



Rushcliffe
Borough Council

STATEMENT OF Accounts

FOR YEAR ENDED 31ST MARCH 2012



RUSHCLIFFE - GREAT PLACE • GREAT LIFESTYLE • GREAT SPORT

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RUSHCLIFFE BOROUGH COUNCIL
STATEMENT OF ACCOUNTS 2011/12

Statement of authorisation

The Statement of Accounts was authorised for issue on 27 September 2012 by Colin Bullett, Section 151 Officer. All financial events up to and including this date have been considered in these accounts including the amendments arising from the audit.

Signed

Date 27-9-12

A handwritten signature in black ink, appearing to read 'I.I. Korn', written over a horizontal line.

Councillor I.I. Korn

Mayor

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RUSHCLIFFE BOROUGH COUNCIL

Opinion on the Authority financial statements

I have audited the financial statements of Rushcliffe Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Rushcliffe Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Rushcliffe Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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 to review regularly the adequacy and effectiveness of these arrangements. I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission. I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Rushcliffe Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

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

John Cornett
District Auditor

Unit 10
Whitwick Business Centre
Whitwick Business Park
Stenson Road
Coalville
LE67 4JP

28 September 2012

B. EXPLANATORY FOREWORD

1. INTRODUCTION

This document sets out the Council's statutory accounts for the financial year ended 31 March 2012. The format accords with both statutory undertakings and the requirements for publication of financial information set out in both the Code of Practice on Local Authority Accounting in the United Kingdom, which incorporates International Financial Reporting Standards (IFRS) and the Service Reporting Code of Practice (SerCOP).

The purpose of the Statement of Accounts is to give stakeholders clear information about the Council's finances. This explanatory foreword gives readers an overview of the most significant matters reported in the accounts with an explanation of the Council's overall financial position.

2. THE STATEMENTS

Detailed below is an explanation of each Statement within these accounts and the relationship between them.

The Statement of Responsibilities for the Statement of Accounts - identifies the officer who is responsible for the proper administration of the Council's financial affairs.

The Accounting Statements

Movement in Reserves Statement - This statement shows the movement in the year on the different reserves held by the council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

Comprehensive Income and Expenditure Statement - This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

Balance Sheet – The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council.

Cash Flow Statement – The Cash Flow Statement shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The Supplementary Financial Statements

The Collection Fund - The Collection Fund account reflects the statutory requirement 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).

Statement of Accounting Policies - This statement supports the accounting and supplementary statements and details the general accounting conventions used in preparing the accounts. A disclosure is made in this statement where accounting policies are used which do not adhere to recommended practice.

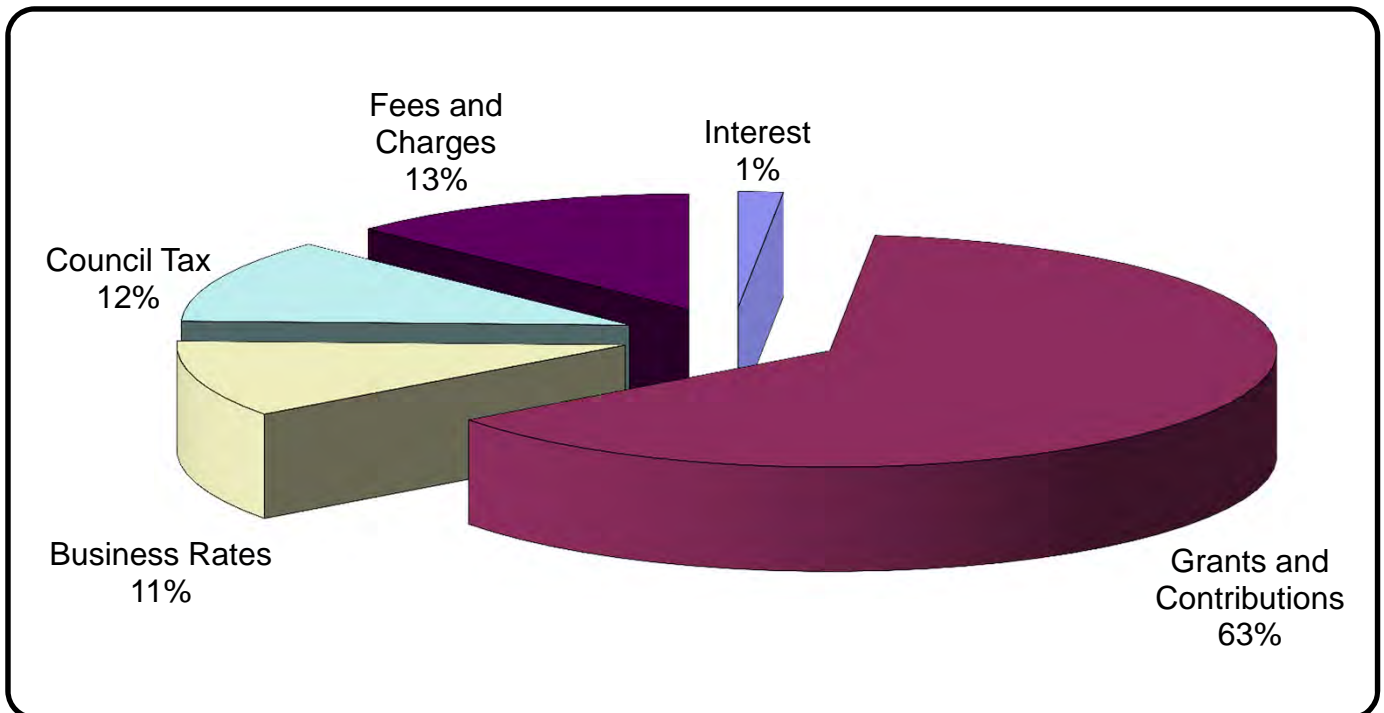
B. EXPLANATORY FOREWORD

3. REVENUE EXPENDITURE

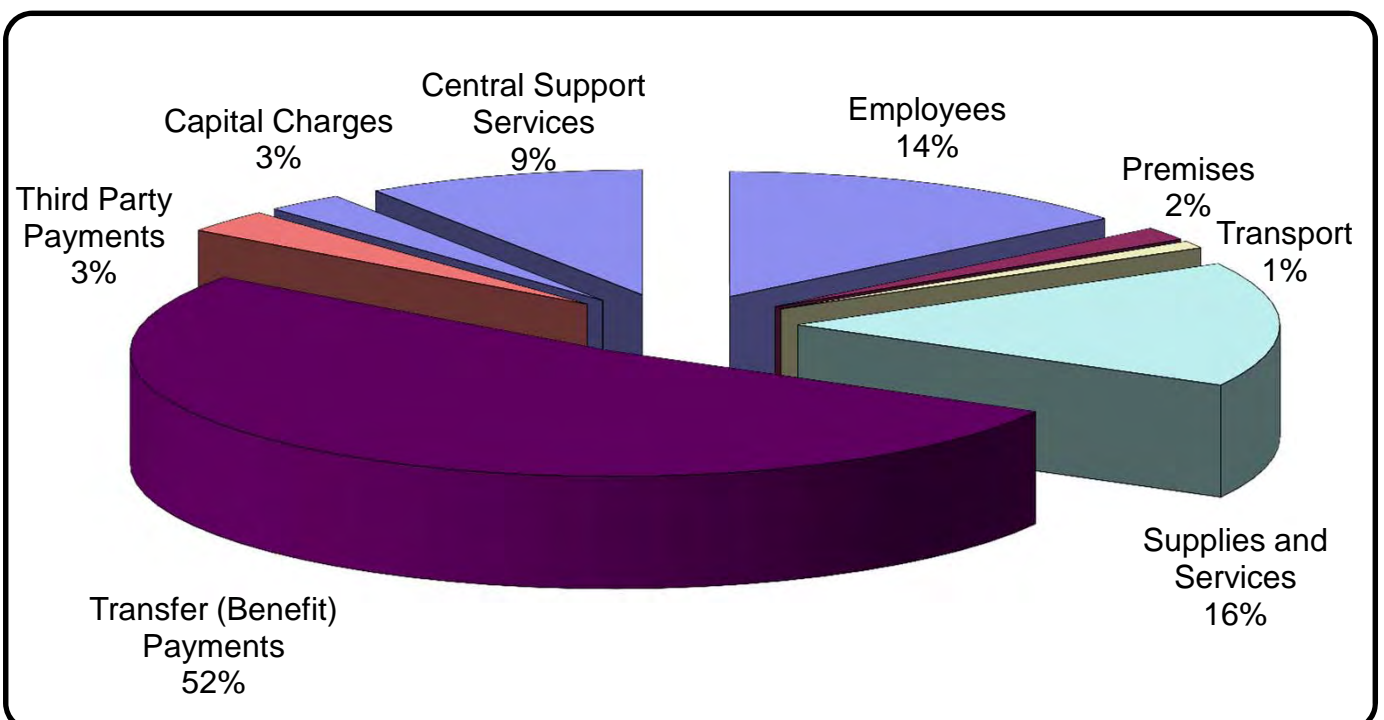
The Council must categorise its income and expenditure as either revenue or capital. This section deals with the Council's revenue income & expenditure, which is generally day to day expenditure, or on items used within the year.

The following charts outline where the Council's revenue money came from, how it was spent and on which services. The charts show the overall position of the Council's revenue budgets for 2011/12.

Where The Money Came From



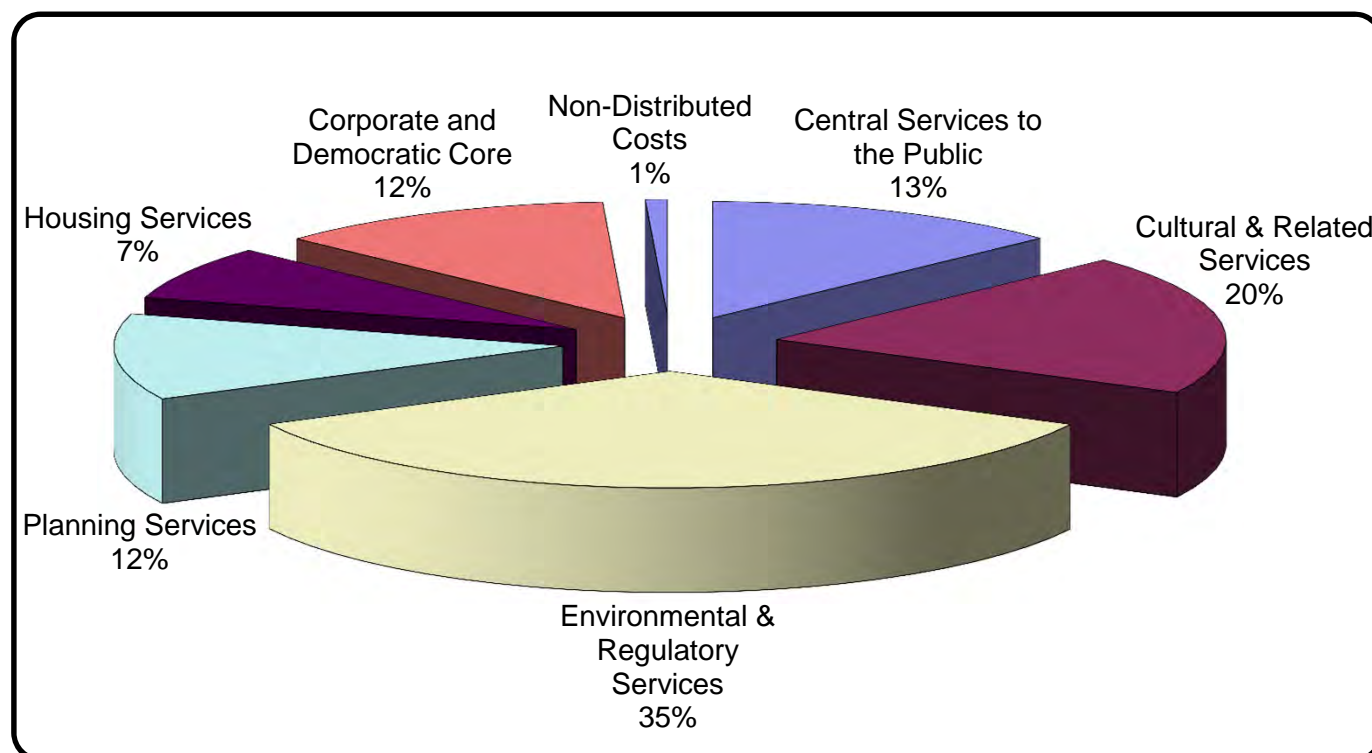
What The Money Was Spent On



B. EXPLANATORY FOREWORD

3. REVENUE EXPENDITURE CONT'D

What Services Have Been Provided with the Money



a) General Fund Revenue Account

The following table summarises the position for the General Fund for 2011/12.

	Budget	Actual	Variance
	£000	£000	£000
Expenditure			
Net Service Expenditure	15,487	14,012	(1,475)
Capital Financing Adjustments	(3,316)	(2,139)	1,177
Transfer from Reserves	(1,016)	(718)	298
Total Net Expenditure	11,155	11,155	0
Income			
Revenue Support Grant	1,310	1,310	0
Business Rates	4,240	4,240	0
Council Tax (including Special Expense)	5,419	5,419	0
Council Tax Freeze Grant	136	136	0
Collection Fund Surplus	50	50	0
Total Income	11,155	11,155	0
(Surplus)/Deficit for the year	0	0	0
Balance brought forward	2,604	2,604	0
Balance carried forward	2,604	2,604	0

B. EXPLANATORY FOREWORD

3. REVENUE EXPENDITURE CONT'D

Budget Variations

In 2010/11 the Council adopted a four year service review plan to help generate savings and additional income to manage through the current period of economic downturn and government funding cuts. There have been notable successes such as the Green Waste scheme which has delivered nearly double the savings envisaged. In addition service reviews for Environment and Waste, and Revenues and Benefits have delivered significant savings a year early.

The underspend in Net Service Expenditure has enabled a reduction in the planned use of earmarked reserves and general fund balance. A total of £718,000 of earmarked reserves have been used leaving the General Fund balance unchanged at £2.604m, a level still in line with the Council's Medium Term Financial Strategy.

The overspend of £1.177m on the Capital Financing Adjustments line primarily results from having to recognise technical accounting adjustments such as changes in values of fixed assets, accounting for pension costs and amortisation of government grants. These transactions have no impact on the Council's overall funding position.

Major variances for the year are summarised below;

Major (Under)/Over spends	£000
i) Savings from early delivery of service reviews (EWM & Revs and Bens)	(386)
ii) Additional income from Green Waste Scheme	(281)
iii) Additional income from recovered Housing Benefit overpayments	(229)
iv) Reduced Income from Development & Building Control Fees	218
v) Other staffing and staff related savings	(324)
vi) Other additional income (Rents, Fees & Charges etc.)	(203)
vii) Net minor variations	(270)
	(1,475)

4. CAPITAL EXPENDITURE

This section deals with the Council's Capital expenditure, which relates primarily to spending on Council assets (i.e. an item with an expected life of more than one year). At £3.093m actual expenditure represented 59% of the revised budget.

There are a number of budgets which need to be carried forward (£1.683m) to enable schemes to be completed in 2012/13. Once these adjustments are taken into account the underlying position is that the Capital Programme will have an underspend of £428,000 (if all the carried forward amounts are ultimately spent during 2012/13). This equates to 92% of the total programme.

B. EXPLANATORY FOREWORD

4. CAPITAL EXPENDITURE CONT'D

	Revised Estimate	Actual	Carry Forward	Real Variance
	£000	£000	£000	£000
Expenditure				
Revenues and ICT Services	704	600	53	(51)
Partnerships & Performance Environment & Waste Management	2,178	863	1,265	(50)
Community Shaping	1,062	1,161	15	114
Planning & Place Shaping	779	398	350	(31)
Contingency	73	71	0	(2)
	408	0	0	(408)
Total Capital Expenditure	5,204	3,093	1,683	(428)
Financing				
Capital Receipts	(2,020)	(1,473)	(408)	139
Government Grants	(2,253)	(978)	(1,245)	30
Other Grants/Contributions	(510)	(250)	(1)	259
Use of Reserves	(421)	(392)	(29)	0
	(5,204)	(3,093)	(1,683)	428

5. MATERIAL TRANSACTIONS

Pension Liability

The valuation of the Local Government Defined Benefit Pension reflects has a significant impact on the Net Worth of the Council. The value of the pension fund deficit for 2012/13 is £32m this reflects an increase of £12m from the 2010/11 position (£20m).

It is important to note that unlike most Public Sector pension schemes, the Local Government Pension Scheme is funded which makes it more secure.

Collection Fund

The surplus brought forward from 2010/11 of £718,000 has increased to £839,000. The surplus will be shared with the County Council, the Fire Authority and the Police Authority and will be distributed through the Council Tax payable by the residents.

6. RESERVES

The General Fund balance as at 31 March was £2.604m this is in line with the requirements of the Council's Medium Term Financial Strategy. In addition the Council has earmarked reserves totalling £7.768m and useable capital receipts of £15.626m. Full details of the Council's earmarked reserves are included within note 8 to the financial statements.

B. EXPLANATORY FOREWORD

7. THE COUNCIL'S FINANCIAL OUTLOOK

The Council's budget for 2012/13 and medium term financial strategy were approved by Full Council in March 2012. During the budget's development three major national issues were identified that could have a significant impact upon the Council's finances and wider resources. These were:

- Economic Conditions - affecting interest rates, inflation, income streams, and pressure on services such as homelessness and benefits;
- Localisation of Business Rates - affecting the level of government funding the council will receive.
- Localisation of Council Tax Support - affecting how Council Tax benefits are awarded and transferring risk from Government to the Council.

The medium term financial forecast for the Council reflects a strong financial position given the testing economic conditions. The Council retains its debt-free status and has healthy reserves to call on should it need to. But most importantly the Council has, in the four-year service redesign programme, a plan in place to generate the level of savings or additional income estimated to be needed to maintain a balanced budget through the short and medium term.

The Council also recognises however that the level of the potential savings and changes could still become more challenging. As a direct response to this the Council has developed a new approach to both budget setting, monitoring and management. This has been designed to ensure the Council has the maximum flexibility and can adapt to changes both quickly and effectively.

8. FURTHER INFORMATION

Further information about these accounts is available from:

Colin Bullett
Deputy Chief Executive
Civic Centre
Pavilion Road
West Bridgford
Nottinghamshire
NG2 5FE

or

Sue Peacock
Finance Manager
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NG2 5FE

cbullett@rushcliffe.gov.uk

speacock@rushcliffe.gov.uk

In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed details of which will be advertised in the local press and on the Council's website (www.rushcliffe.gov.uk).

C. STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council 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 council, that officer is Colin Bullett (Deputy Chief Executive);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities (Statutory S151 Officer)

The Chief Financial Officer is responsible for the preparation of the council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local council Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority code.

The Chief Financial Officer has also:

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

I certify that this Statement of Accounts gives a true and fair view of the financial position of the council at the reporting date and of its expenditure and income for the year ended 31 March 2012.



Colin Bullett
Chief Financial Officer

Date - 27 September 2012

D. THE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT (MIRS)

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

2011/12	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance 31 March 2011	(2,604)	(7,731)	(17,064)	(283)	(27,682)	(14,059)	(41,741)
Movement in Reserves during 2011/12							
(Surplus) or deficit on the provision of services	1,803	0	0	0	1,803	0	1,803
Other Comprehensive Income & Expenditure	11,012	0	0	0	11,012	0	11,012
Total Comprehensive Income & Expenditure	12,815	0	0	0	12,815	0	12,815
Adjustments between accounting basis and funding basis under regulations (Note 7)	(12,852)	0	1,438	45	(11,369)	11,369	0
Net Increase / Decrease before Transfers to Earmarked Reserves	(37)	0	1,438	45	1,446	11,369	12,815
Transfers to / from Earmarked Reserves (Note 8)	37	(37)	0	0	0	0	0
Increase / Decrease in 2011/12	0	(37)	1,438	45	1,446	11,369	12,815
Balance at 31 March 2012 carried forward	(2,604)	(7,768)	(15,626)	(238)	(26,236)	(2,690)	(28,926)

D. THE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT (MIRS)

2010/11	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance 31 March 2010	(2,840)	(8,105)	(19,214)	(451)	(30,610)	8,140	(22,470)
Movement in Reserves during 2010/11							
(Surplus) or deficit on the provision of services	(3,718)	0	0	0	(3,718)	0	(3,718)
Other Comprehensive Income & Expenditure	(15,553)	0	0	0	(15,553)	0	(15,553)
Total Comprehensive Income & Expenditure	(19,271)	0	0	0	(19,271)	0	(19,271)
Adjustments between accounting basis and funding basis under regulations (Note 7)	19,881	0	2,150	168	22,199	(22,199)	0
Net Increase / Decrease before Transfers to Earmarked Reserves	610	0	2,150	168	2,928	(22,199)	(19,271)
Transfers to / from Earmarked Reserves (Note 8)	(374)	374	0	0	0	0	0
Increase / Decrease in 2010/11	236	374	2,150	168	2,928	(22,199)	(19,271)
Balance at 31 March 2011 carried forward	(2,604)	(7,731)	(17,064)	(283)	(27,682)	(14,059)	(41,741)

D. THE FINANCIAL STATEMENTS

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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

2010/11				2011/12		
Gross Exp.	Gross Inc.	Net Exp.		Gross Exp.	Gross Inc.	Net Exp.
£000	£000	£000		£000	£000	£000
6,841	5,638	1,203	Central Services to the Public	7,607	5,732	1,875
3,785	885	2,900	Cultural & Related Services	3,386	570	2,816
7,144	1,240	5,904	Environmental & Regulatory Services	6,607	1,584	5,023
3,117	1,187	1,930	Planning Services	2,880	1,153	1,727
1,205	652	553	Highways and Transport Services	580	746	(166)
17,975	16,140	1,835	Housing Services	19,197	18,362	835
2,556	4	2,552	Corporate and Democratic Core	1,770	5	1,765
(6,311)	0	(6,311)	Non Distributed Costs	114	0	114
36,312	25,746	10,566	Cost of Services	42,141	28,152	13,989
2,462	779	1,683	Other Operating Exp. (Note 9)	2,034	0	2,034
4,416	4,201	215	Financing & Investment Inc. & Exp. (Note 10)	3,961	4,528	(567)
486	413	73	Deficit on Discontinued Operations (Note 30)	257	235	22
0	16,255	(16,255)	Taxation & Non - Specific Grant Income (Note 11)	0	13,675	(13,675)
43,676	47,394	(3,718)	(Surplus) or Deficit on Provision of Services	48,393	46,590	1,803
		(47)	Surplus or deficit on revaluation of non current assets			(305)
		0	Surplus or deficit on revaluation of available for sale financial assets			0
		(15,505)	Actuarial gains / losses on pension assets / liabilities			11,317
		(15,552)	Other Comprehensive Income & Expenditure			11,012
		(19,270)	Total Comprehensive Income & Expenditure			12,815

Note:

The Service Reporting Code of Practice (SerCOP) now requires, the previously combined, Cultural & Related Services, Environmental & Regulatory Services and Planning Services to be reported separately in the CIES. The figures for 2010/11 have been restated accordingly.

D. THE FINANCIAL STATEMENTS

BALANCE SHEET

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

01-Apr-10	31-Mar-11		Note Ref	31-Mar-12
£000	£000			£000
22,102	23,542	Property, Plant & Equipment	12	23,650
0	0	Heritage Assets	13	161
7,965	7,899	Investment Property	14	8,018
148	564	Intangible Assets	15	574
4,003	7,022	Long Term Investments	16	0
1,473	1,460	Long Term Debtors	16	1,984
35,691	40,487	Long Term Assets		34,387
18,943	22,202	Short Term Investments	16	10,085
10	25	Inventories	17	53
7,808	2,872	Short Term Debtors	19	4,844
10,266	5,169	Cash and Cash Equivalents	20	24,863
37,027	30,268	Current Assets		39,845
54	54	Short Term Borrowing	16	54
4,123	3,322	Short Term Creditors	22	4,100
4,177	3,376	Current Liabilities		4,154
8	1	Provisions	23	0
5,288	5,328	Capital Grants Receipts in Advance	37	9,053
40,774	20,309	Pension liability	43	32,099
46,070	25,638	Long Term Liabilities		41,152
22,471	41,741	NET ASSETS		28,926
19,215	17,064	Usable Capital Receipts Reserve		15,626
2,840	2,604	General Fund Balance		2,604
8,105	7,731	Earmarked Reserves	8	7,768
451	283	Capital Grants Unapplied		238
30,611	27,682	Usable reserves		26,236
(8,140)	14,059	Unusable Reserves	25	2,690
22,471	41,741	TOTAL RESERVES		28,926

D. THE FINANCIAL STATEMENTS

CASHFLOW STATEMENT (INDIRECT METHOD)

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

2010/11		2011/12
£000		£000
(3,718)	Net (surplus) or deficit on the provision of services	1,803
(1,224)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(5,031)
302	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 26)	(4,237)
(4,640)	Net cash flows from Operating Activities	(7,465)
7,788	Investing Activities (Note 27)	(18,081)
1,950	Financing Activities (Note 28)	5,852
5,098	Net increase or decrease in cash and cash equivalents	(19,694)
10,267	Cash and cash equivalents at the beginning of the reporting period	(5,169)
(5,169)	Cash and cash equivalents at the end of the reporting period (Note 20)	(24,863)

E. NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. It has been prepared in accordance with the Accounts and Audit Regulations 2011 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS). It also complies with guidance notes issued by CIPFA on the application of accounting standards (Standard Statements of Accounting Practice and Financial Reporting Standards) to local authority accounts.

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

ii Accruals of Income & Expenditure

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

- **Revenue from the sale of goods** is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- **Revenue from the provision of services** is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- **Supplies are recorded as expenditure** when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- **Expenses in relation to services received** (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- **Interest 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 revenue and expenditure have been recognised but cash has not been received or paid**, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where 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.

iii Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

E. NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

iv Exceptional Items

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

v Prior Period Adjustments, Changes in Accounting Policy and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

vi Charges to Revenue for Non-Current Assets

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;
- **Revaluation and Impairment losses on assets** used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- **Amortisation of Intangible Fixed Assets** attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisation. These are therefore reversed out of the General Fund and into an unusable capital reserve.

It is however, required to make an annual provision from revenue towards the reduction in it's overall borrowing requirement, this is referred to as Minimum Revenue Provision (MRP). New Guidance was issued by the Secretary of State under section 21 (1A) of the Local Government Act 2003 for the calculation of this provision.

The Council is currently debt free and has no borrowing requirement and is therefore not required to make a MRP. If this were to change the Council would need to set a policy for calculating MRP.

E. NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

vii Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to either terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income & Expenditure Statement when the Council has demonstrably committed to the termination of employment, or has made an offer to encourage voluntary redundancy to an officer or group of officers.

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

Post Employment Benefits - Local Government Pension Scheme (LGPS)

The LGPS is administered by Nottinghamshire County Council and is accounted for as a defined benefits scheme providing defined benefits to members (Retirement Lump Sums and Pensions) earned as employees working for the Council.

The liabilities of the 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).

The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- **Quoted Securities** – current bid price
- **Unquoted Securities** – current bid price
- **Utilised Securities** – Professional Estimate
- **Property** – Market Value

E. NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

vii Employee Benefits (Cont'd)

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

- **Current Service Cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Statement to the revenue 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 Provision 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 the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement.
- **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 the Financing & Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement.
- **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 or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement as part of Non Distributed Costs.
- **Actuarial Gains and Losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
- **Contributions paid to the Pension Fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

E. NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

viii Events after the Balance Sheet Date

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

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

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

ix Financial Instruments

General

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Most straight forward financial assets (debtors, bank deposits and investments) are covered, together with more complex ones not used by the Council (debt instruments with embedded swaps and options).

The Council recognises a financial asset or liability on the Balance Sheet when it becomes party to the contractual provisions of an instrument.

Financial Liabilities

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

The Council has no long term debt or plans to raise any within its prudential framework. There is consequently no agreed policy, but it is recognised that this would need to be established if the Council plans to take out long term debt.

Financial Assets

Financial Assets are classified as either:

- **Loans and Receivables** - assets that have fixed or determinable payments but are not quoted in the active market.

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the provisions of a financial instrument and are initially measured at 'fair value'. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

E. NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

ix Financial Instruments (Cont'd)

The Council has made one loan at less than market rate (soft loan). When such a soft loan is made, a loss is recorded in the comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the cricket club, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

If an asset was identified as impaired because of the likelihood arising from a past event that payments due under a contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment income and Expenditure line in the comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

- **Available for Sale Assets** - assets that have a quoted market price and/or do not have fixed or determinable payments.

These are non-derivative financial assets designated available for sale they are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the income statement on de-recognition.

Financial Instruments - Risks

The Council's activities in this area expose it to a number of risks; it regularly reviews and agrees policies for these risks which are set out below:

- **Credit Risk** – the possibility that other parties may fail to pay amounts due.

To mitigate this risk the parties that owe money are sent timely reminders, defaulters are given reminders, warnings and ultimately legal action is taken where necessary.

In addition the Council has adopted the CIPFA Prudential Code and reviews and monitors the level of exposure to investments which mature beyond one year and the use of specified and non-specified investments.

- **Interest Rate Risk** – that changes in areas such as interest rates will affect the Council's revenue resources.

To mitigate this risk the Council monitors the available rates, and also consults with its Treasury Advisors Arlingclose Ltd and maintains fixed deposits when good rates are available. Fixed rate deposits are maintained to maximise interest receivable; variable rate deposits are maximised for working capital requirements.

- **Liquidity Risk** – the possibility that the Council cannot pay its commitments

To mitigate this risk the Council ensure that current working capital requirements are immediately available. At the period end, there were no remaining investments which exceeded 12 months. Short-term flexibility is achieved by overdraft facilities.

E. NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

x Government Grants and Contributions

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

- The Council will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

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

Monies advanced as grants and contributions for which conditions have been not satisfied are carried in the Balance Sheet as long term liabilities (Capital Receipts in Advance). When conditions are satisfied, the grant or contribution is credited to the Comprehensive Income and Expenditure Statement.

Where capital grants and contributions including Section 106's are credited to the Comprehensive Income and Expenditure Statement as Taxation and Non Specific Grant Income, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. When it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

xi Heritage Assets

The Council has two classifications of Heritage Assets a small art collection and a War Memorial. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However the art collection is reported in the Balance Sheet at insurance valuation, which is based on market value. These insurance valuations are updated annually.

Art Collection

The Council's art collection consist of 82 exhibits of oils, watercolours and prints. There are 7 items with a value of over £5,000. The highest value item is an oil painting valued at £65,000. The assets within the art collection are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Purchases are initially recognised at cost and donations are recognised at valuation.

War Memorial

The War Memorial is situated in West Bridgford and is held at Depreciated Historic Cost.

General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment (note xviii).

E. NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

xii Intangible Fixed Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences). These are capitalised at cost when the economic benefit is estimated to be greater than 12 months.

Once capitalised, the assets will be amortised on a systematic basis over their useful lives. The amortisation charge will be made to the relevant General Fund service revenue accounts.

Intangible assets are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000 the Capital Receipts Reserve.

xiii Inventories and Long Term Contracts

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

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the provision of services with the value of works and services received under contract during the financial year.

xiv Investment Properties

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

Investment properties are measured at fair value and are not depreciated but revalued bi-annually according to market conditions at the start of the year. Gains and losses on revaluation are posted to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

xv Leases

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

An exception is made where leases were in existence prior to the introduction of IFRS and not treated in accordance to proper practice as at 31st March 2010. Under the terms of the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2010 No 454, the Council may continue to account for money received in accordance with the original type of lease.

E. NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

xv Leases Cont'd

Leases classified as Investment Properties are not required to show a split between the land and building elements. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for a payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at fair value measured at inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the council are added to the carrying amount of the asset.

Lease payments are apportioned between:

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

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

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the leased asset

The Authority as Lessor

Finance Leases

These finance leases are dealt with under the exception outlined above.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement.

xvi Jointly Controlled Operations

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

E. NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

xvii Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012 (SerCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- **Corporate and Democratic Core** - costs relating to the Council's status as a multi functional, democratic organisation.
- **Non Distributed Costs** - This includes the cost of discretionary benefits awarded to employees and other costs not attributable to individual services.

These two cost categories are defined in SerCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xviii Property Plant & Equipment

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

a) Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an assets potential to deliver future economic benefits or service potential is charged as an expense when it is incurred. In addition, expenditure needs to be in excess of the Councils de-minimis level of £10,000 before it can be recognised as capital, spend below this limit is charged to revenue.

The Code requires components to be accounted for as separate items where they are material, the Council has undertaken a review of its assets relating to Property, Plant and Equipment and componentising these assets has no material impact, the Council has however componentised its assets, into two elements land and buildings.

b) Measurement

Assets are initially measured at cost, comprising:

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

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

E. NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

xviii Property Plant & Equipment (Cont'd)

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

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

Property Plant & Equipment	
Other Land & Buildings	Existing Use Value (EUV)
Vehicles & Plant	Depreciated Historical Cost
Infrastructure	Depreciated Historical Cost
Community Assets	Depreciated Historical Cost
Assets Under Construction	Depreciated Historical Cost

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

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

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

c) **Impairment**

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

Where impairment losses are identified, they are accounted for as follows:

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

E. NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

xviii Property Plant & Equipment (Cont'd)

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

d) Depreciation

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

Property Plant & Equipment	
Other Land & Buildings	Straight line - over the useful life of the asset
Vehicles & Plant	Straight line - over the useful life of the asset
Infrastructure	Straight line - over the useful life of the asset
Community Assets	No charge is made for depreciation
Assets Under Construction	No charge is made for depreciation

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.

e) Disposals and Non-Current Assets Held for Sale

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

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

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

E. NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

xviii Property Plant & Equipment (Cont'd)

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Capital receipts are credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Asset under Construction

Asset under Construction are only recognised when it is probable that the future economic benefits will flow to the Council and the cost can be measured reliably. Assets under Construction are capitalised at cost which includes labour and overhead costs arising directly from the construction of the asset. Assets under Construction are not depreciated until they are brought into use under the relevant sections of property plant and equipment.

xix Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Contingent Liabilities

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

E. NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

xix Provisions, Contingent Liabilities and Contingent Assets Cont'd

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Where it is probable that there will be an inflow of economic benefits or service potential contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts.

xx Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xxi Revenue Expenditure Funded From Capital Under Statute

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

xxii VAT

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

E. NOTES TO THE ACCOUNTS

2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

For 2011/12 the only accounting policy change that needs to be reported relates to amendments to IFRS 7 - Financial Instruments: Disclosures (transfers of financial assets). Appendix C of the 2012/13 Code will provide details of the disclosures required.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Statement of Accounts is:

There is much uncertainty about future levels of funding for local government. However the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statements of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors.

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Impairment of Property, Plant and Equipment due to changes in market conditions.	Due to impairment being an estimate dependant on future market conditions it is not possible to quantify its impact. Any charges to the CIES are reversed out and do not result in a cost to the taxpayer, but does result in a change to the Net Worth of the Council, which is reflected in the Balance Sheet.
Pensions Liability	Estimations of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. An Actuary is employed to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured, these changes are detailed within Note 43.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

Material transactions are outlined in the Explanatory Foreword Note 5.

6. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Deputy Chief Executive on 11 July 2012. Events taking place after this date are not reflected in the financial statements or notes. There were also no events taking place before this date that provided information about material conditions existing at 31 March 2012, that would have required the financial statements and notes to be adjusted.

E. NOTES TO THE ACCOUNTS

7. ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement detailed in the Movement in Reserves Statement (MiRS) recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are set against:

General Fund Balance

The General Fund is the statutory fund into which all the receipts of a Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice.

The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (reserve) holds the grants and contributions received towards the capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

E. NOTES TO THE ACCOUNTS

7. ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2011/12	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Useable Reserves	Movement in Unusable Reserves
	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Charges for depreciation and impairment of non-current assets	(1,642)			(1,642)	1,642
Revaluation gain on Property Plant and Equipment	305			305	(305)
Movement in the market value of investment properties	126			126	(126)
Capital grants and contributions applied	260		45	305	(305)
Revenue expenditure funded from capital under statute	(498)			(498)	498
Amounts of non current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(62)			(62)	62
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Capital expenditure charged against the General Fund Balance	392			392	(392)
Adjustments primarily involving the Capital Grants Unapplied Account					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement				0	
Adjustments primarily involving the Capital Receipts Reserve					
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure				0	
Use of the Capital Receipts Reserve to finance new capital expenditure		1,472		1,472	(1,472)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(3)	3		0	
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		(37)		(37)	37

E. NOTES TO THE ACCOUNTS

7. ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2011/12	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Useable Reserves	Movement in Unusable Reserves
	£000	£000	£000	£000	£000
Adjustments primarily involving the Financial Instruments Adjustment Account					
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	21			21	(21)
Adjustments primarily involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure	(13,250)			(13,250)	13,250
Employers pensions contributions and direct payments to pensioners payable in the year	1,460			1,460	(1,460)
Adjustments primarily involving the Collection Fund Adjustment Account					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	13			13	(13)
Adjustments primarily involving the Accumulated Absences Account					
Amount by which officer remuneration charged to the comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	26			26	(26)
Total Adjustments	(12,852)	1,438	45	(11,369)	11,369

E. NOTES TO THE ACCOUNTS

7. ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2010/11	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Useable Reserves	Movement in Unusable Reserves
	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Charges for depreciation and impairment of non-current assets	(1,878)			(1,878)	1,878
Revaluation gain on Property Plant & Equipment	48			48	(48)
Movement in the market value of investment properties	(66)			(66)	66
Capital grants and contributions applied	1,815		168	1,983	(1,983)
Revenue expenditure funded from capital under statute	(1,303)			(1,303)	1,303
Amounts of non current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(30)			(30)	30
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Capital expenditure charged against the General Fund Balance	508			508	(508)
Adjustments primarily involving the Capital Grants Unapplied Account					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(13)			(13)	13
Adjustments primarily involving the Capital Receipts Reserve					
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure	358	(358)		0	
Use of the Capital Receipts Reserve to finance new capital expenditure		2,542		2,542	(2,542)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2)	2		0	
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		(36)		(36)	36

E. NOTES TO THE ACCOUNTS

7. ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2010/11	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Useable Reserves	Movement in Unusable Reserves
	£000	£000	£000	£000	£000
Adjustments primarily involving the Financial Instruments Adjustment Account					
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	20			20	(20)
Adjustments primarily involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure	18,832			18,832	(18,832)
Employers pensions contributions and direct payments to pensioners payable in the year	1,633			1,633	(1,633)
Adjustments primarily involving the Collection Fund Adjustment Account					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(15)			(15)	15
Adjustments primarily involving the Accumulated Absences Account					
Amount by which officer remuneration charged to the comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(26)			(26)	26
Total Adjustments	19,881	2,150	168	22,199	(22,199)

E. NOTES TO THE ACCOUNTS

8. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund Balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

A review of the Council's earmarked reserves was undertaken during 2011/12, which rationalised and categorised reserves into the format set out below. An explanation of the purpose of each reserve is provided below.

	Balance at 1st April 2011	Transfers In	Transfers Out	Balance 31st March 2012
	£000	£000	£000	£000
Investment Reserves				
Regeneration & Community Projects	2,221	100	220	2,101
Council Assets & Service Delivery	707	47	98	656
Local Area Agreement	142	152	0	294
New Homes Bonus	0	323	0	323
Invest to Save	1,334	0	173	1,161
Corporate Reserves				
Interest & VAT de-minimis	1,458	0	47	1,411
Risk & Insurance	100	0	0	100
Organisational Development	602	0	0	602
Planning Appeals	349	0	0	349
Elections	200	0	0	200
Operating Reserves				
Planning	203	0	0	203
Building Control	41	0	41	0
Leisure Centre Maintenance	209	40	36	213
Community & Consultation	7	0	7	0
Lottery	54	1	0	55
Planned Maintenance	100	0	0	100
E-Petitions	4	0	4	0
Total	7,731	663	626	7,768

E. NOTES TO THE ACCOUNTS

8. TRANSFERS TO/FROM EARMARKED RESERVES CONT'D

	Balance at 1st April 2010	Transfers In	Transfers Out	Balance 31st March 2011
	£000	£000	£000	£000
Community & Consultation	7	0	0	7
Capital Programme	2,127	100	6	2,221
IT Development	379	30	97	312
Partnership	145	0	0	145
Planning Delivery Grant	200	0	17	183
Lottery	54	0	0	54
Local Area Agreement	131	44	33	142
Property Rationalisation	250	0	0	250
Invest to Save	1,838	0	504	1,334
VAT Reserve	322	231	69	484
Risk Management	82	0	8	74
Superannuation	313	0	56	257
Equal Pay Audit	345	0	0	345
Planning Appeals	500	0	0	500
Civil Emergencies	75	0	0	75
Interest Equalisation	974	0	0	974
Planning Front Runners	0	20	0	20
Building Control	54	0	13	41
Leisure Centre Maintenance	209	0	0	209
Planned Maintenance	100	0	0	100
E-Petitions	0	4	0	4
Total	8,105	429	803	7,731

INVESTMENT RESERVES

Regeneration and Community Projects – to provide funding to support capital improvement projects across the borough.

Council Assets and Service Delivery – to provide funding to support improvements and optimum rationalisation of council owned assets and facilitate the implementation of innovative service delivery models.

Local Area Agreement – to provide funding for Local Strategic Partnership (LSP) initiatives where monies are held by the Council on behalf of the LSP as the Accountable body.

Invest to Save Reserve – to provide funding for invest to save projects and expenditure on the “fit for purpose” initiatives.

CORPORATE RESERVES

Interest Equalisation and VAT De Minimis – to provide funding to smooth interest rate fluctuations when interest rates have fallen below the level estimated and protect the Council against the potential cost if it were to breach it's VAT de-minimis level and therefore no longer recover all of its VAT.

Risk and Insurance – to provide funding to be used to reduce the risk of loss or injury in the provision of Council services, with the objective of reducing future insurance costs.

E. NOTES TO THE ACCOUNTS

8. TRANSFERS TO/FROM EARMARKED RESERVES CONT'D

Organisational Development – to provide funding for organisational development issues e.g. restructuring, claims, process improvements etc.

Planning Appeals – to provide funding to cover potential legal and other costs in respect of large applications.

Elections – to provide funding for the costs of the four yearly borough council elections.

OPERATING RESERVES

Planning – to provide funding for one off revenue costs of the planning service e.g. legal costs, specialist advice and consultancy.

Building Control – to hold surplus funds, which can be used to manage fluctuations in income caused by economic downturn.

Leisure Centre Maintenance – to provide funding for dilapidation works required at leisure centres as a result of the transfer of the management of the leisure centres to Parkwood and maintenance not covered as part of the contract.

Planned Maintenance Reserve – to provide funding for potential higher value repairs and maintenance of existing buildings and land.

Lottery - a sum left in reserve from a discontinued lottery scheme. Interest is used to fund small sports grants.

9. OTHER OPERATING EXPENDITURE

The composition of the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement is detailed below:

2010/11		2011/12
£000		£000
1,770	Parish Council Precepts	1,773
239	Internal Drainage Board Levies	225
2	Payments to the Government Housing Capital Receipts Pool	2
(328)	(Gains) / losses on the disposal of non current assets	34
1,683	Total	2,034

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

The composition of the Financing and Investment Income & Expenditure line in the Comprehensive Income and Expenditure Statement is detailed below:

2010/11		2011/12
£000		£000
0	Interest payable and similar charges	0
1,151	Pensions interest cost and expected return on pension assets	545
(535)	Interest receivable and similar income	(597)
(401)	Income and Expenditure in relation to Investment Properties and changes in their fair value	(515)
215	Total	(567)

E. NOTES TO THE ACCOUNTS

11. TAXATION AND NON SPECIFIC GRANT INCOME

The composition of the Taxation and Non Specific Grant Income line in the Comprehensive Income and Expenditure Statement is detailed below:

2010/11		2011/12
£000		£000
(7,217)	Council Tax Income	(7,255)
(6,284)	Non Domestic Rates	(4,240)
(913)	Revenue Support Grant	(1,310)
(1,802)	Capital Grants (Note 37)	(260)
(39)	Other Non-Ring-fenced Grants	(610)
(16,255)	Total	(13,675)

E. NOTES TO THE ACCOUNTS

12. PROPERTY, PLANT AND EQUIPMENT

Movements on Balances 2011/12

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation At 1st April 2011	18,120	9,600	2,676	329	0	130	30,855
Additions	122	845	310	0	0	39	1,316
Donations	0	0	0	0	0	0	0
Transfers	(234)	8	32	0	305	(128)	(17)
Revaluation (+/-) recognised in Revaluation Reserve	(344)	0	0	0	0	0	(344)
Revaluation (+/-) recognised in Surplus/Deficit on Provision of Services	74	0	0	0	0	0	74
Derecognition - Disposals	(45)	(282)	0	0	0	0	(327)
Assets classified to/from Assets Held For Sale	0	0	0	0	0	0	0
At 31st March 2012	17,693	10,171	3,018	329	305	41	31,557
Accumulated depreciation & impairment At 1st April 2011	887	5,930	496	0	0	0	7,313
Depreciation Charge	456	897	159	0	0	0	1,512
Depreciation Transfer	0	0	(7)	0	0	0	(7)
Depreciation written out to Revaluation Reserve	(640)	0	0	0	0	0	(640)
Depreciation written out to Surplus/Deficit on Provision of Services	0	0	0	0	0	0	0
Impairment Losses	0	0	0	0	0	0	0
Derecognition - Disposals	(7)	(264)					(271)
At 31st March 2012	696	6,563	648	0	0	0	7,907
Net Book Value At 31st March 2012	16,997	3,608	2,370	329	305	41	23,650
At 31st March 2011	17,233	3,670	2,180	329	0	130	23,542

E. NOTES TO THE ACCOUNTS

12. PROPERTY, PLANT AND EQUIPMENT CONT'D

Movements on Balances 2010/11

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1st April 2010	16,177	9,888	2,416	329	0	99	28,909
Additions	880	456	16	0	0	123	1,475
Donations	1,571	0	244	0	0	0	1,815
Revaluation (+/-) recognised in Revaluation Reserve	(128)	0	0	0	0	0	(128)
Revaluation (+/-) recognised in Surplus/Deficit on Provision of Services	(393)	0	0	0	0	0	(393)
Derecognition - Disposals	0	(770)	0	0	0	(3)	(773)
Assets classified to/from Assets Held For Sale	13	26	0	0	0	(89)	(50)
At 31st March 2011	18,120	9,600	2,676	329	0	130	30,855
Accumulated depreciation & impairment							
At 1st April 2010	812	5,659	336	0	0	0	6,807
Depreciation Charge	396	1,014	160	0	0	0	1,570
Depreciation written out to Revaluation Reserve	(175)	0	0	0	0	0	(175)
Depreciation written out to Surplus/Deficit on Provision of Services	(146)	0	0	0	0	0	(146)
Impairment Losses	0	0	0	0	0	0	0
Derecognition - Disposals	0	(743)	0	0	0	0	(743)
At 31st March 2011	887	5,930	496	0	0	0	7,313
Net Book Value							
At 31st March 2011	17,233	3,670	2,180	329	0	130	23,542
At 31st March 2010	15,365	4,229	2,080	329	0	99	22,102

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Other Land and Buildings from 5 - 100 years
- Vehicles, Plant, Furniture & Equipment from 3 - 30 years
- Infrastructure from 3 - 50 years

E. NOTES TO THE ACCOUNTS

12. PROPERTY, PLANT AND EQUIPMENT CONT'D

Capital Commitments

At 31st March 2012 the Council has no contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years.

Effects of Changes in Estimates

On 2011/12 the Council made no changes to its accounting estimates for Property, Plant and Equipment.

Revaluations

In accordance with the Code of Practice, the Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years. The Council have reviewed this policy and will be revaluing a third of its land and buildings portfolio every year.

Valuations of land and buildings were carried out in accordance with the Royal Institution of Chartered Surveyors Valuation Standards (Red Book) 6th Edition. Every Fair Value valuation was carried out using the assumptions as set out in the Red Book. Where assumptions additional to those which are set out in the Red Book have been made these are stated on the relevant valuation certificates. Ms Leanne Baines MRICS is responsible for revaluation of property assets. An impairment review is carried out annually on the Land & Buildings portfolio.

Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost as a proxy for current prices. Valuations of vehicles, plant and equipment are reviewed annually to ensure that assets are recorded at no more than their recoverable amount.

All valuations were carried out internally.

The following table shows the progress of the council's 3 year rolling programme for the revaluation of fixed assets. These figures are shown at gross book value.

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000		£000	£000
Carried at Historical Cost	1,088	10,171	3,018	329	0	41	14,647
Valued at Fair Value as at:							
2011/12	6,245	0	0	0	305	0	6,550
2010/11	7,487	0	0	0	0	0	7,487
2009/10	2,873	0	0	0	0	0	2,873
Total Cost or Valuation	17,693	10,171	3,018	329	305	41	31,557

E. NOTES TO THE ACCOUNTS

13. HERITAGE ASSETS

From the 01/04/11 the Council is required to separately account for its heritage assets. These comprise of two items, the Art Collection and the War Memorial.

	Art Collection	War Memorial	TOTAL
	£000	£000	£000
Cost or Valuation			
At 1st April 2011	0	0	0
Additions	143	0	143
Transfers	0	10	10
Disposals	0	0	0
Revaluations	8	0	8
Depreciation	0	0	0
Impairment Losses	0	0	0
At 31st March 2012	151	10	161
At 1st April 2010	0	0	0
Additions	0	0	0
Disposals	0	0	0
Revaluations	0	0	0
Depreciation	0	0	0
Impairment Losses	0	0	0
At 31st March 2011	0	0	0

Art Collection

The Council has elected to show the Art Collection at its insurance value in 2011/12. This value is £151,000 and is based on a formal valuation carried out by an external valuer (Mellors & Kirk) in April 2003 and uplifted for inflation. The valuations were based upon commercial markets including transaction information from auctions where similar types of paintings were regularly being purchased.

The Art Collection is made up of 82 exhibits including 7 significant items. There have been no disposals in the year.

War Memorial

The Council owns a war memorial in West Bridgford valued £10,000 at 31st March 2012.

14. INVESTMENT PROPERTIES

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

2010/11		2011/12
£000		£000
769	Rental income from investment property	774
(216)	Direct operating expenses arising from investment property	(206)
553	Net gain / (loss)	568

E. NOTES TO THE ACCOUNTS

14. INVESTMENT PROPERTIES CONT'D

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal with the exception of industrial units at Hollygate Lane (Phase I) and those on The Pithead site in Cotgrave. A rental income claw back arrangement is in place for both these sites, this will expire in 2015. The Council has no contractual obligations to purchase, construct or develop investment property or repair, maintain or enhance (except for voids).

The following table summarises the movement in the fair value of investment properties during 2011/12 and 2010/11.

2010/11		2011/12
£000		£000
7,965	Balance at start of the year	7,899
0	Additions	0
0	Disposals	(6)
(66)	Net gains/losses from fair value adjustments	125
0	Transfers	0
7,899	Balance at end of the year	8,018

All of the Council's Investment Properties are treated as operating leases.

Valuations of Investment Properties are carried out bi-annually in accordance with the Code of Practice and with the the Royal Institution of Chartered Surveyors Valuation Standards (Red Book) 6th Edition. Every Fair Value valuation was carried out using the assumptions as set out in the Red Book. Where assumptions additional to those which are set out in the Red Book have been made these are stated on the relevant valuation certificates. Ms Leanne Baines MRICS is responsible for revaluation of property assets. An impairment review is carried out annually on the Investment Property portfolio.

15. INTANGIBLE ASSETS

The Council accounts for its software as intangible assets. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council.

The useful lives assigned to the major software suites used by the Council are 3 years.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £203,000 charged to revenue in 2011/12 (£38,000 2010/11) was charged to the IT cost centre and then absorbed as an overhead across all service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

E. NOTES TO THE ACCOUNTS

15. INTANGIBLE ASSETS CONT'D

Movements on Intangible Fixed Assets

2010/11		2011/12
£000		£000
	Balances at start of the year	
792	Gross Carrying Amounts	1,170
(644)	Accumulated Amortisation	(606)
148	Net Carrying Amount at the Start of Year	564
	Additions	
0	Internal Development	0
426	Purchases	213
50	Transfers into Group	0
476		213
(98)	Disposals	0
38	Amortisations of the period	(203)
564	Net Carrying Amount at the End of Year	574
	Comprising	
1,170	Gross Carrying Amounts	1,383
(606)	Accumulated Amortisation	(809)
564	Net Book Value	574

16. FINANCIAL INSTRUMENTS

The following categories of financial instrument are carried in the balance sheet.

Long-Term 31-Mar-11	Current 31-Mar-11		Long-Term 31-Mar-12	Current 31-Mar-12
£000	£000		£000	£000
		Investments		
7,022	27,129	Loans and Receivables	0	34,948
7,022	27,129	Total Investments	0	34,948
		Debtors		
1,460	1,773	Loans and Receivables	1,984	3,240
1,460	1,773	Total Debtors	1,984	3,240
		Borrowings		
0	54	Financial Liabilities at Amortised Cost	0	54
0	54	Total Borrowing	0	54
		Creditors		
5,328	2,195	Financial Liabilities at Amortised Cost	9,053	3,068
5,328	2,195	Total Creditors	9,053	3,068

E. NOTES TO THE ACCOUNTS

16. FINANCIAL INSTRUMENTS CONT'D

Valuation Assumptions

Investments held at 31 March 2012 amounted to £34.948m of deposits in the Money Market funds where, in general, the rate only alters with movements in the Bank rate. No formal calculation of the effective interest rate (EIR) is necessary, and the carrying amount is a reasonable approximation of the fair value.

Debtors and creditors, both of which are instruments of short duration, with no formal effective interest rate (EIR) are at fair value.

An assessment has been made whether any impairment write-downs or provisions previously made need to be reversed, or if any new ones need to be made. A full review of bad debt provisions has been completed and appropriate adjustments to the provisions have been made based on the age analysis of debtors involved.

17. INVENTORIES

	Consumable Stores	Work in Progress	TOTAL
	£000	£000	£000
Balance at 1st April 2010	10	0	10
Purchases	448	0	448
Recognised as an expense in year	(433)	0	(433)
Written off balances	0	0	0
Balance at 31st March 2011	25	0	25
Purchases	430	0	430
Recognised as an expense in year	(401)	0	(401)
Written off balances	(1)	0	(1)
Balance at 31st March 2012	53	0	53

18. CONSTRUCTION CONTRACTS

At 31 March 2011 the Council had no construction contracts in progress.

19. DEBTORS

2010/11		2011/12
£000		£000
1,519	Central Government Bodies	3,285
60	Other Local Authorities	187
4	Mortgages	0
56	Council taxpayers	56
46	Pre-payments	34
1,187	Sundry debtors	1,282
2,872		4,844

20. CASH AND CASH EQUIVALENTS

2010/11		2011/12
£000		£000
1	Cash held by the Council	1
240	Bank Current Accounts	369
4,928	Short-term Deposits with Building Societies	24,493
5,169	Total Cash and Cash Equivalents	24,863

E. NOTES TO THE ACCOUNTS

21. ASSETS HELD FOR SALE

The Council had no Assets Held for Sale at 31st March 2012, this was also the case at 31st March 2011.

22. CREDITORS

2010/11		2011/12
£000		£000
356	Central Government Bodies	232
896	Other Local Authorities	978
79	Notts Police Authority	103
35	Notts Fire Authority	44
64	Council Taxpayers (Receipts in Advance)	76
1,892	Sundry Creditors	2,667
3,322		4,100

23. PROVISIONS

2010/11		2011/12
£000		£000
8	Balance at start of the year	1
0	Additions	0
7	Amounts Used	1
1	Balance at end of the year	0

24. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement (MiRS).

25. UNUSABLE RESERVES

31-Mar-11		31-Mar-12
£000		£000
5,055	Revaluation Reserve	5,266
29,129	Capital Adjustment Account	29,316
(56)	Financial Instruments Adjustment Account	(34)
(20,309)	Pension reserve	(32,099)
252	Deferred Capital Receipts	215
79	Collection Fund Adjustment Account	91
(91)	Accumulated Absences Adjustment Account	(65)
14,059		2,690

Revaluation Reserve

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

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

E. NOTES TO THE ACCOUNTS

25. UNUSABLE RESERVES CONT'D

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

31-Mar-11	Revaluation Reserve	31-Mar-12	
		£000	£000
5,077	Balance at 1st April		5,055
224	Upward Revaluation of Assets	305	
(176)	Downward Revaluation of Assets and Impairment losses not charged to surplus/deficit on Provision of Services	0	
	Surplus/deficit or deficit on revaluation of non-current assets not posted to the surplus / deficit on Provision of Services		305
(69)	Difference between fair value depreciation and historical cost depreciation	(80)	
0	Accumulated gains on assets sold or scrapped	(14)	
(1)	Historical Rounding Adjustment	0	
(70)	Amounts Written off to the Capital Adjustment Account		(94)
5,055	Balance at 31st March		5,266

Available for Sale Financial Instruments

The Council has no available for sale financial instruments.

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold

Note 7 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

E. NOTES TO THE ACCOUNTS

25. UNUSABLE RESERVES

31-Mar-11	Capital Adjustment Account	31-Mar-12	
		£000	£000
27,317	Balance at 1st April		29,129
	Reverse of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Account		
(1,570)	Charges for depreciation and impairment of non-current assets	(1,439)	
(247)	Revaluation losses on Property, Plant & Equipment	0	
(61)	Amortisation of Intangible Assets	(203)	
(2,118)	Revenue Expenditure funded from capital under statute	(1,890)	
(30)	Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure	(62)	
(4,026)			(3,594)
69	Adjusting amounts written out of the Revaluation Reserve		94
(3,957)	Net written out amount of the cost of non-current assets consumed in the year		(3,500)
	Capital Financing Applied in the year		
2,541	Use of the Capital Receipts Reserve to finance new capital expenditure	1,472	
2,785	Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	1,652	
0	Application of grants to capital financing from the Capital Grants Unapplied Account	45	
508	Capital Expenditure charged against the General Fund Balance	393	
5,834			3,562
(65)	Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement		125
0	Movement in the Donated Assets Account credited to the Comprehensive Income & Expenditure Statement		0
29,129	Balance at 31st March		29,316

E. NOTES TO THE ACCOUNTS

25. UNUSABLE RESERVES

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory

2010/11	Financial Instruments Adjustment Account	2011/12
£000		£000
(76)	Balance at 1 April	(56)
20	Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs charged in the year in accordance with statutory requirements	22
(56)	Balance at 31 March	(34)

Pensions Reserve

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

2010/11	Pensions Reserve	2011/12
£000		£000
(40,774)	Balance at 1 April	(20,309)
15,505	Actuarial gains or losses on pensions assets and liabilities	(11,317)
3,327	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,933)
1,633	Employer's pensions contributions and direct payments to pensioners payable in the year	1,460
(20,309)	Balance at 31 March	(32,099)

E. NOTES TO THE ACCOUNTS

25. UNUSABLE RESERVES

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by capital receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2010/11		2011/12
£000		£000
288	Balance at 1 April	252
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(37)
(36)	Transfer to the capital receipts reserve on receipt of cash	
252	Balance at 31 March	215

Collection Fund Adjustment Account

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

2010/11	Collection Fund Adjustment Account	2011/12
£000		£000
93	Balance at 1 April	79
(14)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	12
79	Balance at 31 March	91

Accumulated Absences Account

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

2010/11	Accumulated Absences Account	2011/12
£000		£000
(65)	Balance at 1 April	(91)
65	Settlement or cancellation of accrual made at the end of the preceding year	91
(91)	Amounts accrued at the end of the current year	(65)
(26)	Amounts by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	26
(91)	Balance at 31 March	(65)

E. NOTES TO THE ACCOUNTS

26. CASHFLOW STATEMENT - OPERATING ACTIVITIES

2010/11		2011/12
£000		£000
(3,718)	Net Surplus or (Deficit) on the Provision of Services	1,803
	Adjust net surplus or deficit on the provision of services for non cash movements	
(1,878)	Depreciation	(1,439)
0	Impairment and downward valuations	0
0	Amortisation	(203)
553	Increase / Decrease in Creditors	(285)
(1,452)	Increase / Decrease in Debtors	2,363
15	Increase / Decrease in Inventories	28
3,327	Pension Liability	(1,933)
7	Movement in Provisions	(1)
(30)	Carrying amount of non-current assets sold	(62)
(15)	Collection Fund Adjustment Account	12
(1,751)	Other non-cash items charges to the net surplus or deficit on the provision of services	(3,511)
(1,224)	Adjust for items in the net surplus or deficit on the provision of services that are investing or financing activities	(5,031)
(27)	Capital Grants credited to surplus or deficit on the provision of services	(4,265)
329	Proceeds from the sale of Property Plant & Equipment, Investment Property and Intangible Assets	28
302		(4,237)
(4,640)	Net Cash Flows from Operating Activities	(7,465)

The cash flows for operating activities include the following items

2010/11		2011/12
£000		£000
(515)	Interest received	(576)
(20)	Soft Loans - Interest adjustment credited to the I & E Account	(21)
0	Interest paid	0
(535)	Total	(597)

E. NOTES TO THE ACCOUNTS

27. CASHFLOW STATEMENT - INVESTING ACTIVITIES

2010/11		2011/12
£000		£000
1,879	Purchase of property, plant and equipment, investment property and intangible assets	1,236
106,385	Purchase of Short-term and Long-Term Investments	121,373
(329)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(91)
(100,119)	Proceeds from Short-term and Long-Term Investments	(140,450)
(28)	Other receipts from investing activities	(149)
7,788	Total Cash Flows from Investing Activities	(18,081)

28. CASHFLOW STATEMENT - FINANCING ACTIVITIES

2010/11		2011/12
£000		£000
0	Cash receipts of short and long term borrowing	0
5,550	Other receipts from financing activities	5,443
	Adjustment for Lottery from short term investments to Cash and	
0	Cash Equivalents	(57)
0	Repayment of short and long term borrowing	0
(3,600)	Other payments for financing activities	466
1,950	Total Cash Flows from Financing Activities	5,852

29. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports that analyse across service areas. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the revaluation and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).
- The cost of retirement benefits is based on cash flows (payment of employer's pension's contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure of the Council's principal service areas recorded in the budget reports for the year is as follows: It is important to note that the Council changed the way it reports financial information to Cabinet in 2011/12. Internal recharges are no longer reported and this is reflected in the 2011/12 tables. Given that the change is in methodology it is not necessary to restate the 2010/11 table.

E. NOTES TO THE ACCOUNTS

29. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

Service Areas Income & Expenditure 2011/12	Community Shaping	Corporate Services	Environment & Waste Management	Finance
	£000	£000	£000	£000
Income				
Fees, charges & other service income	(651)	(10)	(1,548)	(650)
Internal Recharges	0	0	0	0
Government grants	(805)	0	(258)	0
Total Income	(1,456)	(10)	(1,806)	(650)
Operating Expenses				
Employee expenses	1,198	831	3,681	1,418
Other operating expenses	719	600	1,241	1,063
Support Service Recharges	0	0	0	0
Total Operating Expenses	1,917	1,431	4,922	2,481
Net Cost of Services	461	1,421	3,116	1,831

	Planning & Place Shaping	Revenues Property & ICT	Partnerships & Performance	Trans for mation	Total
	£000	£000	£000		£000
Income					
Fees, charges & other service income	(1,245)	(113)	(1,039)	(1,005)	(6,261)
Internal Recharges	0	0	0	0	0
Government grants	0	(22,457)	0	0	(23,520)
Total Income	(1,245)	(22,570)	(1,039)	(1,005)	(29,781)
Operating Expenses					
Employee expenses	1,144	1,329	815	577	10,993
Other operating expenses	173	22,584	1,670	740	28,790
Support Service Recharges	0	0	0	0	0
Total Operating Expenses	1,317	23,913	2,485	1,317	39,783
Net Cost of Services	72	1,343	1,446	312	10,002

E. NOTES TO THE ACCOUNTS

29. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS CONT'D

Service Areas Income & Expenditure 2010/11	Community Shaping	Corporate Services	Environment & Waste Management	Partnerships & Performance
	£000	£000	£000	£000
Income				
Fees, charges & other service income	(428)	(29)	(667)	(423)
Internal Recharges	(1,306)	(2,034)	(8,545)	(1,402)
Government grants	(322)	(23)	(870)	(677)
Total Income	(2,056)	(2,086)	(10,082)	(2,502)
Operating Expenses				
Employee expenses	1,069	1,574	3,812	1,023
Other operating expenses	1,424	844	7,777	1,745
Support Service Recharges	1,761	2,477	2,644	536
Total Operating Expenses	4,254	4,895	14,233	3,304
Net Cost of Services	2,198	2,809	4,151	802

	Planning & Place Shaping	Revenues Property & ICT	Finance	Total
	£000	£000	£000	£000
Income				
Fees, charges & other service income	(1,098)	(894)	(2)	(3,541)
Internal Recharges	(1,550)	(3,777)	(1,615)	(20,229)
Government grants	(38)	(21,256)	(6,587)	(29,773)
Total Income	(2,686)	(25,927)	(8,204)	(53,543)
Operating Expenses				
Employee expenses	1,070	1,851	1,869	12,268
Other operating expenses	254	22,304	7,758	42,106
Support Service Recharges	2,047	2,912	309	12,686
Total Operating Expenses	3,371	27,067	9,936	67,060
Net Cost of Services	685	1,140	1,732	13,517

E. NOTES TO THE ACCOUNTS

29. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS CONT'D

Reconciliation of Service Area Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of service area income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2010/11	2011/12
	£000s	£000s
Net expenditure in the Service Area Analysis	13,517	10,002
Net expenditure of services and support services not included in the Analysis	0	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(3,409)	3,031
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	459	956
Cost of Services in Comprehensive Income and Expenditure Statement	10,567	13,989

E. NOTES TO THE ACCOUNTS

29. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS CONT'D

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of service area income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Subjective Analysis 2011/12	Service Analysis	Not reported to Mgmt	Not included in I & E	Net Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Income						
Fees, charges & other service income	(6,261)	(82)	1,711	(4,632)	(235)	(4,867)
Financing & Investment Income				0	(4,528)	(4,528)
Income from council tax Government grants and contributions	(23,520)			0	(7,255)	(7,255)
				(23,520)	(6,420)	(29,940)
Total Income	(29,781)	(82)	1,711	(28,152)	(18,438)	(46,590)
Operating Expenses						
Employee expenses	10,993	15		11,008		11,008
Other service expenses	28,565	2,000	(500)	30,065	257	30,322
Support Service recharges			(30)	(30)		(30)
Depreciation, amortisation and impairment		1,098		1,098		1,098
Interest Payments				0	3,961	3,961
Precepts & Levies	225		(225)	0	1,997	1,997
Payments to Housing Capital Receipts Pool				0	3	3
Gain or Loss on Disposal of Fixed Assets				0	34	34
Total Operating Expenses	39,783	3,113	(755)	42,141	6,252	48,393
Surplus or deficit on the provision of services	10,002	3,031	956	13,989	(12,186)	1,803

E. NOTES TO THE ACCOUNTS

Reconciliation to Subjective Analysis 2010/11	Service Analysis	Not reported to Mgmt	Not included in I & E	Net Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Income						
Fees, charges & other service income	(23,768)	(802)	20,192	(4,378)	(863)	(5,241)
Financing & Investment Income	0	0	806	806	(4,201)	(3,395)
Income from council tax	0	0	0	0	(7,218)	(7,218)
Government grants and contributions	(22,644)	0	470	(22,174)	(9,366)	(31,540)
Total Income	(46,412)	(802)	21,468	(25,746)	(21,648)	(47,394)
Operating Expenses						
Employee expenses	12,267	(97)	(11,801)	369	0	369
Other service expenses	34,953	(4,193)	(4,327)	26,433	456	26,889
Support Service recharges	12,761	0	(3,020)	9,741	0	9,741
Depreciation, amortisation and impairment	0	1,881	(1,287)	594	0	594
Interest Payments	0	0	(339)	(339)	4,416	4,077
Precepts & Levies	235	0	(235)	0	2,004	2,004
Payments to Housing	0	0	0	0	2	2
Capital Receipts Pool	0	0	0	0	0	0
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0
Total Operating Expenses	60,216	(2,409)	(21,009)	36,798	6,878	43,676
Surplus or deficit on the provision of services	13,804	(3,211)	459	11,052	(14,770)	(3,718)

E. NOTES TO THE ACCOUNTS

30. ACQUIRED AND DISCONTINUED OPERATIONS

The Council has not acquired any operations in 2011/12, but it has discontinued its Trade Waste operation. This is set out in the Comprehensive Income and Expenditure Statement and there are no outstanding liabilities.

The decision to discontinue the service was taken during the 2011/12 budget cycle and was part of the Council's Four Year Plan designed to identify sufficient efficiency savings and additional income to offset the expected reductions in future government grant.

The Trade Waste service operated in a particularly competitive environment and had made increasing losses in the last three years. It was identified that £55,000 per annum could be saved if the service was discontinued; this was considered at councillor and public budget workshops with unanimous agreement to proceed. The decision was finally approved by the Council as part of the 2011/12 budget setting process.

The service ceased operating on the 30th September 2011. The loss in 2011/12 is identified separately in the Comprehensive Income and Expenditure Account and is proportionate to that experienced in previous years.

31. TRADING OPERATIONS

The Council operates the following trading undertakings:

2010/11 Net		2011/12		
		Expenditure	Income	Net
£000		£000	£000	£000
1	Bingham Market	41	35	6
13	Building Control	357	242	115
14	Net (Surplus) / Deficit	398	277	121

Bingham Market

The figures show the cost of repair and maintenance and the rental income in relation to the market stalls.

Building Control

The figures show the costs and income associated with ensuring compliance with Building Regulations including checking plans and making site visits.

32. AGENCY SERVICES

The Council does not provide or receive any agency services.

33. POOLED BUDGETS

Pooled budgets are not legal entities. The partners in a pool will nominate one partner to be the "host" to the pool. That host has responsibility for the administration of the pool, and is required to produce a memorandum account of the activity of the pool. Disclosure of an authority's involvement in a pooled scheme is required for a proper understanding of the Authority's accounts.

E. NOTES TO THE ACCOUNTS

33. POOLED BUDGETS CONT'D

Choice Based Lettings

"Choice Based Lettings" (CBL) is a partnership project between Broxtowe, Gedling and Rushcliffe Borough Councils that allows applicants for social housing to apply for available vacancies which are advertised widely. Rushcliffe Borough Council was appointed as the host authority for the implementation of the CBL scheme and received the DCLG grant aid and contributions from the other two partners towards the total cost accordingly. Following discussion between the three authorities, it was agreed that Broxtowe Borough Council would take the host status for this project and approval was formally received from DCLG on 11 November 2008.

The 'pooled' budget comprises Government Grant and contributions from participating authorities. Total expenditure on the Choice Based Lettings partnership amounted to £85,871 in 2011/12. Total capital expenditure was £30,261 and was financed by grants from the East Midlands Improvement and Efficiency Partnership. Total revenue expenditure was £55,610 of which £21,043 was met by Government Grant and the remainder by a revenue contribution of £34,567 from housing providers who advertise properties on the Choice Based Lettings website.

South Nottinghamshire Community Safety Partnership

The 'South Nottinghamshire Community Safety Partnership' is a joint working arrangement between Broxtowe, Gedling and Rushcliffe Borough Councils and other agencies including Nottinghamshire Police. The partnerships aims are to reduce crime and disorder issues across the three council areas. Broxtowe Borough Council acts as lead Authority and manages funding from the Home Office, Nottinghamshire County Council and the Government Office for the East Midlands.

Total revenue expenditure attributable to Rushcliffe Borough Council amounted to £92,002 in 2011/12 and was funded by grants of £71,317 and £20,685 from the Home Office and Nottinghamshire County Council respectively. There was no capital expenditure in 2011/12.

34. MEMBERS' ALLOWANCES

The Council paid the following amounts to members of the Council during the year.

2010/11		2011/12
£000		£000
	Expenditure	
301	Allowances	301
14	Other Expenses	15
315	Total Expenditure	316

The information for each member is disclosed on the Council's website. The link is:

<http://www.rushcliffe.gov.uk/media/rushcliffe/media/documents/pdf/councilanddemocracy/Members%20Allowances%202011-12.pdf>

E. NOTES TO THE ACCOUNTS

35. OFFICERS' REMUNERATION

The remuneration paid to the Council's senior employees is as follows:

Post Title	Year	Salary, Fees & Allowances £000	Lease Car & Expenses £000	Pension Contribution £000	Total £000
Chief Executive	2011/12	112,282	6,478	14,448	133,208
	2010/11	112,282	5,784	13,104	131,170
Deputy Chief Executive - 1	2011/12	81,786	6,202	10,514	98,502
	2010/11	83,508	5,660	9,685	98,853
Deputy Chief Executive - 2	2011/12	81,786	5,923	10,514	98,223
	2010/11	83,508	5,833	9,685	99,026
Deputy Chief Executive - 3	2011/12	84,136	3,180	8,009	95,325
	2010/11	83,508	4,098	9,685	97,291
Head of Environment & Waste Management	2011/12	69,372	3,736	8,949	82,057
	2010/11	65,556	3,604	7,670	76,830
Head of Financial Services	2011/12	61,740	3,670	7,965	73,375
	2010/11	60,702	3,624	7,102	71,428
Head of Partnerships & Performance	2011/12	63,012	3,322	8,129	74,463
	2010/11	63,012	3,624	7,372	74,008
Head of Planning & Place Shaping	2011/12	61,740	3,624	7,965	73,329
	2010/11	61,740	3,624	7,224	72,588
Head of Revenue & ICT	2011/12	61,740	3,990	7,965	73,695
	2010/11	61,740	3,624	7,224	72,588
Head of Corporate Services	2011/12	61,565	3,708	7,965	73,238
	2010/11	61,740	3,708	7,224	72,672
Head of Community Shaping	2011/12	50,059	3,563	6,458	60,080
	2010/11	31,222	3,563	6,786	41,571

The Council has the following number of other employees receiving more than £50,000 remuneration for the year.

Remuneration Band	No of Employees 2011/12	No of Employees 2010/11
£50,000 - £59,999	1	0

E. NOTES TO THE ACCOUNTS

35. OFFICERS' REMUNERATION CONT'D

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

2011/12				
Exit Package Cost Band	Number of Compulsory Redundancies	Number of other departures agreed	Total Exit Packages	
			No.	£000
£0 - £20,000	0	9	9	66,887
£20,001 - £40,000	0	1	1	33,634
£40,001 - £60,000	0	1	1	59,884
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	0	0	0	0
Total	0	11	11	160,405

2010/11				
Exit Package Cost Band	Number of Compulsory Redundancies	Number of other departures agreed	Total Exit Packages	
			No.	£000
£0 - £20,000	0	0	0	0
£20,001 - £40,000	0	0	0	0
£40,001 - £60,000	0	1	1	56,185
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	0	0	0	0
Total	0	1	1	56,185

E. NOTES TO THE ACCOUNTS

36. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors (the Audit Commission).

2010/11		2011/12
£000		£000
97	Fees payable with regard to external audit services carried out by the appointed auditor for the year	83
2	Fees payable in respect of statutory inspection	0
22	Fees payable for the certification of grant claims and returns for the year	31
0	Fees payable in respect of other services provided during the year.	2
121	Total	116

37. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12 and 2010/11.

2010/11	Credited to Taxation and Non Specific Grant Income	2011/12
£000		£000
(167)	Regional Housing Capital Pot Adjustment	0
30	DEFRA - Waste Infrastructure Grant	0
10	SSCF - Leisure	0
5	NCC - Leisure	0
90	Police - Contact Centre	0
20	NIEG - Contact Centre	0
1,814	Donated Assets - Gresham land and buildings	0
0	NIEG - Website	40
0	LAA / LSP Partnership	33
0	Householder Contributions - Earl Howe Pumping Station Works	21
0	NCC / Parkwood - Rushcliffe LC Gym Works	4
0	NCC - East Leake LC Energy Efficiency	20
0	Donated Heritage Assets - Art Collection	142
1,802	Total	260

E. NOTES TO THE ACCOUNTS

37. GRANT INCOME CONT'D

2010/11	Credited to Services	2011/12
£000		£000
35	NIEG - Customer Services Partnership	0
19	LSP - Community Engagement	0
34	DCLG - Land Charges	0
360	DCLG - Decent Homes Funding	0
224	DCLG - Disabled Facilities Grant	258
106	DCLG - NNDR Cost of Collection	113
0	DCLG - Mortgage Rescue	30
135	LAA - Performance Reward Grant	152
141	NCC - Leisure Centres	178
26	NCC - Climate Change	0
34	PCT - Health Activator	0
20,433	DWP - Housing Benefit Subsidy & Council Tax Rebates	21,843
494	DWP - Housing Benefit Administration	479
34	DWP - Homelessness Prevention	50
20	Planning Front Runners	0
25	NCC - Partnerships and Performance	0
23	NCC Sports Development	14
21	Anti Social Behaviour	0
0	Council Tax Freeze Grant	136
0	New Homes Bonus	322
45	Other Small Grants and Contributions	22
0	Growth Point Funding - Support for RSL's	650
0	HCA - Support for RSL's	70
22,209	Total	24,317

The Council received grants, contributions and donations not yet recognised as income as they have conditions attached to them that will require the monies or property to be returned if the conditions are not met. The balances at the year-end are as follows:

2010/11	Capital Grants Receipts in Advance	2011/12
£000		£000
	S106 Planning Agreements:	
891	Health Contributions	1,244
741	Transport Contributions	845
2,218	Education Contributions	2,449
66	Open Space Contributions	51
71	Leisure	61
6	Affordable Housing	957
79	Nature Conservation	80
1,126	Community Facilities	1,358
5	Other	27
84	LAA Grant - LSP Initiatives	51
1	NCC - Joint Use	0
40	NEIG - Web Content Management	0
0	HCA - Cotgrave Masterplan	1,930
5,328	Total	9,053

E. NOTES TO THE ACCOUNTS

38. RELATED PARTIES

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

Central Government

Central Government has significant influence over the general operations of the Council, it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 29 on reporting for resources allocation decisions. Grants receipts outstanding at 31st March 2012 are shown in note 37.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2011/12 is shown in note 34. The members of the Council could potentially have a material related party transaction with the Authority. During 2011/12 the Authority, in accordance with the National Code of Local Government Conduct, maintained a register of pecuniary and non-pecuniary interest disclosed by members. This register has been reviewed and was found to contain nothing that would suggest a material related party transaction occurred.

Officers

Similarly, a register for officers' outside interests and hospitality is also maintained. Again this has been reviewed and found to contain no entry that would suggest a material related party transaction.

Other Public Bodies

The Council has determined that material transactions have occurred in 2011/12 with the following parties and most transactions with related parties are disclosed elsewhere in the Statement of Accounts, as follows:

Joint Use arrangements with Nottinghamshire County Council.

The Council makes payments to Metropolitan Housing Trust as the landlord for Housing Benefits of £8.214m. Councillor D Mason is on the Metropolitan Housing Trust Board and this has been disclosed accordingly.

Parish precepts £1.773m – disclosed in the Income and Expenditure Account. Internal Drainage Boards are shown under precepts and levies on the Income and Expenditure Account and total £0.225m.

Other local authorities, central government, the Nottinghamshire Police Authority and Nottinghamshire Fire Authority – disclosed in note 3 to the Collection Fund Income and Expenditure Account.

Central Government – disclosed in all of the appropriate statements and notes.

Pension Fund – administered by Nottinghamshire County Council (note 43).

In addition, members and senior officers of the Council have been requested to complete a specific return on the matter. These returns have shown no transactions which are material to the individuals concerned.

E. NOTES TO THE ACCOUNTS

39. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

2010/11		2011/12
£000		£000
(505)	Opening Capital Financing Requirement	(505)
	Capital Investment	
3,290	Property, Plant and Equipment	1,316
0	Heritage Assets	142
0	Investment Properties	0
426	Intangible Assets	213
0	Assets Held for Sale	0
2,118	Revenue Expenditure Funded from Capital under Statute	1,890
	Sources of Finance	
(2,541)	Capital Receipts	(1,472)
(2,785)	Government grants and other contributions	(1,697)
0	Sums set aside from Revenue	0
(508)	Direct Revenue Contributions	(392)
(505)	Closing Capital Financing Requirement	(505)
	Explanation of movements in year	
0	Increase in underlying need to borrow (unsupported by government financial assistance)	0
0	Assets acquired under finance leases	0
0	Increase / (decrease) in Capital Financing Requirement	0

40. LEASES

Council as Lessee

Finance Leases

The Council leases a portion of land at a cost of £200 per annum. The Council recognises that this arrangement is a finance lease however it was entered into prior to 31st March 2010 as an operating lease. In accordance with its accounting policies (note 1 xv) the Council continues to charge the expenditure to the Comprehensive Income and Expenditure Statement.

The asset acquired under this lease is carried as an Investment Property in the Balance Sheet at £280,000 (£280,000 in 2010/11).

Operating Leases

The Council has no operating leases as lessee.

E. NOTES TO THE ACCOUNTS

40. LEASES CONT'D

Council as Lessor

Finance Leases

The Council leases out land for investment purposes generating income of £30,000 per annum. The Council recognises that this arrangement is a finance lease however it was entered into prior to 31st March 2010 as an operating lease. In accordance with its accounting policies (note 1 xv) the Council continues to charge the income to the Comprehensive Income and Expenditure Statement.

Operating Leases

The Authority leases out property and equipment under operating leases for investment purposes as rental income or capital appreciation.

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

2010/11		2011/12
£000		£000
253	Not later than one year	814
772	Later than one year and not later than five years	1,070
4,385	Later than five years	3,398
5,410		5,282

41. IMPAIRMENT LOSSES

Paragraph 4.7.4.2(1) of the Code requires disclosure by class of assets of the amounts for impairment losses and reversals charged to the surplus or deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in note 12 reconciling the movement over the year in the Property, Plant and Equipment Asset Balances.

The impairment review undertaken during 2011/12 identified no impairment losses however impairment reversals of £74,000 have been charged to the Comprehensive Income and Expenditure Statement.

42. TERMINATION BENEFITS

The Council terminated the contracts of a number of people in 2011/12, incurring liabilities of £160,405 (£56,185 in 2010/11) - see note 35 for the number of exit packages and total cost per band. Of this total, £59,884 relates to a Deputy Chief Executive to compensate for loss of office and enhanced pension benefits of £33,618. The remaining £100,520 related to 9 officers from Environment and Waste Management and 1 from Revenues, Property and ICT these officers were made redundant under the Council's Voluntary Redundancy Policy.

43. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not be payable until employees retire, the Council has the commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post employment schemes:

E. NOTES TO THE ACCOUNTS

43. DEFINED BENEFIT PENSION SCHEMES CONT'D

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

Arrangements for the award of discretionary post retirement benefits upon early retirement, is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they fall due.

Transactions relating to retirement benefits.

The cost of retirement benefits is reported in cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out via the Movement in Reserves Statement. The following transactions have been made to the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during the year.

2010/11	Local Government Pension Scheme	2011/12
£000		£000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
1,833	Current Service Cost	1,373
(6,311)	Past Service Gain	0
0	Settlements & Curtailments	15
	Financing and Investment Income and Expenditure	
4,011	Interest Cost	3,542
(2,860)	Expected Return on Scheme Assets	(2,997)
(3,327)	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	1,933
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
(15,505)	Actuarial Gains and Losses	11,317
(18,832)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	13,250
	Movement in Reserves Statement	
18,832	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(13,250)
0	Actual amount charged against the General Fund for Pensions in the year	0
1,533	Employers contributions payable to scheme	1,361

2010/11	Defined Benefit Arrangements	2011/12
£000		£000
100	Retirement benefits payable to pensioners	99

E. NOTES TO THE ACCOUNTS

43. DEFINED BENEFIT PENSION SCHEMES CONT'D

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £11.317m.

Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation).

2010/11	Local Government Pension Scheme	2011/12
£000		£000
83,242	Opening Balance 1 April	63,530
1,833	Current Service Costs	1,373
4,011	Interest Cost	3,542
470	Contributions by scheme participants	446
(16,603)	Actuarial (Gains) and Losses	9,257
0	(Gains) and Losses on Settlements / Curtailments	15
(3,012)	Benefits Paid	(2,562)
(6,311)	Past Service Costs/(Gains)	0
(100)	Unfunded Pension Payments	(99)
63,530	Closing Balance 31 March	75,502

2010/11	Defined Benefit Arrangements	2011/12
£000		£000
1,533	Opening Balance 1 April	1,274
(259)	Actuarial (Gains) and Losses	124
1,274	Closing Balance 31 March	1,398

Reconciliation of the fair value of the scheme assets.

2010/11	Local Government Pension Scheme	2011/12
£000		£000
44,001	Opening Balance 1 April	44,495
2,860	Expected Rate of Return	2,997
(1,357)	Actuarial (Gains) and Losses	(1,936)
1,633	Employer Contributions	1,460
470	Contributions by Scheme Participants	446
(3,112)	Benefits Paid	(2,661)
44,495	Closing Balance 31 March	44,801

The expected return on the scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The expected return on scheme assets in the year was £2,997,000 (2010/2011 £2,860,000).

E. NOTES TO THE ACCOUNTS

43. DEFINED BENEFIT PENSION SCHEMES CONT'D

Scheme History

	2007/08	2008/09	2009/10	2010/11	2011/12
	£000	£000	£000	£000	£000
Present Value of Liabilities					
L G P S	64,352	54,451	83,242	63,530	75,502
Discretionary Benefits	1,536	1,377	1,533	1,274	1,398
Fair Value of Assets in the LGPS	(40,865)	(33,235)	(44,001)	(44,495)	(44,801)
	25,023	22,593	40,774	20,309	32,099
Surplus/(Deficit) in the scheme					
L G P S	23,487	21,216	39,241	19,035	30,701
Discretionary Benefits	1,536	1,377	1,533	1,274	1,398
Total	25,023	22,593	40,774	20,309	32,099

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £32.099m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, reducing it by 52.5%. 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 the employees (i.e. before the payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March 2013 is £1,316,000. Expected contributions for the Discretionary Benefits Scheme in the year to 31st March 2013 are £99,000.

Basis for Estimating Assets & Liabilities

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 dependent on assumptions about mortality rates, salary levels etc. Both the County Council Fund and Discretionary Benefits liabilities have been assessed by Barnett Waddingham Public Sector Consulting, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2010.

E. NOTES TO THE ACCOUNTS

43. DEFINED BENEFIT PENSION SCHEMES CONT'D

The principal assumptions used by the actuary have been:

LGPS & Disc. Benefits 2010/11		LGPS & Disc. Benefits 2011/12
	Long-term expected rate of return on assets in the Scheme	
7.3%	Equity Investments	6.2%
4.4%	Gilts	3.3%
5.5%	Bonds	4.6%
6.8%	Property	5.7%
3.0%	Cash	3.0%
	Mortality Assumptions	
	Longevity at 65 for current pensioners	
18.5	Men	18.6
22.6	Women	22.7
	Longevity at 65 for future pensioners	
20.5	Men	20.6
24.5	Women	24.5
3.5%	Rates of Inflation	RPI (Per Annum) 3.3%
2.7%		CPI (Per Annum) 2.5%
-0.8%		CPI (Real) -0.8%
5.0%	Rate of Increase in Salaries	(Per Annum) 4.7%
1.5%		(Real) 1.4%
2.7%	Rate of Increase in Pensions	(Per Annum) 2.5%
-0.8%		(Real) -0.8%
5.5%	Rate for Discounting Scheme Liabilities	(Per Annum) 4.6%
1.9%		(Real) 1.3%
50.0%	Take-up of option to convert annual pension into retirement lump sum	50.0%

The Discretionary Benefits arrangements have 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:

2010/11		2011/12
73%	Equity Investments	70%
11%	Debt Instruments	12%
16%	Other Assets	18%

E. NOTES TO THE ACCOUNTS

43. DEFINED BENEFIT PENSION SCHEMES CONT'D

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pension Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012.

	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Difference between the expected and actual return on assets	(8.6)	(30.8)	20.5	(3.0)	(4.3)
Experience Gains and Losses on Liabilities	1.1	0.0	0.1	4.6	(0.1)

44. CONTINGENT LIABILITIES

At the 31st March 2011 the Council had one contingent liability requiring disclosure:

The Council gave an environmental warranty as part of the housing stock transfer in 2003, both to Rushcliffe Homes – now Metropolitan Housing Trust and to their lender, Nationwide Building Society. The former is expected to run for 15 years until 2018 and the latter for 32 years to 2035. The value of the liability is unknown and to date there have not been any issues identified.

45. CONTINGENT ASSETS

At the 31st March 2011 the Council had two contingent asset requiring disclosure:

Following the large scale voluntary transfer of council houses to Metropolitan Housing Trust (formerly Rushcliffe Homes Ltd & Spirita Ltd) the Council is still entitled to preserved right to buy receipts. There were no receipts in respect of 2011/12 disposals compared to £347,000 in 2010/11. Future receipts will depend on further right to buy sales and it is difficult to predict the amount to be received in any one year.

In addition, the Council has identified a contingent asset relating to an overage agreement for Land at Sharphill, Edwalton. The agreement arises from a transfer back of a piece of agricultural land to the original seller. The transfer back included a provision giving the Council a percentage of the uplift of the value of the land in the event of it being sold with the benefit of planning permission. Cabinet (January 2005) approved that the Council would receive 40% of such uplift thus giving rise to a significant capital receipt.

The overage agreement defines the events which could trigger a payment or payments to the Council.

46. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

E. NOTES TO THE ACCOUNTS

46. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS CONT'D

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers.

This risk is minimised through the Treasury Management Policy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. This means that, ordinarily, the counterparty must have long-term credit ratings of AA or above, but due to the current economic climate the Council is only lending money to institutions that can also access the Government's credit guarantee scheme.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. There remains a risk that the Council's deposits could be unrecoverable in the event of an institution failing, but there was no evidence at the 31st March 2012 that this was likely to happen.

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

The Authority does not generally allow credit to its customers. The past due but not impaired amount can be analysed by age as follows:

31st March 2011		31st March 2012
£000		£000
350	Less than three months	513
44	Three to six months	101
70	Six months to one year	188
289	More than one year	504

Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrow from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The authority sets limits on the proportion of its fixed rate borrowing during specific periods. All trade and other payables are due to be paid in less than one year.

E. NOTES TO THE ACCOUNTS

46. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS CONT'D

Market Risk

Interest Rate Risk

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

- **Borrowings at variable rates** – the interest expense charged to the Surplus or Deficit on the Provision of Services would rise.
- **Borrowings at fixed rates** – the fair value of the liabilities borrowings will fall;
- **Investments at variable rates** – interest income credited to the Surplus or Deficit on the Provision of Services will rise.
- **Investments at fixed rates** – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income or Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. The Authority is cushioned to some degree as it does not have any debt at the balance sheet date. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

As the Council does not have any borrowings at the balance sheet date the management of interest rate exposure is focused on its investments. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated.

According to this assessment strategy, at 31st March 2012, if interest rates had been 1% higher or lower, with all other variables held constant, the effect would be:

31st March		31st March
£000		£000
90	Increase in Interest Receivable on Variable Rate Investments	122
90	Impact on Surplus or Deficit on the Provision of Services	122
0	Decrease in Fair Value of Fixed Rate Investments	0
0	Impact on Other Comprehensive Income & Expenditure	0

Price Risk

The Authority has no equity shareholdings and therefore no exposure to risk arising from movements in share prices.

Foreign Exchange Risk

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

E. NOTES TO THE ACCOUNTS

47. HERITAGE ASSETS: FIVE-YEAR SUMMARY OF TRANSACTIONS

There have been no heritage asset transactions in the last five years.

48. HERITAGE ASSETS: CHANGE IN ACCOUNTING POLICY REQUIRED BY THE CODE OF PRACTICE FOR LOCAL AUTHORITY IN THE UK

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Council. As set out in the summary of significant accounting policies, the Council now requires heritage assets to be carried in the balance sheet at valuation.

Heritage Assets

For 2011/12 the Council is required to change its accounting policy for heritage assets and recognise them at valuation in the absence of information about cost. Previously, heritage assets were either recognised as community assets (at cost) or infrastructure assets (at depreciated historic cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not thought possible to obtain cost information on assets. The accounting policies for recognition and measurement of heritage assets are set out in the council's summary of significant accounting policies (note 1 xi).

In applying the new accounting policy, the Council has identified that the War Memorial in West Bridgford, previously held as an infrastructure asset within property, plant, and equipment at £10,000, should now be recognised as a heritage asset and measured at £10,000. The Council has also identified the Art Collection as a heritage asset. This was previously held as a community asset with a nil value. In applying the accounting policy, the Art Collection has now been recognised with a fair value of £143,000. This is the figure taken from a formal valuation in April 2003 and has now been recognised in the Consolidated Income and Expenditure Statement in accordance with the treatment of donated assets. Since 2003, this value has been updated for inflation and gives rise to a new current insurance valuation figure of £151,000. This subsequent revaluation gain has been recognised in the Revaluation Reserve.

F. THE COLLECTION FUND

Income and Expenditure Account

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of Council Tax and Non-Domestic Rates (NNDR).

2010/11		Note Ref.	2011/12
£000			£000
	INCOME		
60,833	Council Tax (net of benefits, discounts and transitional relief)	2	61,094
	Transfers from General Fund		
5,252	• Council Tax Benefits		5,327
20,858	Income collectable from business ratepayers	1	21,101
86,943			87,522
	EXPENDITURE		
	Precepts and demands:		
48,935	• Nottinghamshire County Council		49,108
6,566	• Nottinghamshire Police Authority		6,590
2,858	• Nottinghamshire Fire Authority		2,868
7,174	• Rushcliffe Borough Council		7,191
	Business Rate		
20,752	• Payments to the National Pool	1	20,991
107	• Costs of Collection	1	110
	Impairment of Debts / Appeals		
(81)	• Write offs and uncollectable amounts		(102)
228	• Allowance for Impairment		180
	Contributions		
545	• Distribution of previous year's Collection Fund surplus	3	465
87,084			87,401
(141)	Movement on Fund Balance		121
859	Opening Fund Balance		718
718	Closing Fund Balance	3	839

F. NOTES TO THE COLLECTION FUND

1. NON-DOMESTIC RATES

The Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate in the pound. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays a standard amount back to Councils on a per capita basis.

The total non-domestic rateable value, amounts due to the national pool and the national non-domestic rate multiplier for the year, are shown in the table below.

2010/11		2011/12
£70.922m	Local Rateable Values	£71.473m
£20.752m	Amount due to the National Pool	£20.991m
41.4p	National non-domestic rate multiplier	43.3p

2. CALCULATION OF COUNCIL TAX BASE

The calculation of the Council tax base i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings is shown in the table below:

Band D Equivalents 2010/11	Band	Chargeable properties after discounts	Ratio	Band D Equivalents 2011/12
3,174	A	4,800	6/9	3,200
6,236	B	8,024	7/9	6,241
8,100	C	9,264	8/9	8,235
8,027	D	8,036	9/9	8,036
7,035	E	5,754	11/9	7,033
5,126	F	3,560	13/9	5,142
3,536	G	2,098	15/9	3,497
188	H	94	18/9	188
41,422				41,572
410	Non-Collection Provision was 1.00% for 2011/12 (2010/11 1.00%)			415
41,012	Council Tax Base			41,157

3. COLLECTION FUND BALANCE / REDISTRIBUTING SURPLUSES

The precepts detailed in the statement are shown net of the previous years surpluses. The Council estimates the year end Collection Fund balance in January each year and in accordance with the Local Authorities (Funds) (England) Regulations 1992 this amount is distributed in the following financial year to the major preceptors in proportion to the respective precepts and demands. Any difference between the estimated and outturn figure is adjusted for in the following year.

F. NOTES TO THE COLLECTION FUND

3. COLLECTION FUND BALANCE/REDISTRIBUTING SURPLUSES CONT'D

For 2011/12 a Collection Fund surplus of £465k was redistributed between the major precepting authorities. Of this £151k reflected the estimated outturn on the 15 January 2011 and £314k arose from the difference between the estimated and actual outturn positions for 2010/11.

At the 15 January 2012 the Collection Fund surplus for 2011/12 was estimated at £861k comprising an in-year surplus of £607k, and £254k arising from the difference between the actual and estimated outturns for 2011/12. These funds will be redistributed to the major precepting authorities in 2012/13.

2010/11		2011/12	2012/13
£000		£000	£000
410	Nottinghamshire County Council	349	643
53	Nottinghamshire Police Authority	45	86
23	Nottinghamshire Fire Authority	20	38
59	Rushcliffe Borough Council	51	94
545		465	861

At the 31 March 2012 the actual outturn for the Collection Fund was £839K, a reduction of £22k from the estimated outturn. This will be adjusted for as part of the calculations for the redistribution of Collection Fund balances in 2013/14.

E. ANNUAL GOVERNANCE STATEMENT

1 SCOPE AND PURPOSE

1.1 Scope of responsibility

Rushcliffe Borough 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. Rushcliffe Borough 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, Rushcliffe Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk.

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

1.2 The purpose of the governance framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Rushcliffe Borough 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 Rushcliffe Borough Council for the year ended 31 March 2012 and up to the date of approval of the statement of accounts.

2 THE GOVERNANCE FRAMEWORK

2.1 Vision and priorities

During 2011/12 the Council developed its approach to the financial pressures facing all public bodies through the development of a four year programme centred around three key elements income generation, income maximisation and service redesign. As part of the service redesign process the council will be reviewing the services it provides to identify improved or alternate methods of delivery which will enable it to meet its financial targets without eroding the quality of service that has historically been demonstrated in areas such as customer satisfaction, the Comprehensive Area Assessment and the Use of Resources judgement. Alongside the long term goals of the Council as outlined in the 2020 Vision for the Borough this has enabled Rushcliffe to address its immediate financial pressures, develop an initial financial strategy to 2014/15 and introduce its fifth Corporate Strategy covering the period 2012 to 2016. The three key themes for this strategy are:

E. ANNUAL GOVERNANCE STATEMENT

- Supporting economic growth to ensure a sustainable, prosperous and thriving local economy.
- Maintaining and enhancing our residents' quality of life.
- Transforming the Council to enable the delivery of efficient high quality services.

The integration of service and financial planning has continued through 2011/12, the budgets for both 2011/12 and 2012/13, and the financial strategy for 2011/12 to 2015/16.

Progress against previous priorities and actions, as laid down in previous service plans, have been reported to Performance Management Board during the course of the year. All key tasks within the current service delivery plans have been linked directly to the Council's objectives.

2.2 Improvement and Efficiency

As with other public bodies the Council faces unprecedented financial pressures. During 2011/12 the Council set itself the target of delivering £1.08m of cashable savings in year. Following the delivery of a significant programme of work the actual figure achieved in year was £1.81m. Notwithstanding this achievement the Council will still, however, need to continue to identify savings from forthcoming service reviews in order to meet financial pressures in the medium term.

A comprehensive document setting out the Council's constitution exists which sets out the clearly defined structure for the Council's organisational arrangements based upon a cabinet executive model. In essence the different roles can be summarised as follows:

- Council decides upon certain policies and other specialist functions that cannot be delegated elsewhere including the setting of the council tax;
- Cabinet is allocated authority by council to approve policies not reserved for consideration by Council, deliver policies and to take most significant executive
- Cabinet works to a Forward Plan of forthcoming decisions for up to three months
- The work of Cabinet is supported by four scrutiny groups. Within this framework the Corporate Governance group leads on financial and audit issues whilst the Performance Management Board reviews performance against Council targets;
- Scrutiny groups develop their own work programme for the review of council policies in addition to scrutinising the work of the cabinet;
- Separate committees exist for Development Control, Employment Appeals, Alcohol and Entertainments Licensing, Interviewing and Licensing;
- Delegation arrangements to officers are set out in detail within the Constitution;
- A protocol defining the relationship between Members and Officers was adopted during 2008.

The constitution also provides detailed guidance on standing orders, financial regulations and conduct of meetings. In addition it also contains codes of conduct applying to members and officers as well as a protocol for councillor/officer relationships. The codes include reference to the need to declare any interests which may conflict with the individual's role at the Council and such registers for councillors and officer are maintained by the Head of Corporate Services and Human Resources Manager respectively. The Council has in place a confidential reporting code (whistleblowing policy) and any referrals under the policy are investigated.

The Constitution as a whole is reviewed when necessary and appropriate.

E. ANNUAL GOVERNANCE STATEMENT

2.3 Policies, Procedures, Laws and Regulations

The Council's statutory officers are the Chief Executive, the Section 151 Officer and the Monitoring Officer. They are responsible for ensuring that the Council acts within the law and in accordance with established policies and procedures. The Section 151 Officer is specifically responsible for the proper discharge of financial arrangements and must advise the Council where any proposal might be unlawful or where expenditure is likely to exceed resources.

From April to September 2011 the Council's Chief Financial Officer role was undertaken by the Head of Finance. Whilst not fully compliant with the Governance arrangements laid down in the CIPFA Statement on the role of the Chief Financial Officer internal management arrangements ensured that there was no compromise in terms of the requirements for proper financial standards. From September 2011 the Council's Chief Financial Officer has been a Deputy Chief Executive ensuring full compliance with the CIPFA Statement.

During 2011/12 the Council has complied fully with requirements laid down by other CIPFA codes including those relating to Capital Finance and Treasury Management.

Heads of Service are responsible for ensuring that legislation and policy relating to service delivery and health and safety are implemented in practice.

2.4 Risk Management

The Council's risk management policy and risk register has been in place since October 2002. The Corporate Risk Register is subject to regular review at a service and corporate level with reportage to members coming via the Corporate Governance Group.

All action points within service plans and significant projects are required to be risk

2.5 Development and training needs

The Council achieved Councillor Member Development Charter status in March 2011 and has a cross party Member Development Group to oversee development and delivery of Councillor learning and training. This Group meets on a quarterly basis.

Each Councillor is offered the opportunity to undertake an annual Personal Development Plan the results of which are used to inform the on-going Member Development Programme. Development needs are also identified directly by feedback from Councillors and in response to issues which may occur throughout the year.

To support new and returning Councillors a comprehensive induction programme is in place which runs after the local elections. The delivery of this is overseen by the cross party Member Development Group who evaluates its effectiveness upon its completion based on Councillor feedback.

Rushcliffe has an imbedded staff appraisal process based around annual personal development reviews. The outcomes of this process inform not only the corporate training plan but also individual development requirements.

Appropriate training has been provided to Councillors and officers on a number of areas. The service training plans are reviewed as part of the performance clinics reviewed by senior management.

E. ANNUAL GOVERNANCE STATEMENT

2.6 Communication

Various editions of Rushcliffe Reports – the Council’s newsletter for residents – are printed and circulated to all households each year and these set out details of a number of key service changes, both in the past and in the future, and ask for customer feedback.

The largest consultation exercise undertaken by the Council in 2011/12 focused on the drafting of the Local Development Framework Core Strategy and gained residents’ views about potential development sites and housing need. More focused consultation work was undertaken as part of evidence gathering for in-service reviews such as aspects of depot services. In addition, on-going customer satisfaction surveys were undertaken by several key customer facing services such as planning, revenues and benefits and customer services. The customer feedback received from these exercises is used to improve services to all customers. The Council’s website was upgraded in November 2011 to provide more accessible information, enable more services to take place electronically and to receive comments from all stakeholders.

2.7 Partnerships

The Council has in place a scrutiny group that has reviewed a list of all partnerships that the Council are party to. This has been used as the basis for a review and a work programme will be developed to ensure that the scrutiny group can review significant partnerships with which the Council is involved. The Council has put in place strong governance arrangements around the major leisure services and car parking contracts.

3 REVIEW OF EFFECTIVENESS

3.1 Introduction

Rushcliffe Borough 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 senior 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 and this review is considered by Corporate Governance Group.

3.2 The Council

The Council approves and keeps under regular review all the strategic policies which it reserves for its own consideration, including:

- The Constitution
- The Corporate Performance Plan
- The Corporate Strategy
- The Capital Programme and Revenue Budget
- The Housing Strategy
- The Local Development Framework

3.3 The Cabinet

The cabinet carries out the executive functions of the Council as required by the legislation and the Council’s constitution. It accordingly:

- Takes executive decisions
- Approves policies other than those reserved for Council
- Recommends to Council policies and budgetary decisions

E. ANNUAL GOVERNANCE STATEMENT

3.4 Corporate Governance Group

The Corporate Governance Group is the group within the Council that is charged with Governance and has a number of responsibilities including:

- Overseeing corporate governance arrangements
- Overseeing strategic risk management
- Scrutinising the Statement of Accounts and the Annual Governance Statement
- Reviewing the plans and work of Internal Audit
- Receiving reports from external audit in relation to the audit arrangements

3.5 Performance Management Board

The Performance Management Board reviews the performance of the Council against the approved targets. Other reports are taken to this group and during the last year the group has considered the equality and diversity plan and the local Home Improvement Agency performance.

In addition to the Performance Management Board the Council has two other scrutiny groups which were formed during 2007. The first, Place Shaping and Community Engagement looks at areas that affect the community like future changes to glass recycling and provision of car parking. The other group is Partnership Delivery which is tasked with looking at the performance of current partnerships and future potential partnerships.

3.6 The Standards Committee

The Council's Standards Committee comprises of 6 Borough Councillors, 3 independent members and 3 parish representatives. The Committee promotes and maintains high standards of conduct by Councillors and Co-opted Members. In line with the Standards Committee (England) regulations 2008 the committee can assess, review and hear complaints and where necessary implement sanctions for breach of the code of conduct.

As a consequence of the Localism Act 2011 the role of the Committee will be reviewed in 2012/13 in order to ensure new arrangements are agreed and in place from July 2012.

3.7 The Section 151 Officer

As the Council's Chief Financial Officer, the Section 151 Officer has the on-going role in ensuring that proper arrangements are in place for the governance of the authority's financial resources. This includes ensuring that adequate arrangements are in place for Internal Audit, ensuring that proper arrangements are in place for providing financial advice for decision makers, providing effective in year monitoring of financial resources and establishing a long term financial planning framework for the Council.

3.8 Heads of Service

Heads of Service are responsible for ensuring proper standards of internal control within their departments. On-going reviews are undertaken throughout the year. At the end of the financial year Heads of Service are required to confirm that they have reviewed the system of internal control and identify any areas where improvements are necessary.

E. ANNUAL GOVERNANCE STATEMENT

3.9 Internal Audit

Internal Audit is responsible for the review of the systems of internal control and for giving an opinion on both the corporate and service specific standards in place. The Council tendered during 2009/10 for a new 5 year audit contract which was awarded to RSM Tenon. An Audit Strategy has been developed covering all activities of the Council at a level and frequency determined using a risk management methodology. The current Strategy now covers the period up to March 2015.

An annual audit plan governs each year's activity and at the completion of each audit, a report is produced for management with recommendations for improvement. Regular reports covering internal audit activities are submitted to the Corporate Governance Group

A detailed annual review of the effectiveness of the Council's system of internal audit is undertaken every year and reported to Corporate Governance Group. The assessment for 2011/12 was reported on 6th June 2012 and concluded that the system was adequate.

3.1 External Audit

The external auditors review the Council's arrangements for:

- Preparing accounts in compliance with statutory and other relevant requirements
- Ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice
- Managing performance to secure economy, efficiency and effectiveness in the use of resources

The auditors give an opinion on the Council's accounts, corporate governance and performance management arrangements. The Council takes appropriate action where improvements need to be made.

As the result of national changes the provision of external audit will, from October 2012, transfer from the current providers, the Audit Commission, to KPMG.

4 Significant governance issues

As highlighted last year and outlined in the Corporate Strategy, the Council will continue to utilise partnership arrangements with other public bodies and private organisations to deliver services in the future. The Council therefore remains committed to meeting the challenge of ensuring that the appropriate governance arrangements are in place for each of the major partnerships that the Council has entered or will enter.

Following the implementation of a new financial ledger in April 2011 the Council has faced on-going challenges. Whilst significant progress has been made in his report to CGG on the 8th May 2012 the External Auditor reiterated his concern that *"not all of the underlying causes of these issues have been fully resolved and this presents a risk to my audit of your 2011/12 financial statements"*. To mitigate this risk the Council has retained the services of the Interim Head of Finance to manage the closedown process and employed additional specialist staff. Oversight of the closedown process is provided by the Deputy Chief Executive (as Section 151 Officer) and Director of Finance.

During 2011/12 the Council also identified on-going issues with the calculation and overpayment of overtime for some workers employed within Environment and Waste Management. Following identification of the problem these issues were investigated and procedures reviewed to ensure that in future there would be full compliance with Council policies and procedures.

E. ANNUAL GOVERNANCE STATEMENT

During 2012/13 the Council will also need to manage a number of changes arising from legislative changes such as the Localism and Local Government Finance Acts, from changes to internal arrangements such as the Standards Review and major projects such as that being put in place for Cotgrave. These changes will be managed in line with the Governance Framework outlined earlier in this report.

5 Statement of the Chief Executive and Leader of the Council

We have been advised on the outcomes of the review of the effectiveness of the governance framework by the Corporate Governance Group and a plan to address weaknesses and ensure continuous improvement of the system is in place.

We are committed to take steps over the coming year to address the issues, and the significant governance issues identified earlier in this report, to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Rushcliffe Borough Council



J N Clarke - Leader



A Graham - Chief Executive

27/9/2012.

H. GLOSSARY OF TERMS

Accounting Period

This is the length of time covered by the accounts. It is normally a period of twelve months commencing on 1st April. The end of the accounting period is the balance sheet date.

Accrual

Income or expenditure relating to goods or services received / provided during the accounting period where payment has not been made or received at the end of the accounting period.

Actuarial Assumptions

Assumptions made by the Pension Fund Actuary in valuing the funds assets and liabilities.

Actuarial Gains and Losses

For a defined pension scheme, the changes in actuarial deficits or surpluses arise because; events have not coincided with the actuarial assumptions made at the last valuation or; the actuarial assumptions have changed.

Actuarial Valuation

An actuary undertakes a valuation by comparing the value of the pension schemes assets with its liabilities. The actuary then calculates how much needs to be paid into the scheme by the employer and members to ensure there will be adequate funds to pay the pensions when they become due.

Amortisation

This is a charge made to the service revenue accounts each year to reflect the reduction in the value of the asset used in the delivery of services.

Asset

An asset is something the Council owns. Assets can be either current or fixed.

A current asset is one that will be used or cease to have a material value by the end of the next financial year.

A **fixed asset** provides a benefit to the Council for a period greater than one year.

Balance Sheet

A statement summarising the Council's financial position at the end of the accounting period. The statement shows the Council's assets and liabilities.

Billing Council

Rushcliffe Borough Council is classed as a billing Council as it has the responsibility of collecting the Council tax and non-domestic rates. It collects the Council tax on behalf of the County Council, Fire and Police Authorities and the non-domestic rates on behalf of central government.

Capital Expenditure

Expenditure on the acquisition or enhancement of a fixed asset, which adds to and not merely maintains the value of existing assets.

Capital Financing

Sources of money that have been used to finance the capital programme. The Council uses various methods to finance its capital expenditure, including direct revenue financing, usable capital receipts, capital grants, revenue reserves and earmarked reserves.

Capital Adjustment Account

This account contains the amount that was required to be set aside from the capital receipts and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and the amount that must be set aside from revenue for the repayment of external debt.

H. GLOSSARY OF TERMS

Capital Grants Unapplied

These are capital grants that the Council has received, that have not yet been used to finance capital expenditure.

Capital Programme

The planned capital schemes the Council intends to carry out over a specified period of time.

Capital Receipt

The Council can use the proceeds from the disposal of fixed assets to finance new capital investments, the proceeds cannot be used to finance revenue expenditure.

Central Services to the Public

The main services to the public often provided by central departments, includes, Council Tax, Council Tax Benefits, Elections, Emergency Planning, Local Land Charges and General Grants.

Chartered Institute of Public Finance and Accountancy (CIPFA)

Professional accountancy body specialising in the public sector.

Collection Fund

A separate fund recording the income and expenditure relating to Council Tax and Business Rates.

Contingent Liabilities / Assets

A contingent liability / asset is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control, or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount cannot be measured with sufficient reliability.

Corporate / Democratic Core

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi purpose authorities.

Creditor

Amounts owed by the Council for goods or services they have received for which payment has not been made.

Current Service Cost (Pensions)

The increase in the present value of a defined benefit schemes liabilities.

Debtor

Amounts owed to the Council for goods or services the Council has provided for which payment has not been received.

Depreciation

This is a charge made to the service revenue accounts each year to reflect the reduction in the value of the asset used in the delivery of services.

Finance Lease

A lease which transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Government Grants

Grants made by the government towards either revenue or capital expenditure to support the cost of the provision of services. These grants may be specifically towards the cost of particular schemes or to support the revenue spend of the Council.

H. GLOSSARY OF TERMS

Gross Book Value

The historical cost or the revalued amount of the asset before depreciation.

Historical Cost Adjustment

This is the difference between Historical Cost Depreciation and the actual depreciation charged calculated on revalued assets.

Impairment

Where the value of the fixed asset reduces below its carrying amount on the balance sheet.

Inventories

Items bought for consumption or resale, or raw materials, currently being held.

Liability

A liability is where the Council owes payment to an individual or an organisation.

Minimum Revenue Provision (MRP)

The minimum amount which must be charged to a Council's revenue account each year for the servicing of debt.

Net Book Value

This is the value of an asset that is counted in the balance sheet. It represents its historical or revalued cost less the accumulated depreciation of the asset.

Net Worth

The total value of an organisation expressed as total assets less total liabilities.

Non-Distributed Costs

Past service pension costs including settlements and curtailments which are not to be included in total individual service costs.

Non-Domestic Rate (NNDR)

A levy on businesses, based on a national rate in the pound set by the government multiplied by the rateable value of the premises they occupy. NNDR is collected by billing authorities on behalf of central government and then redistributed among all local

Non Operational Asset

Fixed assets held by the Council but are not directly occupied used or consumed in the delivery of services.

Operating Lease

A lease where the ownership of the asset remains with the lessor.

Operational Asset

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of services.

Precept

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from taxpayers on their behalf.

Provision

Provisions are for liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain.

Rateable Value (RV)

The annual assumed rental value of a property that is used for business purposes.

H. GLOSSARY OF TERMS

Realised Valuations

Any revaluations in the Revaluation Reserve relating to individual assets when they are disposed of are transferred to the Capital Adjustment Account this transfer is referred to as Realised Valuation. This ensures the Revaluation Reserves balance represents revaluations on assets that the Council still holds.

Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

Reserves

Funds set aside for expenditure in future years. Certain reserves have constraints on how they can be spent.

Revaluation Reserve

This reserve records unrealised revaluation gains / losses from holding fixed assets.

Revenue Expenditure

Expenditure on the day-to-day costs of providing services.

Revenue Support Grant (RSG)

Grant from Central Government towards the cost of service provision.

SeRCOP

Stands for Service Reporting Code of Practice for Local Authorities and provide guidance on financial reporting to stakeholders and supports the objective to establish the widest range of financial reporting requirements, in order that data comparability are achieved.

Transfer Payments

Relates to payments for which no goods or services are received by the Council e.g. Rent Allowances.