Rushcliffe
Borough Council

STATEMENT OF ACCOUNTS
FOR YEAR ENDED 31 MARCH 2013










RUSHCLIFFE - GREAT PLACE • GREAT LIFESTYLE • GREAT SPORT

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A. EXPLANATORY FOREWORD

Welcome to the Statement of Accounts

Peter Steed, Executive Manager (Finance and Commercial)

Introduction

As the Council's Chief Finance Officer, I have pleasure in presenting the Explanatory Foreword to Rushcliffe's 2012/13 Statement of Accounts. The Statement of Accounts is required by law and provides statutory and other information in line with professional best practice. In doing so, the Financial Statements continue to accord with International Financial Reporting Standards (IFRS) ensuring consistency with accounts produced by organisations in other sectors of the economy.

The Explanatory Foreword supports the accounts by summarising key events and their financial impact. It also provides additional context on some of the issues and challenges that have faced the Council during the year. I hope this explanatory foreword, and the information that follows, give a clear picture of how Council Tax and our other sources of income are used to deliver a wide range of services. The Foreword, along with the Annual Governance Statement and the auditor's report, are outside the scope of the Statement of Accounts, but all of the documents, as one, constitute the Council's Financial Report for 2012/13.

In light of the difficult economic circumstances currently facing the public sector, the Council has maintained its focus on achieving a viable Medium Term Financial Strategy. The Council continues to aim to secure value for money and remains committed to delivering quality frontline services, working with partners and, most importantly delivering services residents want whilst meeting the Council's corporate priorities of:

- 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.

Should you have any queries regarding these accounts or suggestions as to how we could improve the information provided please forward them to me at finance@rushcliffe.gov.uk.

Peter Steed
Executive Manager (Finance and Commercial)

1. The Statement of Accounts

The Executive Manager (Finance and Commercial) is the statutory officer responsible for the proper administration of the Council's financial affairs (sometimes referred to as the Chief Financial Officer). He is required by Law to confirm that the Council's system of internal controls can be relied upon to produce an accurate Statement of Accounts. To do so the Chief Financial Officer ensures that the Council maintains proper and up to date accounting records and takes all reasonable steps to prevent and detect fraud and any other irregularities. His statement of assurance for the 2012/13 (known as *The Statement of Responsibilities*) appears on Page 1 of the Statement.

The Statement has been produced in accordance with *The Code of Practice on Local Authority Accounting* ('the Code') developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Council's Accounting Policies, which are written to take into account the Code, are outlined in the Statement.

The Statement is subject to review by the Council's external auditors, KPMG, and as with previous years it is anticipated that they will conclude that it provides a true and fair view of Rushcliffe's financial position for the financial year 2012/13.

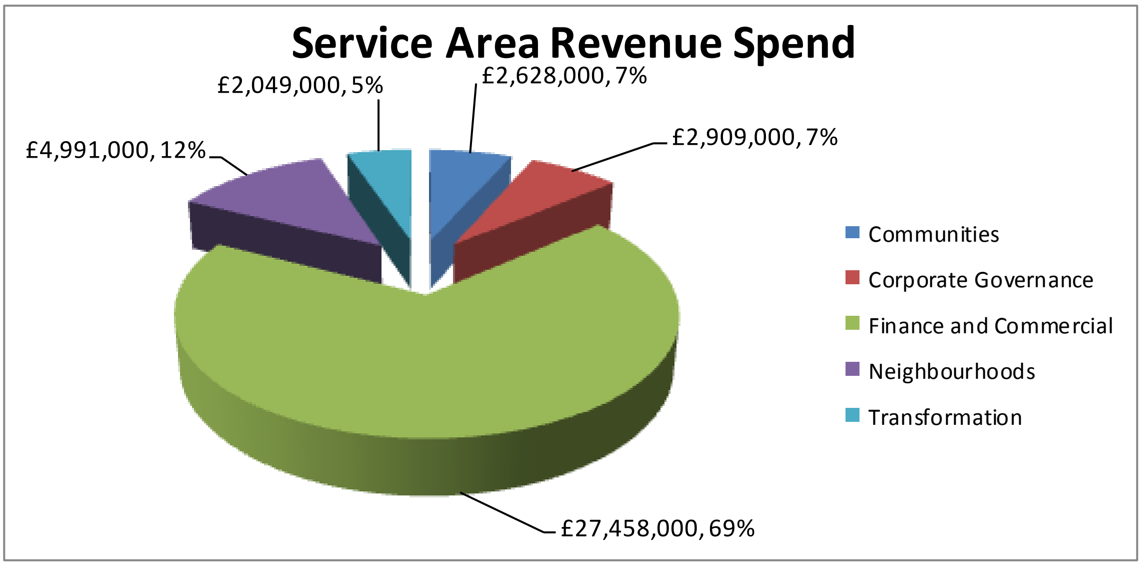
2. Revenue Expenditure and Income

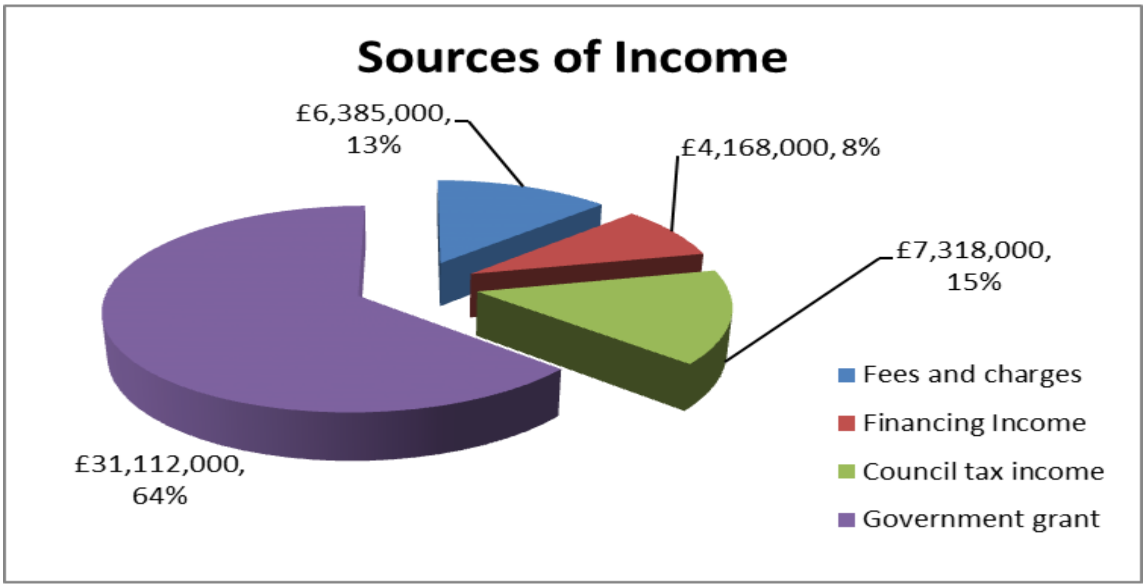
The Council receives and spends money from various sources. The income comes primarily from central government and from local residents in the form of Council Tax. Each year the Council spends its money on key services, delivered in accordance with our local priorities and legal requirements. During the year officers have made a conscious effort to constrain expenditure, increase income and continue to deliver effective services. As a result the Council achieved a balanced budget and a net transfer of £610,000 into Reserves, including £462,000 of New Homes Bonus. Reserves are available to meet future cost pressures in areas such as:

- Enabling delivery of the Four Year Plan; the transformation programme by which the Council will balance future budgets and continue to deliver good quality services.
- Smoothing saving requirements between financial years.
- Funding capital expenditure including repairs and maintenance for property, plant and equipment.
- Ensuring the Council's IT infrastructure and equipment is of sufficient quality to facilitate the delivery of modern services.

The Movement in Reserves Statement (page 2) demonstrates prudent financial management throughout the year with the Council having had few reasons to call on its reserves and as a result the General Fund Balance remains unchanged from 2011/12 at £2.6m. Earmarked reserves have increased by £0.6m from £7.8m to £8.4m (see Note 8, page 29). The increase in reserves puts the Council in a stronger position to withstand future financial pressures.

The following charts demonstrate where money was spent in 2012/13 and how this expenditure was funded:





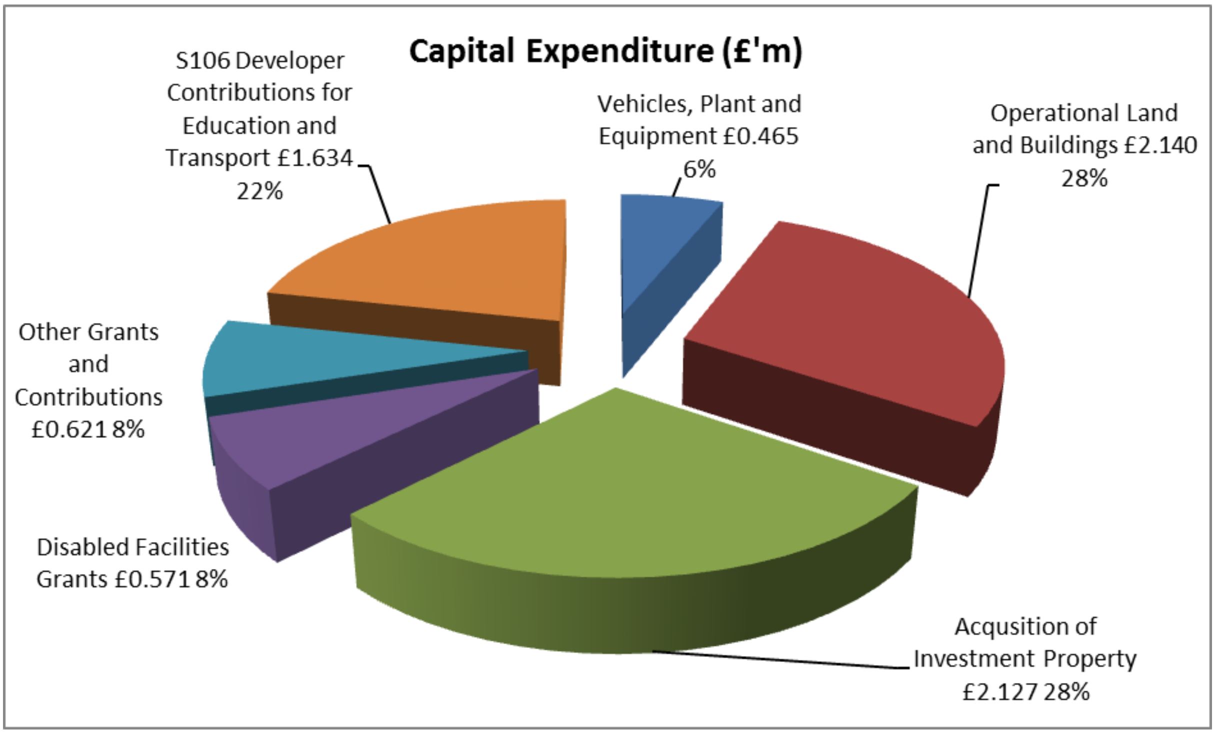
Source: Segmental Reporting – Note 25

3. Capital Expenditure and Income

As well as delivering day to day services, the Council also spends money on capital works, creating or enhancing assets which are shown on the balance sheet primarily as Property, Plant and Equipment, or as Investment Property. In 2012/13 there were two major items of investment. As part of the Cotgrave Masterplan, the Shopping Precinct was acquired and added to the Council's operational property portfolio. This acquisition is part of the first stage of the bringing assets into public ownership in readiness for the major redevelopment of Cotgrave Town Centre. The Council also took the opportunity to acquire Investment Property in the form of The Point commercial office building in West Bridgford.

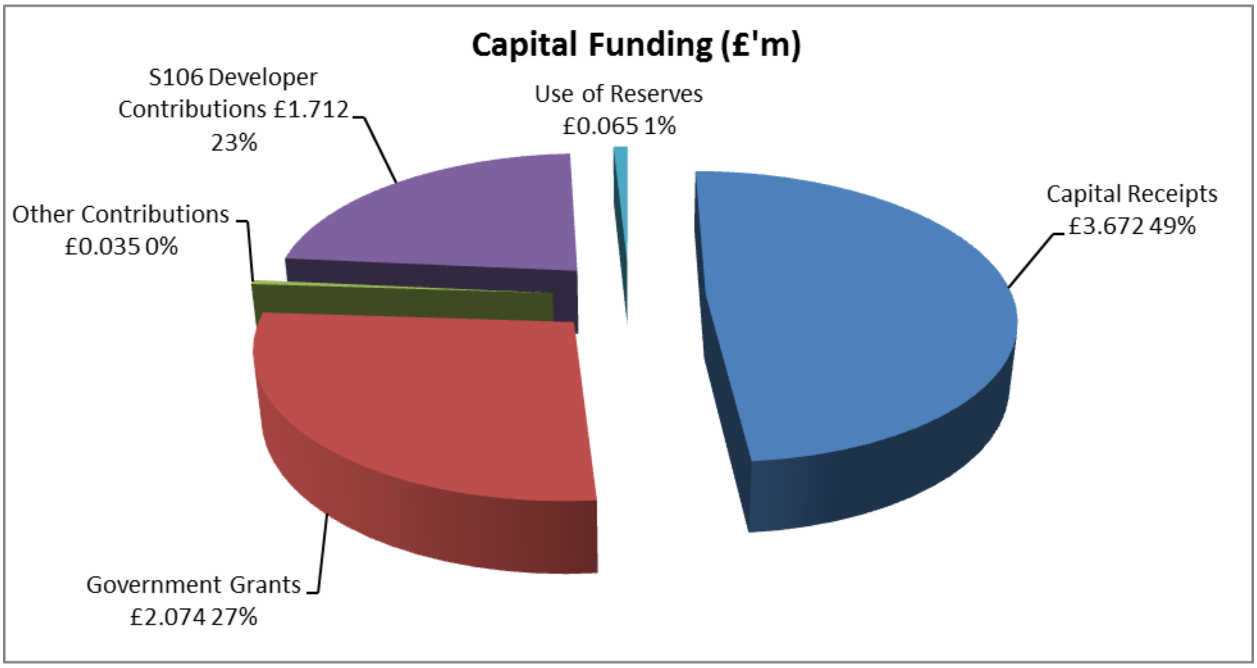
The Council has to ensure its Capital Programme is not only prudent, but also affordable and sustainable. In 2012/13 the Council spent £5.5m compared to an overall Capital Programme of £7.6m. Of the remaining £2.1m, £1.9m is committed to ongoing Capital Schemes and has been carried forward to the 2013/14 Capital Programme.

In addition to the above expenditure, the Council released £1.6m of Section 106 Planning Agreement Developer Contributions to third parties for investment in Education and Transport. A further £0.45m was also given out as a grant to Nottinghamshire County Cricket Club. This resulted in total Capital expenditure for the year of £7.5m split as follows:



Source: Capital Financing Requirement – Note 25

The Council has no external borrowing and has been debt free since May 2003. As shown below this means that capital expenditure is funded from capital receipts, Government Grants, Section 106 Developer Contributions, other minor contributions and reserves.



Source: Capital Financing Requirement – Note 25

In 2012/13 Capital Receipts represented the largest funding source and, as a result, at 31 March 2013 the balance in the Useable Capital Receipts Reserve stood at £12.663m (2011/12 £15.626m). Use of Government Grants was the next largest source of funding with the application of £1.6m to fund the acquisition of Cotgrave Shopping Precinct and other smaller Government Grants applied to meet Disabled Facilities Grant expenditure, and Partnership Grant arrangements. The release of S106 Developer Contributions can vary year on year and, in 2012/13, major schemes commissioned by third parties including extensions to four primary schools and traffic calming measures.

4. Major Service Developments and Future Challenges

During 2012/13 the Council continued to respond positively to challenges presented by the funding restrictions facing local government. The success of the Council in addressing this difficult financial context can be seen in the positive Value for Money conclusion given by the Audit Commission in their 2012 Annual Audit Letter, the delivery of transformational activity such as that being delivered with partners at Cotgrave, and the maintenance of a balanced revenue budget without reductions in service quality. It also reflects the continued work, outlined in the Four Year Plan, to identify efficiency savings of £2.98m between 2011/12 and 2014/15 through initiatives based upon three core principles of business cost reduction, income generation and service redesign.

Looking ahead the Council faces a range of challenges and opportunities. These include

- *Meeting the financial challenge of maintaining a sustainable Medium Term Financial Strategy*
  Whilst the Council's reserves provide a buffer against funding and service risks, it is critical that the Council continues to deliver savings from the Four Year Plan and monitors the position on areas such as trading income. The wider economic situation, the impact of the Government's June 2013 Spending Review, and limits on future Council Tax increases, will all impact on the scale of this challenge.

- *Changes to Local Government funding*

  The changes of the basis of allocation of central government funding to local government through the localisation of business rates from April 2013 means that the Council now shares the financial risks and benefits associated with changes to non-domestic rate income in the Borough. To help mitigate such risks and to maximise funding opportunities Rushcliffe is a member, along with the County Council and the other six District Councils of the Nottinghamshire Business Rate Pool.

- *Pension Contributions*

  The Pension Fund liabilities have increased although by less than in 2011/12. Statutory arrangements should ensure the financial position of the Council's Pension Fund remains healthy. National reforms will commence in April 2014 and these should assist the Council in closing the funding gap.

5. Financial Statements

The financial activities of the Council can be split between revenue and capital, and in general terms, the definitions are as follows:-

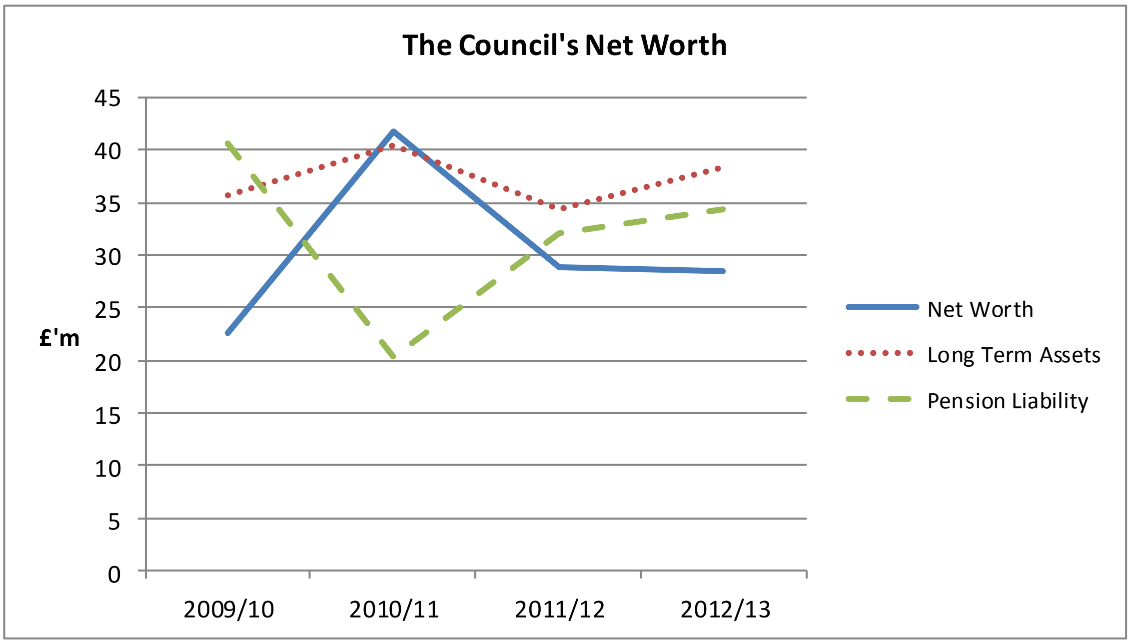
- Income and expenditure within the revenue accounts of the Council relate to items consumed within the year; and
- Income and expenditure within the capital accounts relate to items with a life in excess of one year.

The Council's accounts consist of:

- **Movement in Reserves Statement (Page 2) –** this shows the movement in the year of the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure) and 'unusable reserves'.

- **Comprehensive Income and Expenditure Statement (Page 4) -** this 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. A charge of £0.8m has arisen due to a downward valuation on the Cotgrave redevelopment. This accounts for a large proportion of the rise in net expenditure in the Comprehensive Income and Expenditure Account from £13.9million to £15.1million. Importantly this does not impact on the overall General Fund position for taxpayers as this is a 'notional' charge. The value of this asset will change over time as the development progresses.

- **Balance Sheet (Page 5) –**The Balance Sheet shows the Council's assets and liabilities at 31 March each year, in accordance with the Council's Accounting Policies. As this is reported annually the position over a longer period is not always obvious. The Chart below shows how the higher value components of the Balance Sheet, namely long Term Assets and the Pensions Liability, have affected the Council's overall Net Worth since the introduction of International Financial Reporting Standards and national changes to the Local Government Pension Scheme (as covered in previous years accounts). There is an inverse relationship between the Council's net worth and in particular pension liabilities ie as pension liabilities increase the Council's net worth reduces and vice versa.



Source: Balance Sheet

Further key points to note are that the value of property, plant and equipment (PPE) has increased by £2.3m largely due to the purchase of the Cotgrave Development site. Investment property value has also increased mainly due to the purchase of office property in West Bridgford. Long term debtors have reduced by £0.48m primarily due to the conversion of part of the Nottinghamshire County Cricket Club loan to a grant.

There are reduced levels of Short Term Investments whilst the Cash and Cash Equivalents balance has increased by £3.6m. This is because more cash has been invested for less than 3 months which is treated as a 'Cash equivalent' in accordance with Accounting Policy (iii). Debtors have reduced by £3.3m largely due to reductions in income due at year-end from government grants.

- **Cash-flow Statement (Page 6)** – this shows the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes**.**

- **Accounting Policies (Pages 7-21) –** these explain the basis of the figures presented in the accounts.

- **Notes (pages 22-67) –** these providing supporting context to the above Statements. A number of non-material notes have been removed covering areas such as heritage assets, inventories, construction contracts, provisions, acquired and discontinued operations. In the case of heritage assets we have amended the Accounting Policy to include the assets at current value (as per note 48 from the 2011/12 Statement).

6. Supplementary Financial Statements

- **Collection Fund (pages 68-70) –** this reflects the statutory requirement for the Council to maintain a separate account providing details of receipts of Council Tax and Business Rates and any associated payments to precepting authorities and the National Non-Domestic Rates (NNDR) Pool.

7. Summary

Like many public sector organisations the Council has, and continues to face, many significant financial challenges. The Council's response has been to not only develop a culture of prudence but to also deliver initiatives focusing on investment and growth in the community.

The Council is committed to delivering better services and change for the Borough through its Four Year Plan which will remain a key focus for the Authority's new management team. There is a commitment to the significant task of transforming the services that are delivered to the people of Rushcliffe. The challenges that face Rushcliffe are ones which both members and officers of the Borough Council are determined to meet.

8. Further Information

Further information about the Statement of Accounts is available from the Financial Services section at the Civic Centre, Pavilion Road, West Bridgford, Nottinghamshire NG2 5FE, telephone 0115 981991 or by e-mail: finance@rushcliffe.gov.uk. In addition, members of the public have a statutory right to inspect the accounts before the annual audit is completed. The availability of the accounts for inspection is advertised in the local press and on our website at www.rushcliffe.gov.uk.

Peter Steed
Executive Manager (Finance and Commercial)
28th June 2013

B. 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*. A copy of the code is on our website at http://www.rushcliffe.gov.uk/ or can be obtained from Rushcliffe Borough Council, Civic Centre, Pavilion Road, West Bridgford, Nottingham, NG2 5FE. 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 and 2011, 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 the 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 2013 and up to the date of approval of the statement of accounts.

2 THE GOVERNANCE FRAMEWORK

2.1 Vision and priorities

During 2012/13 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 high quality of service for which Rushcliffe is known. Long term strategic planning has enabled Rushcliffe to address its immediate financial pressures, develop an initial financial strategy to 2017/18 and introduce its fifth Corporate Strategy covering the period 2012 to 2016. The three key themes for this strategy are:

- 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 the budgets for both 2012/13 and 2013/14, and the financial strategy to 2017/18.

Progresses 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 £1.88m of cashable savings by the end of 2012/13 and, following the delivery of a significant programme of work, the actual figure achieved in year was £2.73m. 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 decisions
- Cabinet works to a Forward Plan of forthcoming decisions for up to three months ahead
- The work of Cabinet is supported by four scrutiny groups
- 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 the 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 Executive Manager Corporate Governance and Operations and the Strategic 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. The last such review was undertaken in 2011/12.

2.3 Policies, Procedures, Laws and Regulations

The Council has three statutory officer roles: 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.

The Council's financial management arrangements should conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). During 2012/13, the Council's financial management arrangements complied in all respects with the governance requirements of the aforementioned statement, in particular:

- During 2012/13 two officers held the post of Chief Financial Officer, the Deputy Chief Executive (to the 31st December 2012) and from 1st January 2013 onwards the Executive Manager (Finance and Commercial). Both of these individuals were professionally qualified accountants with direct access to the Chief Executive, Leader of the Council and other Cabinet Members. The postholders also had direct access to the Corporate Governance Group and the Council's external auditors.
- The Chief Financial Officer has a line of professional accountability for all finance staff and for ensuring that the finance function is 'fit for purpose'. The Council has established robust arrangements to manage its finances, including a Medium Term Financial Strategy, annual budget process and compliance with CIPFA's Codes and Guidance on the Prudential Framework for Capital Finance, Treasury Management and the management of reserves.
- Internal audit services are provided to the Council by RSM Tenon. The effectiveness of this service is monitored by the Corporate Governance Group.

Executive Managers are responsible for ensuring that legislation and policy relating to service delivery and health and safety are implemented in practice. Oversight of these arrangements is provided by the Executive Manager (Corporate Governance and Operations).

2.4 Risk Management

The Council's risk management arrangements are regularly reviewed with a complete review being undertaken during 2012/13. Following the adoption of the new senior management arrangements a further review of these arrangements is planned for 2013/14. The effectiveness of the overall risk management arrangements is monitored by the Corporate Governance Group.

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.

The identification and delivery of appropriate training for officers is dealt with via the Learning and Development Plan which links to the annual performance development review (PDR) process.

2.6 Communication

A number of 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 2012/13 was a residents survey to ensure the Council continues to meet the expectations of residents and provide cost effective services that support the delivery of the Corporate Strategy. 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.

2.7 Partnerships

The Council has in place a scrutiny group that reviews 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. In addition the Cabinet Portfolio Holder also chairs quarterly strategic board meetings with the two main leisure providers, Parkwood and Carillion.

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

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 financial governance arrangements
- Overseeing strategic risk management
- Scrutinising the Annual Governance Statement
- Scrutinising the Statement of Accounts prior to its agreement by full council
- 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 effectiveness of current and future potential partnerships.

3.6 Executive Managers

Executive Managers are responsible for ensuring proper standards of internal control within their service areas. On-going reviews are undertaken throughout the year. At the end of the financial year Executive Managers are required to confirm that they have reviewed the system of internal control and identify any areas where improvements are necessary. It should be noted that the new Executive Manager roles were introduced during 2012/13 and that prior to this the management of internal controls rested with the Deputy Chief Executives, Director of Finance and Heads of Service.

3.7 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 2016.

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 for scrutiny.

A detailed annual review of the effectiveness of the Council's system of internal audit is undertaken every year and reported to the Corporate Governance Group.

3.8 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 reported last year, after the result of national changes, the provision of external audit has now transferred from the Audit Commission (in October 2012) to KPMG.

4 SIGNIFICANT GOVERNANCE ISSUES

4.1 Issues Identified and remedial action

The Council continues to utilise partnership arrangements with other public bodies and private organisations to deliver services. 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.

In producing the 2011/12 statement of accounts the council faced a number of issues most notably with regard to the reconciliation of income following the implementation of a new financial ledger in April 2011. These were identified in the external auditor's Annual Governance Report, which was considered by the Corporate Governance Group on the 26th September 2012. To mitigate these risks the Council has reviewed its processes and appointed new staff to the finance team, including an Executive Manager and a Service Manager. The resultant positive progress was reported by the external auditor to the Corporate Governance Group on the 24th April 2013. This work will continue to be a priority during 2013/14.

During 2013/14 the Council will also need to manage a number of changes arising from legislative changes such as the Localism and Local Government Finance Acts, and in particular challenges arising from welfare reform and the introduction of Universal Credit. Furthermore the Council has to address the issue of housing growth and the concerns of the planning inspector, with the Core Strategy being revisited in the coming year. The Cotgrave Masterplan is a significant project which demonstrates the Council's commitment to developing the community and provides affordable housing. These challenges will be managed in line with the Governance Framework outlined earlier in this report.

5 STATEMENT OF THE CHIEF EXECUTIVE AND THE LEADER OF THE COUNCIL

We have been advised of the implications of the result of the review of the effectiveness of the governance framework by the Corporate Governance Group. The arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed, with new actions planned, are outlined above.

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

Signed…………………………….	Signed………………………………..
Councillor J N Clarke (Leader)	A Graham (Chief Executive)
Date …………………………….	Date …………………………………

C. Independent auditor's report

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

We have audited the financial statements of Rushcliffe Borough Council for the year ended 31 March 2013 on pages 2 to 70. 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 2012/13.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Executive Manager (Finance and Commercial) and auditor

As explained more fully in the Statement of the Executive Manager's (Finance and Commercial) Responsibilities, the Executive Manager (Finance and Commercial) 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. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us 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 Executive Manager (Finance and Commercial); and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2013 and of the Authority's expenditure and income for the year then ended;

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Matters on which we are required to report by exception

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages IX to XV does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or

- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or

- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or

- any recommendations have been made under section 11 of the Audit Commission Act 1998; or

- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters

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

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we 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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, 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 us to consider under the Code of Audit Practice in satisfying ourselves 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 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we 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 our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are 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 ending 31 March 2013.

Certificate

We certify that we have completed the audit of the financial statements of Rushcliffe Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

John Cornett

for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants

1 Waterloo Way

Leicester

LE1 6LP

30 September 2013

STATEMENT OF ACCOUNTS

2012/13

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Manager (Finance and Commercial).
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

THE EXECUTIVE MANAGER (FINANCE AND COMMERCIAL) RESPONSIBILITIES

The Executive Manager (Finance and Commercial) is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices, as set out in the Chartered Institute of Public Finance and Accountancy/Local Authority Scotland Accounts Advisory Committee's "Code of Practice on Local Authority Accounting in the United Kingdom" ("the Code of Practice").

In preparing this Statement of Accounts, the Executive Manager (Finance and Commercial) has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice

The Executive Manager (Finance and Commercial) has also:

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

The Executive Manager (Finance and Commercial) should sign and date the Statement of Accounts, stating that it gives a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2013.

CERTIFICATE

I hereby certify that the following Statement of Accounts gives a true and fair view of the financial position of Rushcliffe Borough Council at 31 March 2013 and its income and expenditure for the financial year ended 31 March 2013.

Peter Steed
Executive Manager (Finance and Commercial)
28 June 2013

FORMAL APPROVAL

Full Council approved the audited Statement of Accounts on 26 September 2013

On behalf of the Council
Councillor Buschman
Mayor of the Council

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.

2012/2013	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance 31 March 2012	**(2,604)**	**(7,768)**	**(15,626)**	**(238)**	**(26,236)**	**(2,690)**	**(28,926)**
Movement in Reserves during 2012/2013							
(Surplus) or deficit on the provision of services	1,653	0	0	0	1,653	0	**1,653**
Other Comprehensive Income and Expenditure	(1,358)	0	0	0	(1,358)	0	**(1,358)**
Total Comprehensive Income and Expenditure	**295**	**0**	**0**	**0**	**295**	**0**	**295**
Adjustments between accounting basis and funding basis under regulations (Note 7)	(905)	0	2,963	(249)	1,809	(1809)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	(610)	0	2,963	(249)	2,104	(1,809)	**295**
Transfers to/from Earmarked Reserves (Note 8)	610	(610)	0	0	0	0	**0**
Increase/Decrease in 2012/2013	0	(610)	2,963	(249)	2,104	(1,809)	**295**
Balance at 31 March 2013 Carried Forward	**(2,604)**	**(8,378)**	**(12,663)**	**(487)**	**(24,132)**	**(4,499)**	**(28,631)**

D. THE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT (MIRS)

2011/2012	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance 31 March 2011	**(2,604)**	**(7,731)**	**(17,064)**	**(283)**	**(27,682)**	**(14,059)**	**(41,741)**
Movement in Reserves during 2011/2012							
(Surplus) or deficit on the provision of services	1,803	0	0	0	1,803	0	**1,803**
Other Comprehensive Income and Expenditure	11,012	0	0	0	11,012	0	**11,012**
Total Comprehensive Income and 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 2011/2012	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

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.

2011/2012				2012/2013		
Gross Exp £000	**Gross Inc £000**	**Net Exp £000**		**Gross Exp £000**	**Gross Inc £000**	**Net Exp £000**
7,607	5,732	1,875	Central Services to the Public	7,464	5,726	1,738
3,386	570	2,816	Cultural & Related Services	3,521	654	2,867
6,607	1,584	5,023	Environmental & Regulatory Services	6,935	1,533	5,402
2,880	1,153	1,727	Planning Services	4,980	2,614	2,366
580	746	(166)	Highways & Transport Services	391	545	(154)
19,197	18,362	835	Housing Services	19,722	18,727	995
1,770	5	1,765	Corporate and Democratic Core	1,740	43	1,697
114	0	114	Non Distributed Costs	190	0	190
42,141	**28,152**	**13,989**	**Cost of Services**	**44,943**	**29,842**	**15,101**
2,034	0	2,034	Other Operating Exp. (Note 9)	2,014	195	1,819
3,961	4,528	(567)	Financing & Investment Inc. & Exp. (Note 10)	3,883	4,168	(285)
257	235	22	Deficit on Discontinued Operations	0	0	0
0	13,675	(13,675)	Taxation & Non-Specific Grant Income (Note 11)	0	14,982	(14,982)
48,393	**46,590**	**1,803**	**(Surplus)/Deficit on Provision of Services**	**50,840**	**49,187**	**1,653**
		(305)	Surplus or deficit on revaluation of non-current assets			(2,279)
		0	Surplus or deficit on revaluation of available for sale financial assets			0
		11,317	Actuarial gains/losses on pension assets/liabilities			921
		11,012	**Other Comprehensive Income & Expenditure**			**(1,358)**
		12,815	**Total Comprehensive Income & Expenditure**			**295**

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 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'.

31 March 2012 £000		Note Ref	31 March 2013 £000
23,650	Property, Plant and Equipment	**12**	25,937
161	Heritage Assets		165
8,018	Investment Property	**13**	10,525
574	Intangible Assets	**14**	305
0	Long Term Investments	**15**	0
1,984	Long Term Debtors	**15**	1,244
34,387	**Long Term Assets**		**38,176**
10,085	Short Term Investments	**15**	5,011
53	Inventories		45
4,844	Short Term Debtors	**16**	1,826
24,863	Cash and Cash Equivalents	**17**	28,759
39,845	**Current Assets**		**35,641**
(54)	Short Term Borrowing	**15**	(54)
(4,100)	Short Term Creditors	**19**	(5,079)
(4,154)	**Current Liabilities**		**(5,133)**
0	Provisions		(56)
(9,053)	Capital Grants Receipts in Advance	**32**	(5,691)
(32,099)	Pension Liability	**38**	(34,306)
(41,152)	**Long Term Liabilities**		**(40,053)**
28,926	**NET ASSETS**		**28,631**
15,626	Usable Capital Receipts Reserve		12,663
2,604	General Fund Balance		2,604
7,768	Earmarked Reserves	**8**	8,378
238	Capital Grants Unapplied		487
26,236	**Usable Reserves**		**24,132**
2,690	**Unusable Reserves**	**21**	4,499
28,926	**TOTAL RESERVES**		**28,631**

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.

2011/2012 £000		2012/2013 £000
1,803	Net (surplus) or deficit on the provision of services	1,653
(5,031)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(6,111)
(4,237)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 22)	4,330
(7,465)	Net cash flows from Operating Activities	(128)
(18,081)	Investing Activities (Note 23)	(1,018)
5,852	Financing Activities (Note 24)	(2,750)
(19,694)	Net increase or decrease in cash and cash equivalents	(3,896)
(5,169)	Cash and cash equivalents at the beginning of the reporting period	(24,863)
(24,863)	**Cash and cash equivalents at the end of the reporting**	**(28,759)**

E. NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. It has been prepared in accordance with the Accounts and Audit Regulations 2012 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 United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS) It also complies with guidance notes issued by CIPFA on the application of accounting standards (Standard Statement of Accounting Practice and Financial Reporting Standards) to the local authority accounts.

ii. Accruals of Income and 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.

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 an understanding of the Council's financial performance.

v. Prior Period Adjustments, Changes in Accounting Policies 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 prospectively, i.e. 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, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) 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 period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vi. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the 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 annual provision form revenue towards the reduction in its overall borrowing requirement; this is referred to as Minimal 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.

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 and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (for example, cars) 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, for example, time off in lieu) earned by employees but not taken before the 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 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 relevant services in the Comprehensive Income and Expenditure Statement when the Council has demonstrably committed to the termination of the 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 Pension 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

The Local Government Pension Scheme (LGPS) is administrated 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 projected earnings for current employees).

The assets of the pension fund attributed 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

The change in the net pension's 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 Comprehensive Income and Expenditure Statement to the service for which the employees worked.
- **Past Service Cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement 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 and 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 and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- **Gains or Losses on Settlements and Curtailments** – the result of actions to relieve the Authority 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 and 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 are earned by employees.

Discretionary Benefits

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

viii. Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when 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 are 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 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 prior to such debts being taken on.

Financial Assets

Financial assets are classified as either;

- **Loans and Receivables** – assets that have fixed or determinable payments but are not quoted in an 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.

  The Council has made one loan at less than market rates (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 a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the 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 arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in 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're 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 such 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 rates 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 ensures 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.

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 where 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 not been 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 are contributions including sections 106's are credited to the Comprehensive Income 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. Where 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 Councils art collection consists 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 Historical Cost (a proxy for current value).

General

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment, for example, 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.

xii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (for example, 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.

Internally generated assets are only re-valued where the fair value of 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 and losses 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 Property

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

Investment properties are measured initially at fair value, and are not depreciated but are re-valued annually according to market conditions at the start of the year. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure 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 transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the 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 with 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 leases.

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 its fair value measured at the lease's 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 Authority 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 and 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 authority 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 Account 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 leases 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 and Expenditure Statement.

xvi. Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Authority in conjunction with the other ventures that involve the use of assets and resources of the venture rather than the established 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.

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 Code of Practice 2012/13 (SERCOP). The total absorption costing principle is used, with the full cost of overheads and support services being 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 retiring early and any impairment losses chargeable on Assets Held for Sale.

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.

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 asset's potential to deliver future economic benefits or service potential is charged as an expense when it is incurred. In addition, expenditure needs to be excess of the Council 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.

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 variation in the cash flows of the Council). In the latter case, where an asset is acquired via exchange, the cost of the acquisition is the carrying amount of the asset given up by the council.

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 and Equipment	
Other Land and Buildings	Existing Use Value (EUV)
Vehicles and 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 re-valued 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 three 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.

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 by:

- 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.

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.

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 and Equipment	
Other Land and Buildings	Straight line – over the useful life of the asset
Vehicles and 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.

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 re-valued 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 previous 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.

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 finance 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.

Assets under Construction

Assets 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 the 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 benefits 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.

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, and retirement and employee benefits and do not represent usable resources for the Authority – 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 does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and 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.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 ('the Code') has introduced several changes in accounting policies which will be required from 1 April 2013. The following changes are not considered to have a significant impact on the Statement of Accounts as demonstrated below:

- International Accounting Standard (IAS) 1 Presentation of Financial Statement – the changes require authorities to disclose separately the gains or losses re-classifiable into the Surplus or Deficit on the Provision of Services. The gains and losses are separately identified in the Comprehensive Income and Expenditure Statement (CIES) and therefore no further disclosure is required;
- Service concession arrangements, clarification for the recognition criteria for assets under construction or intangible assets. Given the values of both classes of assets this change is not expected to have a significant impact;
- IAS 12 Income Taxes – this relates to material changes to Group Accounts and does not impact upon the Council as Group Accounts are not required;
- IAS 19 Employee Benefits – there are several changes that will affect the budgeted pension expense for the next financial year. The main changes affecting the CIES are:
    a. Removal of the expected return on assets, to be replaced by net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate; and
    b. Administration expenses, currently deducted from the actual and expected returns on assets, will in future be accounted for within the CIES.

    The impact of the 2013/14 changes, if they were in effect from 2012/13, would increase the net charge recognised in the CIES by £0.5m.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts concern the following:

a. There is high degree of uncertainty about future levels of funding for local government notably issues around welfare reform and localisation of Business Rates. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision. Future plans may have an effect on the assets of the authority for example the Council's Leisure Strategy and the future role of the Depot;

b. One factor that has demonstrably in the past 3 years had a significant impact on the accounts concerns the assumptions surrounding pensions and the likelihood of legislative change and the impact of such change. The impact of either a change in the discount rate of 0.1% or a change in life expectancy of 1 year, for either, would be less than £100,000.

c. The Council has no relationships with other entities which take the form of a parent/subsidiary, associate or joint control arrangement.

d. It is anticipated no substantial legal claims or appeals will be made against the Council in the next financial year.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Most significant estimates are for pensions, bad debts (impairments), accruals and provisions. Each of these has a different process for making the estimate:

a. Pension estimates are provided by Nottinghamshire County Council and we place assurance on the use of suitably qualified professionals to provide this estimate. Note 3 gives further analysis;
b. Bad debt estimates are based on prudent historical collection rates taking into account knowledge of existing conditions on outstanding debts, particularly given the current economic climate and future changes in relation to welfare reform. At 31st March 2013 the Authority had sundry debtor balances of £583,000 and Housing Benefit (HB) debtors of £621,000. If recoverability of these balances falls the amount set aside for the recoverability of these balances would increase. Provisions for bad debt are made according to the age of the debt and in the case of HB future uncertainty due to welfare reform. The provisions amount to £94,000 and £264,000, respectively for HB and sundry debtors. If recoverability of the debt falls by 10% across all ages of debt an estimated further £40,000 would have to be set aside;
c. Purchase accruals – these are low in volume and value, but with items such as utility accruals they are based on past bills / seasonality / readings and current contract prices; and
d. Provisions are similar to purchase accruals being low in both volume and value.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

The Council has released £1.6m of grant funding in connection with Section 106 expenditure, primarily on Education and Transport/Road Safety related capital schemes. These schemes are not commissioned by Rushcliffe but the responsibility for ensuring that the criteria for the S106 are met, lies with the Borough Council. Both the income and expenditure sit within Planning Services in the Comprehensive Income and Expenditure Statement (CIES).

The Council is committed to the economic regeneration and the major redevelopment of Cotgrave Town Centre. As part of this project, the shopping precinct was acquired in 2012/13 at a cost of £1.84m has been recently valued at £1.02m giving rise to an impairment of £0.82m. In accordance with proper accounting practice this has been charged to the CIES within Planning services. It should also be noted that a capital grant of £1.6m from the Homes and Community Agency (HCA) was recognised in 2012/13. This was used to acquire Cotgrave shopping precinct and as a capital grant, is recognised within the CIES as a 'non-specific' grant.

6. EVENTS AFTER THE BALANCE SHEET DATE

There are no material post balance sheet events.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure 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 the 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 the statue from being used other than to a fund new 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 have otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by the grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

7. ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2012/2013	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Useable Reserves	Movement in Unusable Reserves
Adjustments primarily involving the Capital Adjustment Account	**£000**	**£000**	**£000**	**£000**	**£000**
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Charges for depreciation and impairment of non-current assets	(2,661)			(2,661)	2,661
Revaluation gain on Property Plant and Equipment	2,279			2,279	(2,279)
Movement in the market value of investment properties	410			410	(410)
Capital grants and contributions applied	1,635			1,635	(1,635)
Revenue expenditure funded from capital under statute	(773)			(773)	773
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(97)			(97)	97
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Capital expenditure charged against the General Fund Balance	65			65	(65)
Adjustments primarily involving the Capital Grants Unapplied Account					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	249		(249)	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 Statement	259	(676)		(417)	417
Use of the Capital Receipts Reserve to finance new capital expenditure		3,672		3,672	(3,672)

7. ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2012/2013	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Useable Reserves	Movement in Unusable Reserves
	£000	**£000**	**£000**	**£000**	**£000**
Transfer (from)/to the Deferred Capital Receipts Reserve upon receipt of cash		(33)		(33)	33
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	(53)			(53)	53
Adjustments primarily involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,613)			(3,613)	3,613
Employers' pensions contributions and direct payments to pensions payable in the year	1,406			1,406	(1,406)
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	(16)			(16)	16
Adjustments primarily involving the Accumulated Adjustments 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	5			5	(5)
Total Adjustments	**(905)**	**2,963**	**(249)**	**1,809**	**(1,809)**

7. ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2011/2012	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Useable Reserves	Movement in Unusable Reserves
Adjustments primarily involving the Capital Adjustment Account	**£000**	**£000**	**£000**	**£000**	**£000**
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			0	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 Statement	0	0		0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		1,472		1,472	(1,472)

7. ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2011/2012	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Useable Reserves	Movement in Unusable Reserves
	£000	**£000**	**£000**	**£000**	**£000**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(3)	3		0	0
Transfer (from)/to the Deferred Capital Receipts Reserve upon receipt of cash		(37)		(37)	37
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 Statement	(13,250)			(13,250)	13,250
Employers pensions contributions and direct payments to pensions 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 Adjustments 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**

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.

2012/13 Reserves

	Balance at 1st April 2012 £000	Transfers In £000	Transfers Out £000	Balance at 31st March 2013 £000
Investment Reserves				
Regeneration and Community Projects	2,101	100	65	**2,136**
Cotgrave Regeneration Project	0	100		**100**
Council Assets and Service Delivery	656	30	2	**684**
Local Area Agreement	294	0	0	**294**
New Homes Bonus	323	462	0	**785**
Invest to Save	1,161	0	500	**661**
Corporate Reserves				
Organisational Stabilisation Reserve	2,013	518	0	**2,531**
Risk and Insurance	100	0	0	**100**
Planning Appeals	349	0	0	**349**
Elections	200	0	0	**200**
Operating Reserves				
Planning	203	0	0	**203**
Building Control	0	0	0	**0**
Leisure Centre Maintenance	213	87	120	**180**
Lottery	55	0	0	**55**
Planned Maintenance	100	0	0	**100**
Total	**7,768**	**1,297**	**687**	**8,378**

INVESTMENT RESERVES

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

Cotgrave Regeneration Project – is a new reserve for surpluses generated from investment properties on the site for re-investment into the project.

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.

8. TRANSFERS TO/FROM EARMARKED RESERVES CONTINUED

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.

New Homes Bonus – to help facilitate growth within the Borough, not ring-fenced solely for housing projects.

Invest to Save – to fund projects that require 'pump priming' that generate future savings.

CORPORATE RESERVES

Organisation Stabilisation Reserve – to be used to provide resilience against risks surrounding the Medium Term Financial Strategy. This incorporates balances from 2011/12 in relation to Interest and VAT de minimis and Organisation Development in the 2011/12 table of reserves.

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.

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

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

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

OPERATING RESERVES

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

Building Control – to hold surplus funds, which can be used to manage fluctuations in income caused by the 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 centre to Parkwood and maintenance not covered as part of the contract.

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

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

8. TRANSFERS TO/FROM EARMARKED RESERVES CONTINUED

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.

	Balance at 1st April 2011 £000	Transfers In £000	Transfers Out £000	Balance at 31st March 2012 £000
Investment Reserves				
Regeneration and Community Projects	2,221	100	220	**2,101**
Council Assets and 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 and VAT de-minimis	1,458	0	47	**1,411**
Risk and 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 and 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**

9. OTHER OPERATING EXPENDITURE

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

	2011/2012 £000	2012/2013 £000
Parish Council Precepts	1,773	1,794
Internal Drainage Board Levies	225	220
Payments to the Government Housing Capital Receipts Pool	2	0
(Gains)/losses on the disposal of non-current assets	34	(195)
Total	**2,034**	**1,819**

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

	2011/2012 £000	2012/2013 £000
Pensions interest cost and expected return on pension assets	545	988
Interest receivable and similar income	(597)	(313)
Income and Expenditure in relation to Investment Properties and changes in their fair value	(515)	(960)
Total	**(567)**	**(285)**

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:

	2011/2012 £000	2012/2013 £000
Council Tax Income	(7,255)	(7,319)
Non Domestic Rates	(4,240)	(4,912)
Revenue Support Grant	(1,310)	(95)
Capital Grants (Notes 32)	(260)	(1,885)
Other Non Ring-fenced Grants	(610)	(771)
Total	**(13,675)**	**(14,982)**

12. PROPERTY, PLANT AND EQUIPMENT

Movements on Balances 2012/2013

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Cost or Valuation	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 April 2012	**17,693**	**10,171**	**3,018**	**329**	**305**	**41**	**31,557**
Additions	1,804	632	31	0	0	0	**2,467**
Transfers	5	(112)	0	0	0	(35)	**(142)**
Revaluation (+/-) recognised in the Revaluation Reserve	2,003	0	0	0	0	0	**2,003**
Revaluation (+/-) recognised in the Surplus/Deficit on Provision of Services	(819)	0	0	0	0	0	**(819)**
Derecognition – Disposals	(1)	(1,061)	(11)	0	0	0	**(1,073)**
At 31 March 2013	**20,685**	**9,630**	**3,038**	**329**	**305**	**6**	**33,993**
Accumulated Depreciation or Impairment							
At 1 April 2012	**(696)**	**(6,563)**	**(648)**	**0**	**0**	**0**	**(7,907)**
Depreciation charge	(476)	(918)	(174)	0	0	0	**(1,568)**
Depreciation transfer	0	112	0	0	0	0	**112**
Depreciation written out to the Revaluation Reserve	272	0	0	0	0	0	**272**
Derecognition - Disposals	1	1,024	10	0	0	0	**1,035**
At 31 March 2013	**(899)**	**(6,345)**	**(812)**	**0**	**0**	**0**	**(8,056)**
Net Book Value							
At 31 March 2013	**19,786**	**3,285**	**2,226**	**329**	**305**	**6**	**25,937**
At 31 March 2012	**16,997**	**3,608**	**2,370**	**329**	**305**	**41**	**23,650**

12. PROPERTY, PLANT AND EQUIPMENT

Movements on Balances 2011/2012

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Cost or Valuation	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 April 2011	**18,120**	**9,600**	**2,676**	**329**	**0**	**130**	**30,855**
Additions	122	845	310	0	0	39	**1,316**
Transfers	(234)	8	32	0	305	(128)	**(17)**
Revaluation (+/-) recognised in the Revaluation Reserve	(344)	0	0	0	0	0	**(344)**
Revaluation (+/-) recognised in the Surplus/Deficit on Provision of Services	74	0	0	0	0	0	**74**
Derecognition – Disposals	(45)	(282)	0	0	0	0	**(327)**
At 31 March 2012	**17,693**	**10,171**	**3,018**	**329**	**305**	**41**	**31,557**
Accumulated Depreciation or Impairment							
At 1 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 the Revaluation Reserve	640	0	0	0	0	0	**640**
Derecognition - Disposals	7	264	0	0	0	0	**271**
At 31 March 2012	**(696)**	**(6,563)**	**(648)**	**0**	**0**	**0**	**(7,907)**
Net Book Value							
At 31 March 2012	**16,997**	**3,608**	**2,370**	**329**	**305**	**41**	**23,650**
At 31 March 2011	**17,233**	**3,670**	**2,180**	**329**	**0**	**130**	**23,542**

12. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Depreciation

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

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

Capital Commitments

At 31 March 2013 the Council had no contracts for the construction of Property, Plant and Equipment in 2013/14 and future years. There was a contract for enhancement of Equipment at 31 March 2013. This related to two refuse freighters costing £300,000 which were delivered during April 2013.

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 and 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 three year rolling programme for the revaluation of fixed assets. These figures are shown at gross book value.

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Carried at Historical Cost	**987**	**9,630**	**3,038**	**329**	**305**	**6**	**14,295**
Valued at fair value as at:							
31 March 2013	9,435						**9,435**
31 March 2012	6,245						**6,245**
31 March 2011	4,018						**4,018**
Total Cost or Valuation	**20,685**	**9,630**	**3,038**	**329**	**305**	**6**	**33,993**

13. 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.

	2011/2012 £000	2012/2013 £000
Rental income from investment property	774	860
Direct operating expenses arising from investment property	(206)	(160)
Net gain/(loss)	**568**	**700**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's rights 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 2012/13 and 2011/12.

	2011/2012 £000	2012/2013 £000
Balance at start of the year	**7,899**	**8,018**
Additions	0	2,127
Disposals	(6)	(60)
Net gains/losses from fair value adjustments	125	410
Transfers	0	30
Total	**8,018**	**10,525**

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

Valuations of Investment Properties are carried out annually in accordance with the Code of Practice and 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 Investment Property portfolio.

14. 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 three years.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £274,000 charged to revenue in 2012/13 (£203,000 2011/12) 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 how much of the amortisation is attributable to each service heading.

Movements on Intangible Fixed Assets

	2011/2012 £000	2012/2013 £000
Balances at start of the year		
Gross Carrying Amounts	1,170	1,383
Accumulated Amortisation	(606)	(809)
Net carrying amount at the start of the year	**564**	**574**
Additions		
Purchases	213	5
Transfers into the group	0	112
	213	**117**
Disposal	**0**	**(137)**
Amortisation		
Amortisations of the period	(203)	(274)
Amortisations on disposals	0	137
Amortisations on transfers into the group	0	(112)
	(203)	**(249)**
Net carrying amount at the end of the year	**574**	**305**
Comprising		
Gross Carrying Amounts	1,383	1,363
Accumulated Amortisation	(809)	(1,058)
Net Book Value	**574**	**305**

15. FINANCIAL INSTRUMENTS

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

	Long-term		Current	
	2011/2012	2012/2013	2011/2012	2012/2013
	£000	£000	£000	£000
Investments				
Loans and Receivables	0	0	34,948	33,770
Total Investments	**0**	**0**	**34,948**	**33,770**
Debtors				
Loans and Receivables	1,984	1,244	3,240	1,775
Total Debtors	**1,984**	**1,500**	**3,240**	**1,775**
Borrowings				
Financial Liabilities at Amortised Cost	0	0	54	54
Total Borrowing	**0**	**0**	**54**	**54**
Creditors				
Financial Liabilities at Amortised Cost	9,053	5,691	3,068	2,277
Total Creditors	**9,053**	**5,691**	**3,068**	**2,277**

Valuation Assumptions

Investments held at 31 March 2013 amount to £33.458m of deposits in Money Market Funds and Call Accounts 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-down 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 on the age analysis of debtors involved.

16. DEBTORS

	2011/2012	2012/2013
	£000	£000
Central Government Bodies	3,285	421
Other Local Authorities	187	128
Council taxpayers	56	51
Pre-payments	34	18
Sundry debtors	1,282	1,208
	4,844	**1,826**

17. CASH AND CASH EQUIVALENTS

	2011/2012 £000	2012/2013 £000
Cash held by the Council	1	1
Bank Current Accounts	369	245
Short-term Deposits	24,493	28,513
	24,863	**28,759**

18. ASSETS HELD FOR SALE

The Council had no Assets Held for Sale at 31 March 2013, this was also the case at 31 March 2012.

19. CREDITORS

	2011/2012 £000	2012/2013 £000
Central Government Bodies	232	2,106
Other Local Authorities	978	783
Nottinghamshire Police Authority	103	86
Nottinghamshire Fire Authority	44	36
Council taxpayers	76	79
Sundry creditors	2,667	1,989
	4,100	**5,079**

20. USEABLE RESERVES

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

21. UNUSABLE RESERVES

	2011/2012 £000	2012/2013 £000
Revaluation Reserve	5,266	7,447
Capital Adjustment Account	29,316	31,201
Financial Instruments Adjustment Account	(34)	(87)
Pension Reserve	(32,099)	(34,306)
Deferred Capital Receipts	215	229
Collection Fund Adjustment Account	91	75
Accumulated Absences Adjustment Account	(65)	(60)
	2,690	**4,499**

21. UNUSABLE RESERVES CONTINUED

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.

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.

	2011/2012 £000	2012/2013 £000
Balance at 1 April	**5,055**	**5,266**
Upward Revaluation of Assets	305	2,279
Downward Revaluation of Assets and Impairment losses not charged to the surplus/deficit on Provision of Services	0	0
Surplus/deficit on revaluation of non-current assets not posted to the surplus/deficit on Provision of Services	**305**	**2,279**
Difference between fair value depreciation and historical cost depreciation	(80)	(98)
Accumulated gains on assets sold or scrapped	(14)	0
Amounts written off to the Capital Adjustment Account	**(94)**	**(98)**
Balance at 31 March	**5,266**	**7,447**

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 postings from the Revaluation Reserve to convert fair values 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.

21. UNUSABLE RESERVES CONTINUED

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

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

	2011/2012 £000	2012/2013 £000
Balance at 1 April	**29,129**	**29,316**
Reverse of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and impairment of non-current assets	(1,439)	(2,387)
Amortisation of Intangible Assets	(203)	(274)
Revenue Expenditure Funded from Capital Under Statute	(1,890)	(2,959)
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	(62)	(97)
	(3,594)	**(5,717)**
Adjusting amounts written out of the Revaluation Reserve	94	98
Write down long-term debtors	0	(464)
Net amount written out of the cost of non-current assets consumed in the year	**(3,500)**	**(6,083)**
Capital Financing Applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	1,472	3,672
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,652	3,821
Application of grants to capital financing from the Capital Grants Unapplied Account	45	0
Capital Expenditure charged against the General Fund Balance	393	65
	3,562	**7,558**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	125	410
Balance at 31 March	**29,316**	**31,201**

21. UNUSABLE RESERVES CONTINUED

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs 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 requirements.

	2011/2012 £000	2012/2013 £000
Balance at 1 April	**(56)**	**(34)**
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs charged in the year in accordance with statutory requirements	22	(53)
Balance at 31 March	**(34)**	**(87)**

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.

	2011/2012 £000	2012/2013 £000
Balance at 1 April	**(20,309)**	**(32,099)**
Actuarial gains or losses on pensions assets and liabilities	(11,317)	(921)
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)	(2,692)
Employer's pensions contributions and direct payments to the pensioners payable in the year	1,460	1,406
Balance at 31 March	**(32,099)**	**(34,306)**

21. UNUSABLE RESERVES CONTINUED

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 tales place, amounts are transferred to the Capital Receipts Reserve.

	2011/2012 £000	2012/2013 £000
Balance at 1 April	**252**	**215**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	47
Transfer to the Capital Receipts Reserve on receipt of cash	(37)	(33)
Balance at 31 March	**215**	**229**

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.

	2011/2012 £000	2012/2013 £000
Balance at 1 April	**79**	**91**
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	(16)
Balance at 31 March	**91**	**75**

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, for example, annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to/from the Account.

21. UNUSABLE RESERVES CONTINUED

	2011/2012 £000	2012/2013 £000
Balance at 1 April	**(91)**	**(65)**
Settlement or cancellation of accrual made at the end of the preceding year	91	65
Amounts accrued at the end of the current year	(65)	(60)
Amounts 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**	**5**
Balance at 31 March	**(65)**	**(60)**

22. CASHFLOW STATEMENT – OPERATING ACTIVITIES

	2011/2012 £000	2012/2013 £000
Net (Surplus) or Deficit on the Provision of Services	**1,803**	**1,653**
Adjust net surplus or deficit on the provision of services for non-cash movements		
Depreciation	(1,439)	(1,568)
Impairment or downward valuations	0	(819)
Amortisation	(203)	(274)
Increase/Decrease in Creditors	(285)	96
Increase/Decrease in Debtors	2,363	(1,710)
Increase/Decrease in Inventories	28	(8)
Pension Liability	(1,933)	(1,289)
Movement in Provisions	(1)	0
Carrying amount of non-current assets sold	(62)	(97)
Collection Fund Adjustment Account	12	(16)
Other non-cash items charged to the net surplus or deficit on the provision of services	(3,511)	(426)
	(5,031)	**(6,111)**
Adjust for items in the net surplus or deficit on the provision of services that are investing or financing activities		
Capital Grants credited to surplus or deficit on the provision of services	(4,265)	4,071
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	28	259
	(4,237)	**4,330**
Net Cash Flows from Operating Activities	**(7,465)**	**128**

22. CASHFLOW STATEMENT – OPERATING ACTIVITIES CONTINUED

The cash flows for operating activities include the following items:

	2011/2012 £000	2012/2013 £000
Interest received	(576)	(366)
Soft Loans – Interest adjustment credited to the Income and Expenditure Statement	(21)	53
Interest paid	0	0
Total	**(597)**	**(313)**

23. CASHFLOW STATEMENT – INVESTING ACTIVITIES

	2011/2012 £000	2012/2013 £000
Purchase of property, plant and equipment, investment property and intangible assets	1,236	4,931
Purchase of Short-term and Long-term Investments	121,373	136,607
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(91)	(235)
Proceeds from Short-term and Long-term Investments	(140,450)	(141,604)
Other receipts from investing activities	(149)	(717)
Total Cash Flows from Investing Activities	**(18,081)**	**(1,018)**

24. CASHFLOW STATEMENT – FINANCING ACTIVITIES

	2011/2012 £000	2012/2013 £000
Cash receipts of short and long term borrowing	0	0
Other receipts from financing activities	5,443	0
Adjustment for Lottery from short term investments to Cash and Cash Equivalents	(57)	0
Repayment of short and long term borrowing	0	0
Other payments for financing activities	466	(2,750)
Total Cash Flows from Financing Activities	**5,852**	**(2,750)**

25. 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:

25. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS CONTINUED

- 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 Statement).
- The cost of retirement benefits is based on cash flows (payments of employer's pension's contributions) rather than current service cost of benefits accrued in the year.

During 2012/13 Rushcliffe undertook a senior management restructure which was implemented on an incremental basis between January and April 2013. This structure was used for internal financial management purposes from January 2013 onwards and in the setting of the 2013/14 budget. However due to the timing of formal reporting cycles the previous management structure was retained for in-year Cabinet monitoring reports. To enable comparison with on-going performance and budget plans the 2012/13 Service Areas Income and Expenditure detailed below has been prepared on the basis of this new structure.

25. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

Service Areas Income and Expenditure 2012/2013	Communities	Corporate Governance	Finance and Commercial	Neighbourhoods	Transformation	Total
Income	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges and other service income	(1,316)	(30)	(1,265)	(1,801)	(1,276)	**(5,688)**
Government Grants	0	0	(23,426)	0	(22)	**(23,448)**
Total Income	**(1,316)**	**(30)**	**(24,691)**	**(1,801)**	**(1,298)**	**(29,136)**
Operating Expenses						
Employee expenses	1,871	1,779	2,353	3,562	1,230	**10,795**
Other operating expenses	757	1,130	25,105	1,429	819	**29,240**
Total Operating Expenses	**2,628**	**2,909**	**27,458**	**4,991**	**2,049**	**40,035**
Net Cost of Services	**1,312**	**2,879**	**2,767**	**3,190**	**751**	**10,899**

Service Areas Income and Expenditure 2011/2012	Community Shaping	Corporate Services	Environment & Waste Management	Finance	Planning & Place Shaping	Revenues Property & ICT	Partnerships & Performance	Transformation	Total
Income	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges and other service income	(651)	(10)	(1,548)	(650)	(1,245)	(113)	(1,039)	(1005)	**(6,261)**
Government Grants	(805)	0	(258)	0	0	(22,457)	0	0	**(23,520)**
Total Income	**(1,456)**	**(10)**	**(1,806)**	**(650)**	**(1,245)**	**(22,570)**	**(1,039)**	**(1,005)**	**(29,781)**
Operating Expenses									
Employee expenses	1,198	831	3,681	1,418	1,144	1,329	815	577	**10,993**
Other operating expenses	719	600	1,241	1,063	173	22,584	1,670	740	**28,790**
Total Operating Expenses	**1,917**	**1,431**	**4,922**	**2,481**	**1,317**	**23,913**	**2,485**	**1,317**	**39,783**
Net Cost of Services	**461**	**1,421**	**3,116**	**1,831**	**72**	**1,343**	**1,446**	**312**	**10,002**

25. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS CONTINUED

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.

	2011/2012 £000	2012/2013 £000
Net expenditure in the Service Area Analysis	**10,002**	**10,899**
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	3,031	9,183
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	956	(4,981)
Cost of Services in the Comprehensive Income and Expenditure Statement	**13,989**	**15,101**

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.

25. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS CONTINUED

Reconciliation to Subjective Analysis 2012/2013	Service Analysis £000	Not reported to Mgmt £000	Not included in I & E £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Income						
Fees, charges and other service income	(5,688)	(2,268)	1,571	**(6,385)**	0	**(6,385)**
Financing and Investment Income	0	0	0	**0**	(4,168)	**(4,168)**
Income from council tax	0	0	0	**0**	(7,318)	**(7,318)**
Government grants and contributions	(23,448)	0	0	**(23,448)**	(7,664)	**(31,112)**
Total Income	**(29,136)**	**(2,268)**	**1,571**	**(29,833)**	**(19,150)**	**(48,983)**
Operating Expenses						
Employee Expenses	10,795	403	(4,160)	**7,038**	0	**7,038**
Other service expenses	29,020	5,091	(2,172)	**31,939**	0	**31,939**
Support Service recharges	0	3,983	0	**3,983**	0	**3,983**
Depreciation, amortisation and impairment	0	1,974	0	**1,974**	0	**1,974**
Interest payments	0	0	0	**0**	3,883	**3,883**
Precepts and Levies	220	0	(220)	**0**	2,014	**2,014**
Gain or Loss on Disposals of Fixed Assets	0	0	0	**0**	(195)	**(195)**
Total Operating Expenses	**40,035**	**11,451**	**(6,552)**	**44,934**	**5,702**	**50,636**
Surplus or deficit on the provision of services	**10,899**	**9,183**	**(4,981)**	**15,101**	**(13,448)**	**1,653**

25. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS CONTINUED

Reconciliation to Subjective Analysis 2011/2012	Service Analysis £000	Not reported to Mgmt £000	Not included in I & E £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Income						
Fees, charges and other service income	(6,261)	(82)	1,711	**(4,632)**	(235)	**(4,867)**
Financing and Investment Income	0	0	0	**0**	(4,528)	**(4,528)**
Income from council tax	0	0	0	**0**	(7,255)	**(7,255)**
Government grants and contributions	(23,520)	0	0	**(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	0	**11,008**	0	**11,008**
Other service expenses	28,565	2,000	(500)	**30,065**	257	**30,322**
Support Service recharges	0	0	(30)	**(30)**	0	**(30)**
Depreciation, amortisation and impairment	0	1,098	0	**1,098**	0	**1,098**
Interest payments	0	0	0	**0**	3,961	**3,961**
Precepts and Levies	225	0	(225)	**0**	1,997	**1,997**
Payments to Housing Capital Receipts Pool	0	0	0	**0**	3	**3**
Gain or Loss on Disposals of Fixed Assets	0	0	0	**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**

26. TRADING OPERATIONS

The Council operates the following trading undertakings:

	2011/2012	2012/2013		
	Net £000	Expenditure £000	Income £000	Net £000
Bingham Market	6	36	(31)	5
Building Control	115	343	(240)	103
Net (Surplus)/Deficit	**121**	**379**	**(271)**	**108**

26. TRADING OPERATIONS CONTINUED

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.

27. AGENCY SERVICES

Rushcliffe Borough Council is part of the Nottinghamshire Parking Partnership operated by Nottinghamshire County Council which is involved in the collection of monies due from ‘on’ and ‘off’ street car parking, including the recovery of fines arising from Penalty Charge Notices (PCNs). Only those activities involving the recovery of monies due from PCNs in respect of off-street parking are relevant to Rushcliffe’s accounts. In the financial year 2012/13 the expenditure relating to off-street parking was £103,137 (2011/12 £100,515) offset by income collected of £104,566 (2011/12 £105,823). These amounts are included within the Comprehensive Income and Expenditure Statement (CIES). The net amount outstanding to Nottinghamshire County Council at 31 March 2013 is £13,828 (2011/12 £25,908).

28. 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 legal 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 an authority’s accounts.

Choice Based Lettings

“Choice Based Lettings” 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 this scheme and received a grant from the Department for Communities and Local Government (DCLG) and contributions from the other two authorities towards the cost accordingly. Following discussion between the three authorities, it was agreed that Broxtowe Borough Council would become the “host” authority for the scheme and formal approval was received from the DCLG on 11 November 2008.

Total expenditure on this scheme amounted to £53,262 in 2012/13. Total capital expenditure was £10,635 and total revenue expenditure was £42,627 from which funding was met from housing providers who advertise on the Choice Based Lettings website.

South Nottinghamshire Community Safety Partnership

The ‘South Nottinghamshire Community Safety Partnership’ (SNCSP) is a joint working arrangement between Broxtowe, Gedling and Rushcliffe Borough Councils and other agencies including Nottinghamshire Police designed to address crime and disorder issues across the three council areas. As fellow members of the SNCSP, Gedling and Rushcliffe Borough Councils agreed in 2009/10 to transfer their external crime and disorder funding to Broxtowe Borough Council as “host” authority to administer. This covers both revenue and capital funding and is intended to promote more effective financial management of these funds. The spending plans associated with these funds are approved by the SNCSP Strategic Group.

28. POOLED BUDGETS CONTINUED

Total revenue expenditure attributable to Rushcliffe Borough Council amounted to £46,560 and was funded by grants of £45,408, £700 and £452 from the Home Office, Nottinghamshire County Council and Nottinghamshire Police respectively. There was no capital expenditure in 2012/13.

29. MEMBERS ALLOWANCES

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

	2011/2012 £000	2012/2013 £000
Expenditure		
Allowances	301	304
Other Expenses	15	13
Total Expenditure	**316**	**317**

30. OFFICERS REMUNERATION

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

Post Title	Year	Salary, Fees & Allowances £	Lease Car, Car Compensation & Car Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
Chief Executive	**2012/13**	112,000	7,101	0	14,448	133,549
	2011/12	112,282	6,478	0	14,448	133,208
Deputy Chief Executive – 1 (to 31 Dec 2012)	**2012/13**	61,762	4,886	62,695	77,278	206,621
	2011/12	81,786	6,202	0	10,514	98,502
Deputy Chief Executive – 2	**2012/13**	81,504	5,729	0	10,514	97,747
	2011/12	81,786	5,923	0	10,514	98,223
Deputy Chief Executive – 3 (to 31 Mar 2012)	**2012/13**	0	0	0	0	0
	2011/12	84,136	3,180	19,102*	8,009	114,427
Executive Manager – Corporate Governance (Head of Corporate Services to 31 January 2013)	**2012/13**	71,629	3,708	0	9,316	84,653
	2011/12	61,565	3,708	0	7,965	73,238
Executive Manager – Finance & Commercial	**2012/13**	72,149	147	0	9,293	81,589
	2011/12	0	0	0	0	0

30. OFFICERS REMUNERATION CONTINUED

Post Title	Year	Salary, Fees & Allowances £	Lease Car, Car Compensation & Car Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
Executive Manager – Neighbourhoods (Head of Environment & Waste Management to 31 January 2013)	**2012/13**	70,758	3,136	0	9,128	83,022
	2011/12	69,372	3,736	0	8,949	82,057
Executive Manager – Communities (Head of Partnerships & Performance to 31 January 2013)	**2012/13**	64,398	3,166	0	8,307	75,871
	2011/12	63,012	3,322	0	8,129	74,463
Executive Manager – Transformation (Head of Transformation to 31 January 2013)	**2012/13**	64,398	2,510	0	8,307	75,215
	2011/12	0	0	0	0	0
Head of Planning & Place Shaping	**2012/13**	61,740	3,970	0	7,965	73,675
	2011/12	61,740	3,624	0	7,965	73,329
Head of Revenue & ICT	**2012/13**	61,829	3,932	0	7,965	73,726
	2011/12	61,740	3,990	0	7,965	73,695
Head of Financial** Services (to 25 September 2011)	**2012/13**	0	0	0	0	0
	2011/12	30,344	3,670	0	7,965	41,979
Head of Community Shaping (to 28 February 2013)	**2012/13**	48,712	2,547	36,482	5,920	93,661
	2011/12	50,059	3,563	0	6,458	60,080

*2011/12 compensation payment incorrectly omitted from 2011/12 accounts.

**2011/12 figure amended from 2011/12 accounts to reflect actual payment.

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

Remuneration Band	Number of Employees 2011/12	Number of Employees 2012/13
£50,000 - £59,999	1	1

30. OFFICERS REMUNERATION CONTINUED

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.

2012/2013				
Exit Package Cost Band	**Number of Compulsory Redundancies**	**Number of other departures agreed**	**Total Exit Packages Number**	**£**
0 – 20,000	0	3	3	19,300
20,001 – 40,000	3	1	4	109,040
40,001 – 60,000	0	0	0	0
60,001 – 80,000	0	0	0	0
80,001 -	0	1	1	132,087
Total	**3**	**5**	**8**	260,427

2011/2012				
Exit Package Cost Band	**Number of Compulsory Redundancies**	**Number of other departures agreed**	**Total Exit Packages Number**	**£**
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 -	0	0	0	0
Total	**0**	**11**	**11**	160,405

31. 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 for non-audit services provided by the Council's external auditors. Due to the change in external auditors for 2012/13 and a change in the way that the fees are billed, the accounts show the expenditure that relates to work done in 2012/13 by KPMG and 2011/12 by the Audit Commission.

	2011/2012 £000	**2012/2013 £000**
Fees payable with regard to external audit services carried out by the appointed auditor	90	54
Rebate of Charges	-7	-6
Fees payable for the certification of grant claims and returns	31	31
Fees payable in respect of other services provided during the year	2	1
Total	**116**	**80**

32. GRANT INCOME

The Council credited the following capital grants and contributions to the Comprehensive Income and Expenditure Statement in 2012/13 and 2011/12.

Grant	2011/2012 £000	2012/2013 £000
NCC - Leisure	0	267
NIEG - Website	40	0
LAA/LSP Partnership	33	0
Householder Contributions – Earl Howe Pumping Station Works	21	0
NCC/Parkwood – Rushcliffe Leisure Centre Gym Works	4	0
NCC – East Leake Leisure Centre Energy Efficiency	20	0
Donated Heritage Assets – Art Collection	142	0
Decent Homes Funding	0	18
Homes and Communities Agency Cotgrave Precinct	0	1,600
Total	**260**	**1,885**

The following grants, above £50,000, were credited to services.

Grant	2011/2012 £000	2012/2013 £000
DCLG – NNDR Cost of Collection	113	111
NCC – Leisure Centres	178	229
DWP – Housing Benefit Subsidy and Council Tax Rebates	21,843	22,853
DWP – Housing Benefit Administration	479	462
DWP – Homelessness Prevention*	50	0
Growth Point Funding – Supports for RSL's	650	0
DCLG – Disabled Facilities Grant (REFCUS)	258	287
LAA – Performance Reward Grant (REFCUS)	152	19
HCA – Support for RSL's (REFCUS)	70	133
S106 – Support for RSL's (REFCUS)	0	78
S106 – Planning Projects (REFCUS)	0	1,634
Council Tax Freeze Grant*	136	0
New Homes Bonus*	322	0
Total	**24,251**	**25,806**

* In 2012/13 these have been credited to Taxation and Non Specific Grant Income.

32. GRANT INCOME CONTINUED

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:

Grant	2011/2012 £000	2012/2013 £000
S106 Planning Agreements		
Health Contributions	1,244	1,245
Transport Contributions	845	841
Education Contributions	2,449	904
Open Space Contributions	51	46
Leisure	61	61
Affordable Housing	957	886
Nature Conservation	80	80
Community Facilities	1,358	1,368
Other	27	27
LAA Grant – LSP Initiatives	51	32
HCA Cotgrave Masterplan	1,930	201
Total	**9,053**	**5,691**

33. 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 25 on reporting for resource allocation decisions. Grant receipts outstanding at 31 March 2013 are shown in Note 32.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total members allowances paid in 2012/13 is shown in Note 29. The members of the Council could potentially have a material related party transaction with the Authority. During 2012/13 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.

33. RELATED PARTIES CONTINUED

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 2012/13 with the following parties and most transactions with related partied are disclosed elsewhere in the Statement of Accounts, as follows:

Joint Use arrangements with Nottinghamshire County Council.

Parish Precepts £1.794 million – disclosed in the Income and Expenditure Statement. Internal Drainage Boards are shown under precepts and levies on the Income and Expenditure Statement and totals £0.220 million.

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.

Pensions Fund – administered by Nottinghamshire County Council (Note 38).

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.

34. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown 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.

	2011/2012 £000	2012/2013 £000
Opening Capital Financing Requirement	**(505)**	**(505)**
Capital Investment		
Property, Plant and Equipment	1,316	2,467
Heritage Assets	142	0
Investment Properties	0	2,127
Intangible Assets	213	5
Assets Held for Sale	0	0
Revenue Expenditure Funded from Capital Under Statute	1,890	2,959
Sources of Finance		
Capital Receipts	(1,472)	(3,672)
Government grants and other contributions	(1,697)	(3,821)
Direct Revenue Contributions	(392)	(65)
Closing Capital Financing Requirement	**(505)**	**(505)**
Explanations of movements in year		
Increase in the 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**	**0**

35. LEASES

Council as a 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 31 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 for rental income or capital appreciation.

35. LEASES CONTINUED

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

	2011/2012 £000	2012/2013 £000
Not later than one year	814	380
Later than one year and not later than five years	1,070	689
Later than five years	3,398	3,901
Total	**5,282**	**4,970**

36. 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 balances.

The impairment review undertaken during 2012/13 identified one impairment loss of £819,000 in relation to the Cotgrave Regeneration Project which has been charged to the Comprehensive Income and Expenditure Statement. There were no reversals of previously charged impairments during the year.

37. TERMINATION BENEFITS

The Council terminated the contracts of a number of people in 2012/13, incurring liabilities of £260,427 (£160,405 in 2011/12) – see Note 30 for the number of exit packages and total cost per band. Of this total, £191,128 related to three senior employees, a Deputy Chief Executive (£132,087), the Head of Community Shaping (£36,482) and the Head of Financial Services (£22,559). The remaining £69,299 relates to four officers who were made redundant under the Council's voluntary redundancy scheme and one officer who was made compulsory redundant.

38. 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:

The Local Government Pension Scheme, administered 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 pension 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.

38. DEFINED BENEFIT PENSION SCHEMES CONTINUED

However, there are no investment assets built up to meet these liabilities, and cash has to be generated to meet actual pension 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.

	2011/2012 £000	2012/2013 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Current Service Cost	1,373	1,604
Settlements and Curtailments	15	100
Financing and Investment Income and Expenditure		
Interest Cost	3,542	3,516
Expected Return on Scheme Assets	(2,997)	(2,528)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**1,933**	**2,692**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial Gains and Losses	11,317	921
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**13,250**	**3,613**
Movement in Reserves Statement		
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)**	**(3,613)**
Actual amount charged against the General Fund for Pensions in the year	**0**	**0**
Employers contributions payable to scheme	1,361	1,305

Defined Benefit Arrangements	2011/2012 £000	2012/2013 £000
Retirement benefits payable to pensioners	99	101

38. DEFINED BENEFIT PENSION SCHEMES CONTINUED

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2013 is a loss of £0.921 million.

Assets and Liabilities in Relation to Post-Employment Benefits

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

Local Government Pension Scheme	2011/2012 £000	2012/2013 £000
Opening Balance 1 April	**63,530**	**75,502**
Current Service Costs	1,373	1,604
Interest Cost	3,542	3,516
Contributions by scheme participants	446	410
Actuarial (Gains) and Losses	9,257	5,213
(Gains) and Losses on Settlements/Curtailments	15	100
Benefits Paid	(2,562)	(2,910)
Unfunded Pension Payments	(99)	(101)
Closing Balance 31 March	**75,502**	**83,334**

Defined Benefit Arrangements	2011/2012 £000	2012/2013 £000
Opening Balance 1 April	**1,274**	**1,398**
Actuarial (Gains) and Losses	124	25
Closing Balance 31 March	**1,398**	**1,423**

Reconciliation of the fair value of the scheme assets.

Local Government Pension Scheme	2011/2012 £000	2012/2013 £000
Opening Balance 1 April	**44,495**	**44,801**
Expected Rate of Return	2,997	2,528
Actuarial (Gains) and Losses	(1,936)	4,317
Employer Contributions	1,460	1,406
Contributions by Scheme Participants	446	410
Benefits Paid	(2,661)	(3,011)
Closing Balance 31 March	**44,801**	**50,451**

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 years was £2.528 million (2011/12 £2.997 million).

38. DEFINED BENEFIT PENSION SCHEMES CONTINUED

Scheme History

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Present Value of Liabilities					
LGPS	54,451	83,242	63,530	75,502	83,334
Discretionary Benefits	1,377	1,533	1,274	1,398	1,423
Fair Value Of Assets in the LGPS	(33,235)	(44,001)	(44,495)	(44,801)	(50,451)
Total	**22,593**	**40,774**	**20,309**	**32,099**	**34,306**
(Surplus)/Deficit in the scheme					
LGPS	21,216	39,241	19,035	30,701	32,883
Discretionary Benefits	1,377	1,533	1,274	1,398	1,423
Total	**22,593**	**40,774**	**20,309**	**32,099**	**34,306**

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £34,306 million has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, reducing it by 54.5%. 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 Pensions Scheme by the Council in the year 31 March 2014 is £1,232 million. Expected contributions for the Discretionary Benefits Scheme in the year to 31 March 2014 are £101,000.

Basis for Estimating Assets and 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 31st March 2010.

38. DEFINED BENEFIT PENSION SCHEMES CONTINUED

The principal assumptions used by the actuary have been:

LGPS & Discretionary Benefits	2011/2012	2012/2013
Long-term expected rate of return on assets in the scheme		
Equity Investments	6.2%	5.9%
Gilts	3.3%	3.0%
Bonds	4.6%	4.1%
Property	5.7%	5.4%
Cash	3.0%	0.5%
Mortality Assumptions		
Longevity at 65 for current pensioners (additional years)		
Men	18.6	18.7
Women	22.7	22.8
Longevity at 65 for future pensioners (additional years)		
Men	20.6	20.7
Women	24.5	24.6
RPI (per annum)	3.3%	3.4%
Rates of Inflation CPI (per annum)	2.5%	2.6%
Rates of Inflation CPI (Real)	-0.8%	-0.8%
Rate of Increase in Salaries (Per Annum)	4.7%	4.8%
Rate of Increase in Salaries (Real)	1.4%	1.4%
Rate of Increase in Pensions (Per Annum)	2.5%	2.6%
Rate of Increase in Pensions (Real)	-0.8%	-0.8%
Rate of Discounting Scheme Liabilities (Per Annum)	4.6%	4.4%
Rate of Discounting Scheme Liabilities (Real)	1.3%	1.0%
Take-up of option to convert annual pension into retirement lump sum	50.0%	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 on the total assets held:

	2011/2012	2012/2013
Equity Investments	70%	73%
Debt Instruments	12%	13%
Other Assets	18%	14%

38. DEFINED BENEFIT PENSION SCHEMES CONTINUED

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pension Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013.

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Difference between the expected and actual return on assets	(30.8)	20.5	(3.0)	(4.3)	8.6
Experience Gains and Losses on Liabilities	0.00	0.1	4.6	(0.1)	0.0

39. CONTINGENT LIABILITIES

At the 31st March 2013 the Council had two contingent liabilities requiring disclosure:

(a) 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.

(b) Rushcliffe Borough Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. In the current litigation the Council faces a claim of £29,000 plus interest and costs. A second group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The Council has been informed that the value of those claims at present is £57,000 plus interest and costs. The second group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

40. CONTINGENT ASSETS

At the 31 March 2013 the Council has two contingent assets 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 receipts of £107,000 in respect of 2012/13 disposals compared to no receipts in 2011/12. 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.

40. CONTINGENT ASSETS CONTINUED

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 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 original 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 an 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.

41. 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.

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.

The risk is minimised through the Treasury Management Policy, which requires that deposits are not made with financial institutions unless they meet the 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.

41. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS CONTINUED

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 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 31 March 2013 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:

	2011/2012 £000	2012/2013 £000
Less than three months	513	443
Three to six months	101	79
Six months to one year	188	87
More than one year	504	518

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 as 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.

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. Movement 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.
- **Investment 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.

41. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS CONTINUED

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 31 March 2013, if interest rates had been 1% higher or lower with all variables held constant, the effect would be:

	2011/2012 £000	2012/2013 £000
Increase in Interest Receivable on Variable Rate Investments	122	352
Impact on Surplus or Deficit on the Provision of Services	**122**	**352**
Decrease in Fair Value of Fixed Rate Investments	0	0
Impact on Other Comprehensive Income and Expenditure	**0**	**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.

F. COLLECTION FUND

Income and Expenditure Account

The Collection Fund is an agent's statement that reflects the statutory obligation 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).

2011/ 2012 £000		Note Ref	2012/2013 £000
	INCOME		
61,094	Council Tax (net of benefits, discounts and transactional relief)	**2**	61,972
	Transfers from General Fund		
5,327	• Council Tax Benefits		5,310
21,101	Income collectable from business ratepayers	**1**	22,561
87,522			**89,843**
	EXPENDITURE		
	Precepts and Demands		
49,108	• Nottinghamshire County Council		49,468
6,590	• Nottinghamshire Police Authority		6,899
2,868	• Nottinghamshire Fire Authority		2,889
7,191	• Rushcliffe Borough Council		7,241
	Business Rate		
20,991	• Payments to the National Pool	**1**	22,450
110	• Costs of Collection	**1**	111
	Impairment of Debts/Appeals		
(102)	• Write offs and uncollectable amounts		(123)
180	• Allowance for Impairment		205
	Contributions		
465	• Distribution of previous year's Collection Fund surplus	**3**	861
87,401			**90,001**
121	**Movement on Fund Balance**		**(158)**
718	**Opening Fund Balance**		**839**
839	**Closing Fund Balance**	**3**	**681**

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, 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.

2011/2012		2012/2013
£71.473m	Local Rateable Values	£71.276m
£20.991m	Amount due to the National Pool	£22,450
43.3p	National non-domestic rate multiplier	45.8p

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 2011/12	Band	Chargeable properties after discounts	Ratio	Band D Equivalents 2012/13
3,200	A	4,836	6/9	3,224
6,241	B	8,126	7/9	6,320
8,235	C	9,363	8/9	8,323
8,036	D	8,111	9/9	8,111
7,033	E	5,756	11/9	7,035
5,142	F	3,571	13/9	5,158
3,497	G	2,107	15/9	3,511
188	H	98	18/9	195
41,572				**41,877**
(415)	Non-Collection Impairment was 1.00% for 2012/13 (2011/12 1.00%)			(418)
41,157	**Council Tax Base**			**41,459**

3. COLLECTION FUND BALANCE/REDISTRIBUTING SURPLUSES

The precepts detailed in the statement are shown net of the previous year's 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.

3. COLLECTION FUND BALANCE/REDISTRIBUTING SURPLUSES CONTINUED

For 2012/13 a Collection Fund surplus of £861k was redistributed between the major precepting authorities. Of this £607k reflected the estimated outturn on the 15 January 2012 and £254k arose from the difference between the estimated and actual outturn positions for 2011/12.

At the 15 January 2013 the Collection Fund surplus for 2012/13 was estimated at £231k comprising an in-year surplus of £253k and £22k deficit arising from the difference between the actual and estimated outturns for 2012/13. These funds will be redistributed to the major precepting authorities in 2013/14.

2011/12 £000		2012/13 £000	2013/14 £000
349	Nottinghamshire County Council	643	172
45	Nottinghamshire Police Authority	86	24
20	Nottinghamshire Fire Authority	38	10
51	Rushcliffe Borough Council	94	25
465		**861**	**231**

At the 31 March 2013 the actual outturn for the Collection Fund was £681k, an increase of £450k for the estimated outturn. This will be adjusted for as part of the calculations for the redistribution of Collection Fund balances in 2014/15.

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 in the balance sheet.

ACCRUALS

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 Authority in valuing the funds assets and liabilities.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with the actuarial assumptions made in the last
- the actuarial assumptions have changed.

ACTUARIAL VALUATION

An actuary undertakes a valuation by comparing the value of the pension scheme 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 assets used in the delivery of services.

ASSET

An asset is something the Council owns. Assets can be either current of 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 Councils assets and liabilities.

BILLING CONTROL

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, Police and Crime Commissioner and Parish Councils and the non-domestic rates on behalf of the 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 RECIEPTS

Proceeds arising from the sale of fixed assets, such as land and buildings.

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 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.

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 service 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 AND DEMOCRATIC CORE

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

CREDITORS

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.

DEBTORS
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 delivery of services.

FINANCE LEASE
A lease that 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 or support the cost of provision of services. These grants may be specifically towards the cost of particular schemes or to support the revenue spend of the Council.

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 re-valued assets.

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

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

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

MINIMUM REVENUE PROVISION (MRP)
The minimum amount which must be charged to a Councils 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 re-valued cost less than 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.

NATIONAL NON DOMESTIC RATES (NNDR)
A levy on business, 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 authorities.

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 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.

REALISED VALUATIONS

Any revaluations in the Revaluation Reserve relating to individual assets when they are disposed of are transferred to the Capital Adjustment Account and are referred to as Realised Valuations. 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 provides guidance on financial reporting to stakeholders and supports the objective to establish the widest range of financial reporting requirements, in order that date comparability is achieved.

TRANSFER PAYMENTS

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