trust schools) to ensure a sufficient number of school places in local communities, where existing provision cannot easily be extended or reconfigured

The preventative strategy is not fully embedded, although Locality Based Services are developing and will provide a stronger platform for integrating the preventative approach into service delivery.

Thresholds for safeguarding have now been externally validated as sound. There are risks associated with children falling short of the validated thresholds but receiving targeted services. This risk is being actively managed through the development and rollout of the Common Assessment Framework (CAF) within a new performance management framework. Recruitment to front line safeguarding staff has strengthened the capacity of the service and the ratio of permanent to agency staff is managed to ensure the quality of service is sustained. Children's Services senior management continues to closely monitor outcomes and risk. Regular meetings between the Acting Corporate Director of Children's Services and the Chief Executive ensure that there is a clear line of sight and corporate accountability in line with the expectations of the Victoria Climbié report.

Capacity to provide leadership following the departure of senior managers has been sustained through effective interim arrangements. Children's Services capacity to improve was assessed as good in the 2008 Annual Performance Assessment (APA), maintaining the grade from the previous year.

The establishment of three new academies scheduled to open in September 2009 in the buildings of the predecessor schools remains on target. Two of these academies are projected to take control of their new buildings during the latter part of the 2009-10 academic year with the third academy's new and refurbished building expected to available from September 2011. The new governance structures for the first of these two new academies have now been established. The Council is also considering the establishment of an all girls academy and a trust school as structural responses to the National Challenge.

Governance arrangements for the Local Education Partnership were confirmed in November 2008 and will ensure that all the contractual obligations between the Council and the LEP are honoured and that future schemes are delivered. The major risk to successful completion of BSF remains the withdrawal of Government funding.

External placement costs continue to present a major pressure on budgets. The adoption of the Nottingham Framework Agreement along with the introduction of more effective procurement is expected to help mitigate this risk.

Internal residential care is also subject to rising costs. Staff sickness absence is a contributory factor and the reconfiguration to small group homes is likely to reduce costs and improve outcomes for Children in Care.

Single Status

As part of Central Government's Single Status initiative to deal with equal pay issues, a major change in the remuneration structure for staff is in progress. There is a prospect of potential disruption and legal challenge to the decisions made to implement the new pay structure (grading appeals and backdating of awards).

Position reported in Annual Governance Statement (2007/2008)

All job evaluations have been completed. A set of proposals has been considered by management and staff, with a view to implementing a new pay and grade structure and new terms and conditions between September and December 2008. The Council will closely monitor the timetable and consult with staff and their representatives about changes required and their likely implications. Regular reports to councillors will be presented in the intervening period.

Latest Position

All Job Evaluations have been completed. A set of proposals has been considered by management and employees which will be the subject of a trade union ballot in approximately December 2009. The Council will closely monitor the timetable and consult with staff and their representatives about changes required and their likely implications. Regular reports to senior managers will be presented in the intervening period.

Management Development

The Council has not invested sufficiently in management training and development over recent years, with the result that managers are unclear what is required of them.

Position reported in Annual Governance Statement (2007/2008)

A new management development programme (The Nottingham Manager Programme) has been rolled out across the Council. In addition, there are plans to significantly increase the level of financial investment in management development. Training initiatives including 'Foundation Stone' have been undertaken to progress the issues involved.

Latest Position

The Nottingham Manager programme has been revised and continues to be offered to Council managers, with those managers undertaking the programme giving positive feedback. The Council is currently working with its key partners and One Nottingham (LSP) to develop a comprehensive Partnership Leadership Development Programme, which is planned to be available to the leaders / managers of participating organisations by January 2010. In addition, the Council will be implementing a Competency Framework this financial year, which will clearly set out the expectations of managers, with development opportunities aligned to address any gaps in competency.

Colleague / Councillor Relationships

The 2007 Audit Commission Corporate Assessment of the Council highlighted concerns about councillor/colleague relations and the impact of this in a number of areas identified above.

Position reported in Annual Governance Statement (2007/2008)

Colleague/councillor relations is a work stream in the Council's corporate change programme Serving Nottingham Better. The design and content of that work stream is being developed with councillors. Meanwhile, production of 'Foundation Stone' and the Forum Theatre programme provided councillors and employees with an opportunity to reflect on and discuss their respective roles and responsibilities. This is in the context of a formal communication from CLT to all Councillors about how they should be supported in their local community leadership role.

A new Consultant Chief Executive was appointed on 1 May 2008 for an initial period of twelve months. She is working closely with the Leader and proposals are in hand for a series of joint Workshops to be held for councillors and Colleagues, facilitated by the IDeA.

Latest Position

The Council has further increased its capacity to deliver its plans, in particular at a senior leadership level. These build upon changes successfully implemented last year, for example the realignment of resources around the neighbourhood agenda, and include:

- Appointment of new Chief Executive;
- Changed Executive Board, and overview and scrutiny structures;
- Streamlined and re-focused Resources and Chief Executive directorates;
- Repositioning the strategic housing function so it more closely aligns with Transforming Neighbourhoods agenda;
- Development of Children's Trust style arrangements.

Underpinned by an appreciable improvement in senior councillor and colleague relationships, the Council has significantly improved the capacity, capability and effectiveness of the Council's leadership team to drive forward delivery of our priorities.

There is close and effective collaboration between the Leader, Chief Executive, Executive and CLT supported by arrangements such as: weekly Chief Executive / Leader / Deputy Leader meetings; joint Leader/Chief Executive communications (on subjects such as IIP, Single Status, Council Plan); Executive/CLT Policy into Practice sessions (a forum for joint policy development on key issues such as 2030 Vision, Commissioning Strategy, ICT Strategy); improved Portfolio Holder/Corporate Director relationships around portfolio holder priorities and performance; and Joint development sessions, some supported by IDeA (eg decision making and governance).

The Council has developed much clearer perspectives on the individual and shared roles, responsibilities and accountabilities of councillors and colleagues. This has been supported through an effective cross-party councillor development programme and councillor development plan, and further strengthened through an improved performance management framework. This has helped the Council to tackle some of the most difficult challenges which it has faced (eg Single Status, budget) taking a more mature, cross-party approach.

The above improvements are embedding a clearer understanding of roles and lines of accountability for colleagues and councillors in relation to performance information and management. The Annual Audit and Inspection Letter 2007/2008 notes progression this issue and states "The launch of the new Council Plan, portfolio key priorities, and the corporate delivery board has improved one to one accountability between senior officers and executive councillors, and is ensuring clearer joint ownership of corporate goals. This is leading to more productive working relationships between councillors and senior officers." In addition to this, the Council has a mature and well-structured Overview and Scrutiny (O&S) function which undertakes work which supports the Council drive to improve services especially to its most vulnerable communities. Areas examined include: children's mental health services, teenage conception, Nottingham City Transport (NCT) and neighbourhood policing. For example, the work with NCT has resulted in changes which have improved the public transport experience for people with learning difficulties.

<u>Comprehensive Improvement Programme</u>

The Council recognises that its current Comprehensive Performance Assessment status of two stars and improving adequately is not where it wants to be, and has prioritised a Comprehensive Improvement Programme.

Position reported in Annual Governance Statement (2007/2008)

The Council was subject to Corporate Assessment (CA) and Joint Area Reviews (JAR) in 2007. In response to these inspections, an overall improvement programme was developed with the Audit Commission. This included a wide range of corporate improvement activity and an action plan to respond to the JAR which is being driven through the Children and Young People Plan. The SNB theme of the refreshed Council Plan captures the headline activity aimed at delivering the improvement needed to be recognised as an excellent Council. Progress directly informs the Council's final Direction of Travel assessment (February 2009), which will in turn inform initial assessments under the new CAA performance framework (in late 2009 or early 2010).

Overall progress in delivering improvements in line with the CA has been driven forward mainly through a Corporate Improvement Programme and monitored through the Corporate Assessment Improvement Framework.

Significant progress has been made in relation to weaknesses in relation to long-term vision and direction with the development of a city vision, new LAA and refreshed Council Plan. Similarly, fundamental improvements have been made to the way the Council manages performance, aligns its plans and resources and deliver improvements to services in a structured, programmed way. Key strands of work are still being developed, particularly around customer focussed services, councillor development, reducing bureaucracy and reducing the number of key performance indicators which are in the bottom quartile.

The Council remains committed to improvement in these areas. The CLT has prioritised work on these and monitors progress regularly. The Council has reviewed and repositioned the SNB programme (which contains almost two thirds of the Council's corporate improvement actions) to ensure that, going forward, attention is focussed on the key areas of improvement.

Latest Position

The Council continues to drive forward improvement both in terms of the quality of the services it delivers and the way it is organised. Performance against the Council's highest priorities (reducing crime, improving education attainment and cleaner streets) continues to improve. Crime levels are down by 35% since 2003; Nottingham is one of the cleanest big cities in the country; Nottingham schools have had their best ever GCSE results. This improvement has been recognised in our final CPA Direction of Travel assessment where the Council has been rated as "Improving Well" for the very first time. This assessment highlighted a number of key factors which have underpinned our improvement including: good capacity, robust improvement plans, strong ambitions, improved performance management, better accountability and shared understanding between executive Councillors and senior officers leading to more productive working.

The Council is well placed to continue the pace of improvement through the refreshed and refocused SNB programme. A number of key deliverables from the initial tranches of this programme provide the foundations for future success. These include the 2030 Vision for Nottingham, the development of a 10 year Sustainable Community Strategy (SCS), revised Council Plan to align with the SCS, improvements to integrated service and financial planning arrangements including the introduction of corporate directorate plans.

Moving forward, the Council has put into place the essential foundations to ensure that it responds effectively to, and is assessed positively under, the new national CAA performance framework which came into effect from April 2009. The Council continues to work closely with partners, the CAA Lead and joint-inspectorates in preparing for the CAA, and have benefited from being involved in the Nottinghamshire CAA pilot. The SCS and the revised Council Plan, which aligns fully with the strategic priorities in the SCS, provide the framework for CAA giving clarity and focus to the outcomes which are most important to local people. The refreshed LAA also reflects the current issues which the City faces, in particular taking into account the effects of the economic downturn.

New Issues 2009/10

<u>Resources – Information & Communication Technologies</u>

During the year a report was commissioned from Deloittes which identified a list of IT Security weaknesses. The need for improvement had already been reported by Internal Audit.

Some of these weaknesses allow the potential for misuse, principally by internal users. Management's view has been that supervision and control reconciliations are an adequate safeguard against these weaknesses. No significant instances of financial loss from misuse have been reported either through management controls or from the extensive audit coverage of the key systems involved. The case for improvements in IT Security is justified not by a conviction that damage from misuse is an imminent threat, but by the growing diversity of IT security risks, together with the need for security standards to enable safe connectivity across other public networks.

Latest Position

A programme of work for improving IT Security has therefore been initiated, initially reported to Audit Committee in December 2008, with periodic progress reports to subsequent Audit Committee meetings.

Balancing the Council's Budget

The combination of the impact of the global recession and the need for a significant investment in some services placed severe pressure on the Council's financial resources. The 2009 budget process, through the in depth analysis of spending requirements and the opportunities to generate income, highlighted the need to reduce net expenditure across the City Council.

Latest Position

Potential savings were identified by corporate directors and their teams and presented to councillors during a series of decision conferences. This includes a range of different savings, including restructuring, efficiencies, changed working practices and income generation. This inevitably included workforce reductions as teams were reconfigured and business practices changed. The Council overspent its budget by almost £3.4m in the year 2008/09 including carry forwards.

International Financial Reporting Standards (IFRS)

The introduction of IFRS within local government for accounting periods from 1 April 2010 will require the redesign of certain accounting statements and the adoption of new accounting and management processes in certain areas. This will most significantly affect record keeping within Property Services and Human Resources, as well as the accountancy functions.

Latest Position

The corporate accounting team is leading on the preparation for the adoption of IFRS, drawing on materials and project plans provided by CIPFA. It is to be supported in this role by IFRS specialists from Price Waterhouse Coopers.

SIGNIFICANT GOVERNANCE ISSUE

Nottingham City Homes (Issue as previously reported)

Nottingham City Homes Ltd (NCH) is an arms length company wholly owned by the City Council and set up as part of the arrangements to ensure the achievement of the Government's Decent Homes Standard by 2010. In order to gain appropriate funding to finance the improvements required, NCH had to obtain a two star performance rating as measured by the Audit Commission. The organisation did not achieve the required rating at the last assessment and as such, there will be a delay in the receipt of capital funding to improve the social housing stock of the Council. A corporate performance monitoring system was developed during the year by the Council. However, because of the significance of the housing management operation of NCH and the impact of not achieving a two star rating on resources for future investment, the relatively late development of the corporate performance system is identified as a control weakness.

Position reported in Annual Governance Statement (2007/2008)

This body was established in 2006 in line with an Overview and Scrutiny Committee recommendation. The Committee supported the creation of an Accountability Body following the failure of NCH to attain a two-star inspection assessment in its last inspection by the Audit Commission. At its meeting on 23 November 2007 the Body agreed to conclude its role for several reasons.

NCH has implemented a number of actions which are aiming to deliver improvements to the service. These include:

- The establishment and conclusion of an ambitious four month foundation plan to focus on the delivery of key improvement in the key areas of customer focus; improving the quality of repairs; vacant property management; estate services; tenant participation and rent collection.
- Populating its strategic management structure with permanent personnel. A further restructure is proposed that is being informed by the recent Foundation Plan, HQN Mock Inspection, Kwest Customer Satisfaction Survey (Status) 2007 and the Housemark ALMO Performance Improvement Club.
- Actively working with the Council to enable the effective market testing and tendering of the responsive repairs services.
- There are also a number of established mechanisms that integrate the role of the Accountability Body into existing mainstream processes. These processes represent a duplication of the monitoring and management of performance role of the Accountability Body. They include:

- NCH and NCC internal governance arrangements eg Overview & Scrutiny at the Council and the Board at NCH.
- Regular meetings of the NCH/NCC Partnership Board.
- Monthly Performance Liaison Meetings which are held in accordance with the Management Agreement.
- The performance management framework which reports on all BVPIs on a quarterly basis.

- The Council's Serving Nottingham Better programme which brings together key strands of work to make real improvements to ensure that a better service to the people of Nottingham.

In November 2007 NCH had a detailed mock inspection, undertaken by specialist consultants. This inspection provided NCH with a positive indication of the attainment of a two-star rating with "promising prospects" for improvement in its next inspection, should NCH continue to deliver key improvements. The date for the next inspection is November 2008 (17th to 28th). At NCC Executive Board in March 2008, NCH's delivery plan was approved. It sets out NCH's plans and priorities for the year. The attainment of a "two-star" service still represents a key risk to the Council as failure to attain this will further delay the additional £165 million to be allocated through the Decent Homes programme. However, the above actions seek to mitigate this risk.

Latest Position

A self assessment was undertaken in September 2008 and the Audit Commission started its inspection on 17 November 2008. In accordance with its improvement plans a wide range of activity was undertaken, such as rebranding of leaflets and, housing offices and the purchase of new vehicles, a comprehensive review of the website and as part of the NCH Accommodation Strategy, a new city centre Housing Service Centre incorporating Property Shop was opened.

The inspection report was published in January 2009. The outcome of the inspection positively reported that NCH was judged as providing a two star landlord service with excellent prospects for improvement, reflecting the significant service and performance improvements achieved over the last few years. It also means that an additional £165m has been unlocked towards the Decent Homes programme. There has been a programme of significant change in the company since the last inspection in 2005. This has included the introduction of a new management team which has been committed to raising standards for tenants and leaseholders of Nottingham. The inspectors recognised that staff at all levels showed a strong focus on customers when delivering services and that those services are shaped and influenced by involved tenants and leaseholders. This underlines the change in culture that has happened at NCH since the previous inspection. There is wide scale recognition that there is still work to be done to further improve the service to customers. Positively, each of the Audit Commission recommendations have been incorporated into key service improvement plans with identified lead officers and timescales to ensure that the actions are completed to schedule.

The £165m will be spent on improving the Council's housing stock and will help transform the neighbourhoods in Nottingham and improve the lives of thousands of people living in Nottingham. It will enable NCH to develop an extensive apprentice scheme which will have a significant impact on reducing worklessness within Nottingham at a time of uncertainty for the local economy. Since the inspection outcome was announced NCH has commenced the letting of contracts to enable improvement works to commence as soon as possible.

SIGNIFICANT ISSUES 2008/09

Icelandic Banks

In October 2008, as a consequence of the global financial crisis, the Icelandic banking system collapsed, with four of its banks going into administration. This impacted directly on the Council, which had a total of £41.6m invested with three of the banks involved, at the time of the collapse.

A review of the Treasury Management Strategy was immediately undertaken. As a consequence of this review, the strategy was amended in respect of future investments to: reduce the number of eligible investment counterparties: reduce the maximum period of investments: and reduce the maximum sum placed with individual counterparties. The new strategies were implemented with immediate effect, and were subsequently approved by Executive Board in November 2008 and January 2009.

In addition, a review of the Council's treasury management processes was commenced, to ensure that they represented best available practice to respond to the current economic and financial crisis and future market changes. That review is ongoing, but is expected to result in access to additional market data to provide real time financial information to aid investment analysis, the training of in-house staff in the analysis and use of financial indicators, and the recruitment of specialist external support from external advisors.

The Council's latest information is that the majority of the investment will be returned to the Council in due course.

Public Interest Report

In 2005 the City Council established NCH to manage and maintain its housing stock through a Management Agreement. A Housing Inspection was carried out in November 2005 by the Audit Commission Housing Inspectorate and reported in March 2006. At the time of the inspection, allegations were made to the Audit Commission and the Council relating to inappropriate allocations of properties that were not made in accordance with established policies and procedures. As a result of these allegations, the Audit Commission determined that it was appropriate to undertake further work as part of its statutory audit at the Council.

The District Auditor produced a Public Interest report which detailed a sample of case studies which had been subject to detailed investigation by the Audit Commission. These case studies originated in the period 2003 to late 2005 and related to the latter days of the direct control of council housing by the Council and the early days of NCH. The studies related to the allocation of properties, employment and governance arrangements at that time.

Since the period covered by the District Auditor's report the housing service has been radically transformed. Actions have been taken to minimise risk and exposure to such events in the future. NCH has appointed a new Executive Management Team and has also extensively reviewed its governance arrangements. Furthermore the Council's allocations policy and lettings procedures have been radically overhauled. The allocations policy was comprehensively reviewed following citywide customer and stakeholder consultation and a new policy was implemented in February 2006. In addition a choice based lettings scheme (HomeLink) was introduced in June 2006. These two initiatives have significantly improved transparency, probity and integrity with the allocation of properties in Nottingham.

In November 2006, an independent housing consultant HouseMark was commissioned to undertake a review and provide a comprehensive health check for the allocation's service. This review highlighted improving performance and reported that the service was demonstrating good practice. In 2007 NCH undertook an internal review of HomeLink and this was subject to scrutiny from the Council's Overview and Scrutiny Committee during 2008. Outcomes and recommendations from the review have been incorporated in its Service Improvement Plan and also a joint NCC/NCH Allocations and HomeLink Action Plan.

On 29 January 2009, the Audit Commission published a report on its recent inspection of NCH. This report judged the housing service as a "good service that has excellent prospects for improvement." These judgements confirm the significant progress made since the last inspection. Specifically the inspection judged "Scrutiny of the allocations process is comprehensive and effective. Lettings of properties are closely and systematically monitored with a clear audit trail to demonstrate that they have been made in accordance with the agreed policy. Senior managers, and board members on the Performance and Regulatory Committee, receive regular performance reports on the allocations system. This is ensuring that allocations are made fairly and appropriately."

On 9 February 2009 the Council received a report recommending that the Audit Commission's Public Interest Report on Allocations be agreed. In summary the Report states that Nottingham's housing service was not consistently operating in the public's best interests between 2003 and 2005. Failings in the culture, systems and management of the service led to council houses not being allocated to those most in need as well as to jobs being awarded without going through the normal appointments process. The Council agreed to fully accept the specific findings and recommendations of the District Auditor's report; the adoption of an action plan as the Council's official response to the Public Interest report and the regular reporting of progress to the Executive Board by the Portfolio Holder for Neighbourhood Regeneration.

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.

Signed: ……...............…………………………………………………………
Leader of the Council

Signed: ……...............…………………………………………………………
Chief Executive

Signed: ……...............…………………………………………………………
Deputy Chief Executive / Corporate Director of Resources / Section 151 Officer

Auditors’ Report to Nottingham City Council

Independent auditor's report to the Members of Nottingham City Council

Opinion on the financial statements

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

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

Respective responsibilities of the Corporate Director of Resources and auditor

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

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

I report to you my opinion as to whether the Authority and Group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

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

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

I read other information published with the Authority and Group accounting statements, and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements. My responsibilities do not extend to any other information. I am not required to consider, nor have I considered, information regarding future projections included within the statement of accounts.

Basis of audit opinion

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

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

Opinion

In my opinion:

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

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

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

Authority's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

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

Auditor's responsibilities

I have a duty under the Audit Commission Act 1998 to consider whether, in the public interest, to report on any matter that comes to my attention in the course of the audit in order for it to be considered by the body concerned or brought to the attention of the public.

On 15 January 2009 the District Auditor issued a report in the public interest under section 8 of the Audit Commission Act 1998 on the subject of the allocation of properties to council tenants and related matters at Nottingham City Council between 2003 and 2005, which included a number of recommendations for the Authority to action.

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.

Sue Sunderland

District Auditor
Audit Commission
Littlemoor House
Eckington
Sheffield
S21 4EF
30 September 2009

Glossary of Financial Terms

Items in **red** are described further within the glossary.

Accounting Period
The period of time covered by an authority's accounts. Normally twelve months, beginning on 1 April. Also known as the Financial Year.

Accounting Policies
The principles, bases, conventions, rules and practices applied by an organisation that specify how the effects of transactions and other events are to be reflected in its financial statements through recognising, measuring and presenting **assets**, **liabilities**, gains, losses and changes to **reserves**.

Accrual
Income and expenditure are recognised as they are earned or incurred, not as money is received or paid. Accruals are made for **revenue** and **capital expenditure** and income (see **debtors** and c**reditors**).

Amortisation
The writing down of an **intangible asset** reflecting its diminution in value as its useful life expires over time.

Assets
Items having measurable value in monetary terms. Assets can be defined as fixed or current. A fixed asset has use and value for more than one year e.g. land, buildings, plant, vehicles and equipment. Current assets can be readily converted into cash.

Audit Commission
Independent body with the responsibility of appointing **external auditors** to local authorities. The Audit Commission has a duty to ensure that local authorities make sufficient arrangements to secure economy, efficiency, and effectiveness in their use of resources and is able to subject a local authority to Value for Money studies.

Best Value Accounting Code of Practice (BVACOP)
Published by **CIPFA** the BVACOP establishes "proper practice" with regard to consistent financial reporting to enhance the comparability of local authority financial information and is given statutory force in England by regulations under the Local Government Act 2003.

Business Rates – see **Non-Domestic Rates**

Capital Expenditure
Expenditure incurred in the relation to fixed **assets**. Expenditure may be classified as capital where it enhances the related property, where enhancement is defined as an action which either:
• Lengthens the asset's useful life, or
• Increases the asset's open market value, or
• Increases the extent to which the asset may be used for the purposes of the local authority.

Capital Adjustment Account
This is money set aside in the Council's accounts for capital spending and to repay loans.

Capital Financing Requirement
The capital financing requirement measures an authority's underlying need to borrow or finance by other long-term liabilities for a capital purpose.

Capital Receipt
The proceeds from the disposal of land or other assets. Proportions of capital receipts can be used to finance new **capital expenditure**, within rules laid down by the Government, but they cannot be used to support **revenue expenditure**. The remaining proportions must be set aside to repay loans.

Chartered Institute of Public Finance and Accountancy (CIPFA)
CIPFA is the leading professional accountancy body for public services. It draws up the Accounting Code of Practices and issues professional guidance that is used to compile these accounts. CIPFA advises central government and other bodies on local government and public sector finance matters.

Collection Fund
A separate fund recording the expenditure and income relating to **Council Tax**, **National Non-Domestic Rates** (collected on behalf of the Central Government) and residual community charge.

Community Assets
Assets that a local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions in their disposal. Examples are parks and historical buildings.

Contingency
A sum included in the revenue budget to cover unexpected expenditure during the **accounting period**. An example of such an event would be an exceptional price increase not anticipated at the time the budget was constructed.

Contingent Liabilities
A contingent liability is defined as either a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control or a present obligation that arises from past events but is not recognised because either it is not probable that a transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Council Tax
A local tax set by local authorities in order to meet their budget requirements. There are eight Council Tax bands (Band A to Band H); the amount of Council Tax each household pays depends on the value of the home.

Council Tax Benefit
Assistance provided by billing authorities to adults on low income, with the objective of helping them to pay their Council Tax bills.

Council Tax Discounts and Exemptions
Discounts are available to people who live alone and for homes that are not anyone's main home. **Council Tax** is not charged for certain properties, known as exempt properties, like those only lived in by students.

Creditors
Amounts owed by an authority for works done, goods received or services rendered before the end of an **accounting period**, but for which actual payments had not been made by the end of that accounting period.

Debtors
Amounts due to an authority for works done, goods supplied or service rendered before the end of an **accounting period**, but for which actual payments had not been received by the end of that accounting period.

Dedicated Schools Grant
A **specific grant** paid to Local Authorities to fund the cost of running its schools.

Revenue Expenditure Funded From Capital Under Statute
Capital Expenditure which may properly be incurred, but which does not result in an asset owned by the City Council. An example of a deferred charge would be expenditure on items such as improvement grants.

Depreciation
The theoretical loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

Exceptional Items
Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts

External Audit
The auditor is appointed by the **Audit Commission** and is required to verify that all statutory and regulatory requirements have been met during the production of the authority's accounts. There is also a requirement to review the arrangements in place to ensure the economic and effective use of resources.

Extraordinary Items
Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include **exceptional items**, nor do they include prior period items, merely because they relate to a prior period.

Financial Instrument
Any contract giving rise to a financial **asset** in one entity and a financial **liability** or equity instrument in another. Examples include the treasury management activity of the Authority, including the borrowing and lending of money and the making of investments.

Finance Lease
A lease, which transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Finance leases result in a charge against the local authority's capital resources.

Financial Reporting Standard (FRS)
Financial Reporting Standards are accounting standards developed by the Accounting Standards Board which set out the framework and requirements that need to be adopted for certain transactions in the published accounts. Any departure from these FRS's must be disclosed in the published accounts.

General Fund
The common name for the account which accumulates balances for all services except the **Housing Revenue Account** and the **Collection Fund**.

Government Grants Deferred Account
Grants and other external contributions towards **capital expenditure** are written off to the Income and Expenditure Account as the assets to which they relate are depreciated.

Group Financial Statements
Where a Council has an interest in another organisation (e.g. a **subsidiary** organisation) group accounts have to be produced. These accounts report the financial position of the Council and all organisations in which it has an interest.

Historical Cost
This represents the original cost of acquisition, construction or purchase of a fixed **asset.**

Housing Benefit
Assistance provided by billing authorities to adults on low income, with the objective of helping them to pay their rent. Parts of the cost, including those associated with the running expenses of the scheme, are refunded directly by the Government.

Housing Revenue Account (HRA)
Sets out the expenditure and income arising from the provision of social housing by the local authority as landlord.

Housing Revenue Account Subsidy
Government grant paid to housing authorities towards the cost of providing, managing and maintaining dwellings and paying housing benefits to tenants.

Impairment
A reduction in the value of a fixed **asset** resulting from damage or obsolescence. In order to comply with accounting standards, the City Council undertakes annual reviews of its assets to identify any that are impaired.

Infrastructure Assets
Assets held by local authorities which do not normally have a resale value and for which a useful life span cannot easily be assessed. Examples include highways, bridges and drainage facilities.

Intangible Assets
Assets that do not have physical substance but are identifiable and controlled by the Council through custom or legal rights.

Investment Properties
An interest in land and/or buildings which is held for its investment potential.

Joint Ventures
An organisation in which the Council is involved where decisions require the consent of all participants.

Liability
Amounts due to individuals or organisations that will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

Medium Term Financial Plan (MTFP)
A plan detailing projected expenditure and available resources over a period of more than one year. The Council's MTFP currently covers three years.

Minimum Revenue Provision (MRP)
The statutory minimum amount that authorities must set aside each year as provision for debt repayment.

National Non-Domestic Rates
The means by which local businesses contribute to the cost of providing local authority services. All Non-Domestic Rates are paid into a central pool and then divided between all authorities depending on the number of residents each authority has.

Net Revenue Expenditure
This represents the authority's budget requirement and use of **reserves**.

Non-operational Assets
Assets held by an authority but not actually used in the direct delivery of services, including surplus assets, industrial units and assets used by other organisations in order to provide services on the authority's behalf. See **Operational Assets**.

Operating Leases
A lease where substantially all of the risks and rewards of ownership of a fixed asset are retained by the lessor. Operating leases do not result in a charge against the local authority's capital resources.

Operational Assets
Assets held by an authority for the purpose of the direct delivery of services for which that authority has either a statutory or discretionary responsibility. See **Non-operational Assets**.

Outturn
Actual income and expenditure in an **accounting period**.

PFI Credits
The financial support provided to Local Authorities to part fund **Private Finance Initiative** capital projects.

Post Balance Sheet Events
Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Precept
The amount of **Council Tax** income County Councils, Police authorities, Parish Councils and Fire authorities (precepting authorities) need to provide their services.

Prior Year Adjustments
These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates in prior years.

Private Finance Initiative (PFI)
A long-term contractual public private partnership under which the private sector takes on the risks associated with the delivery of public services in exchange for payments tied to standards of performance.

Provision
An amount set aside to cover a **liability** that will almost certainly occur, but where the amounts or dates on which the cost will arise are uncertain.

Prudential Code
The Prudential Code ensures, within a clear framework, that the capital investment plans of the Council are affordable, prudent and sustainable.

Public Works Loans Board (PWLB)
A Government agency which provides loans, for terms of one year and above, to local authorities. The interest rates applied are only slightly higher than those at which the Government can borrow.

Reserves
A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. A distinction is drawn between reserves and **provisions** which are set up to meet known liabilities.

Revaluation Reserve
This represents the non-distributable increase/decrease in the valuation of fixed **assets**.

Revenue Expenditure
Expenditure on day-to-day running costs such as salaries, heating, printing and stationery and debt charges. Revenue items will either be expended immediately, like salaries, or within one year of purchase.

Revenue Support Grant (RSG)
Government financial support to aid local authority services generally. It is based on the Government’s assessment of how much an authority needs to spend in order to provide a standard level of service.

Section 106 contributions
These are receipts received by the Council from developers for a specific purpose; they arise as a result of a planning agreement between the Council and developer.

Specific Grant
Government financial support for a specific purpose or service that can not be spent on anything else.

Statement of Recommended Practice (SORP)
Publication produced by **CIPFA** that provides detailed guidance on the proper accounting treatment to be used in the preparation of local authority statement of accounts.

Stocks
Comprise the following categories; goods or other **assets** purchased for resale; consumable stores; raw materials and components purchased for incorporation into products for sale; products and services in intermediate stages of completion; long term contract balances and finished goods.

Subsidiary and Associated Companies
An organisation in which the Council has a participating interest and over which it can exercise significant influence e.g. where the Council controls the majority of voting rights.

Trading Accounts
Services run in a commercial style and environment, providing services that are mainly funded from fees and charges levied on customers.

Trust Funds
Funds administered by a local authority for purposes such as charities, and specific projects and on behalf of minors.

Work in Progress
Work in progress is the value of work undertaken on an unfinished project at the end of the financial year, which has not yet been charged to the revenue account.