



GEDLING

BOROUGH COUNCIL

ANNUAL STATEMENT OF ACCOUNTS

2007/08

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EXPLANATORY FOREWORD

INTRODUCTION - The Accounting Statements for the year 2007/08 are set out in the following pages. In accordance with the Statement of Recommended Practice (SORP) 2007, it comprises the core financial statements, notes to the core statements, and supplementary financial statements (Collection Fund and Housing Revenue Account). The Council's accounts are subject to audit by the District Auditor, and the certificates are shown on pages 21 to 24.

ACCOUNTING POLICIES – the purpose of the Statement of Accounting Policies is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. The substantive changes included within the 2007 SORP are:

- A specific requirement to report on Financial Instruments.
- The replacement of the Fixed Asset Restatement Account and Capital Financing Account by the Revaluation Reserve and Capital Adjustment Account.
- A change in accounting requirements for Local Area Agreements (LAA's)

In addition, the publication "Corporate Governance in Local Government", produced by CIPFA SOLACE, was updated in 2007, replacing the requirement for an annual Statement of Internal Control (SIC) with the requirement to produce an Annual Governance Statement (AGS), from the 2007/08 reporting year.

FINANCIAL OVERVIEW - The financial outturn for 2007/08 shows that previous improvements to the monitoring of capital and revenue budgets have been maintained. Significant points to note are:

- Overall, the improvements in outturn financial performance have been maintained.
- Following savings of £105,000 on employee expenses in 2006/07, a review of the General Fund vacancy provision was undertaken in 2007/08, which increased the provision to £162,400. Actual employment costs in 2007/08 were £9,000 more than budget and therefore the increased provision was almost fully achieved.
- Fees and charges income is still showing signs of customer resistance, which may have a further impact in the medium term. Outturn figures for 2007/08 show further erosion of Leisure Centre income, and this will require Leisure to increase customer usage sufficiently to generate a further £350,000 in order to achieve the 2008/09 income estimates. This will be a significant challenge given the current economic climate.

The Council has again produced a robust financial outturn in line with the medium term financial plan projections. General Fund and HRA balances both remain above minimum levels and, although some individual areas will require greater attention in future, the council's financial performance remains strong. However, current uncertainties in the economic outlook could also be challenging for the Council.

REVENUE EXPENDITURE – Net General Fund Expenditure on services for 2007/08 totalled £14.041m. The Council originally budgeted to take £0.628m from General Fund balances in 2007/08. These accounts show that, due to underspendings and a reduction in Local Authority Business Growth Incentive grant, the sum of £0.172m was transferred into the General Fund, leaving a year-end balance of £3.489m. A balance will always need to be maintained to finance expenditure pending receipts of local taxes and other income, and to meet unexpected expenditure requirements. In addition, £0.442m has been earmarked to finance revenue budgets carried forward from 2007/08 to 2008/09.

HOUSING REVENUE ACCOUNT - Housing is the only Council service where a separate account has to be kept by law. In addition, control is exercised on the items which can be charged or credited to the Account. The balance on the Housing Revenue Account at the end of the year was £1.705m as detailed on pages 64 to 69. This is higher than originally estimated by £0.101m, but £0.113m will be required to finance revenue budgets, carried forward from 2007/08 into 2008/09. Since the end of the financial year, the Authority has made a decision to transfer its housing stock to a Registered

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Social Landlord (RSL), Gedling Homes. This will have a negligible effect on the council taxpayer, but does provide for significant additional investment in the housing stock.

PENSIONS – The pensions liability of £22.96m, reflects the Authority's underlying commitment to pay retirement benefits. Whilst this has a substantial impact on the net worth of the Authority, the deficit will be made good by increasing contributions over the remaining working life of employees, as assessed by the scheme actuary.

REVENUE TAX COLLECTION - The Collection Fund accounts are set out on pages 70 to 71. During the year 98.1% of the Council Tax due was collected, and 98.8% of the National Non Domestic Rate due was collected on behalf of the Government.

The Collection Fund Revenue Account shows a deficit of £1.168m, which is within acceptable tolerances given that in excess of £73m worth of Local Taxation is accounted for in this fund. In accordance with SORP 2007, the deficit has been disaggregated on the balance sheet, with only the proportion relating to Gedling Borough Council and its Parishes being shown as a revenue balance, and the proportions attributable to Nottinghamshire County Council, Nottinghamshire Police Authority and The Combined Fire Authority shown as debtors.

CAPITAL EXPENDITURE AND FINANCING - The Authority's capital spending of £6.179m is set out on page 45 together with how it has been financed.

The Council has outstanding borrowing of £12.5m, all of which is held with the Public Works Loan Board (PWLB). Following advice from Treasury advisors, borrowing has again been undertaken in advance of need in order to take advantage of historically low interest rates. In addition to borrowing, Disabled Facilities grant and East Midlands Regional Housing Board funding were received from the Government and applied to capital expenditure in respect of private sector renovations. However, the council will continue to be dependent on capital receipts realised from the sale of assets during the year, and on contributions from other agencies, to fund capital schemes.

SUMMARY – the Statement of Accounts reports the final position for the authority for 2007/08. It relates to the Performance Plan for 2007/08 published in March 2007. The Council continues to report a strong financial position, and has plans in place for future developments in service delivery, for example the continuation of weekly bin collections during the summer months in 2008/09 and an increase in the number of Neighbourhood Wardens.

MS KIMBERLEY, CPFA

Head of Corporate Services, June 2008

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STATEMENT OF ACCOUNTING POLICIES

1. GENERAL

The Statement of Accounts summarises the Council's transactions for the 2007/08 financial year and its position at the year-end of 31 March 2008. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2007 (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

The Accounts have been prepared on a going concern basis. The assumption is that the Authority will continue in operational existence for the foreseeable future.

Full compliance with the various standards is the normal policy but the extent to which the Council's accounts do not comply with relevant approved standards is disclosed in these paragraphs.

2. ACCRUALS OF INCOME AND EXPENDITURE

Both the revenue and capital accounts are maintained on an accruals basis in accordance with the Code of Accounting Practice and FRS 18.

Activity is accounted for in the year that it takes place and not simply when cash payments are made or received. Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.

An exception to this principle relates to electricity and similar quarterly payments, which are charged at the date of meter readings rather than being apportioned between financial years. This policy is consistently applied each year and is unlikely to have a material effect on the year's accounts.

3. PROVISIONS

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefit, but where the timing of the payment is uncertain.

Provisions are charged to the appropriate revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year, and where it becomes more likely than not that payment will not now be required, or a lower than anticipated settlement is likely, the provision is reversed and credited back to the relevant revenue account. Details of provisions are included in notes 23 and 33 to the core financial statements, on pages 47 and 53.

4. RESERVES

Revenue reserves are amounts set aside out of the balances of the Council's funds for future policy purposes or to cover contingencies. Usable capital reserves are amounts available to finance capital expenditure and include usable capital receipts and the major repairs reserve (MRR). The MRR is solely for the financing of Housing Revenue Account capital expenditure.

Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year, to score against the Net

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Cost of Services in the Income & Expenditure Account. The reserve is then appropriated back to the General Fund Balance statement so that there is no net charge against Council Tax for the expenditure.

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

Details of the reserves held at 31 March 2008 are included in note 32 to the core financial statements, on page 52.

5. INTANGIBLE ASSETS

Intangible assets are recognised in the balance sheet when the authority controls the future economic benefits arising from the expenditure, for example expenditure on software licences.

Intangible assets are amortised, on a straight-line basis, to the relevant revenue account over their useful economic lives. Such assets are stated at historical cost, net of amortisation.

6. TANGIBLE FIXED ASSETS

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on an ongoing basis. Tangible fixed assets are stated in the balance sheet as follows:

Recognition:

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis. The Council does not operate a de minimis level in valuing assets.

Measurement:

Council Dwellings	Stated at existing use - social housing values, based on internal professional valuations.
Other Land and Buildings	Stated at lower of net current replacement cost or net realisable value in existing use, whichever is appropriate, based on internal professional valuations.
Vehicles, Plant & Equip't	Stated at lower of net current replacement cost or net realisable value.
Infrastructure	Stated at historical cost, net of depreciation.
Community Assets	Stated at historical cost, net of depreciation.
Non-Operational Assets	Stated at lower of net current replacement cost or net realisable value based on internal professional valuations. In the case of investment properties this will normally be open market value.

The Authority's council dwellings, land and buildings and non-operational assets are revalued by Rushcliffe Borough Council's Property Estates Manager on a five-year rolling programme. Material changes to asset valuations are adjusted as they occur. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

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Impairment:

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

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

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

Disposals:

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

Sale of an asset will usually provide the best evidence of its real value. Where there is a substantial difference between the carrying value of an asset in the balance sheet and its sale proceeds, the asset would be revalued to recognise the new evidence. Consequently, gains will only arise in the rare circumstances where the authority sells an asset for more than it is really worth, eg. where a party with a special interest is willing to pay more than market value. Losses may arise in situations where an asset has been decommissioned, demolished or sold for less than market value. In situations where the authority is constrained by law from selling an asset at its market value, eg. the sale of dwellings under right-to-buy legislation, the fair comparison would be between the sale proceeds and the value subject to the statutory constraint.

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

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

Depreciation:

Depreciation is provided for on all assets with a determinable finite life by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

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Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the life of the property, where a finite useful life has been determined by Rushcliffe Borough Council's Property Estates Manager. Useful lives for the main asset types are summarised in the table below:

<u>Asset Type</u>	<u>Useful Life</u> Years
Council Dwellings	35-63
Garages	20
Shops	40
Public Conveniences	24-85
Business Centres	30
Car Parks	15
Pavilions	7-100
Community Centres	35-65
Cemetery Chapels	100
Leisure Centres	30-45
Public Offices	15-186
Depot	16
Other Miscellaneous	36-60

- Vehicles, plant and equipment financed from capital will, in general, be depreciated on a straight-line allocation over 5 years. Major acquisitions or specialist items may require different depreciation periods, as advised by a suitably qualified officer. Vehicles, plant and equipment financed by finance leases are depreciated over the primary period of the lease. Vehicles subject to operating leases have no capital accounting implications.
- Infrastructure – straight-line allocation over 10 years.
- Operational Community Assets – straight-line allocation for those assets which have a finite useful life.

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.

7. LEASED ASSETS

Assets acquired under finance leases, which effectively transfer the risks and rewards of ownership to the Authority, are included as fixed assets in the balance sheet at historical cost, net of depreciation. The aggregate amount of the capital elements of the related obligations for future rentals payable are included as deferred liabilities in the balance sheet and the finance charge element is allocated to revenue over the term of the lease.

Leases that do not meet the definition of finance leases are accounted for as operating leases. For assets acquired under operating leases, the leasing rentals payable are charged to revenue by equal annual instalments over the period of the leases. No amounts are recorded in the Balance Sheet for these items

The council also acts as lessor in respect of business units and council owned shops, however neither the number of leases nor the rentals received are material.

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Disclosures in respect of leases are made at note 5 to the core financial statements on page 35.

8. CHARGES TO REVENUE ACCOUNTS FOR USE OF FIXED ASSETS

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

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

The council is not required to raise council tax to cover depreciation, impairment losses or amortisation. However, it is required to make a prudent annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. Depreciation, impairment losses and amortisation are therefore replaced by a minimum revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

The revenue accounts also bear charges for debt administered by Nottinghamshire County Council, (on the basis of a 10% increase in principal per annum), and Broxtowe Borough Council, (on the basis of a 5% increase in principal per annum).

9. DEFERRED CHARGES

Deferred Charges represent expenditure that may be properly capitalised under statutory provisions, but does not result in the creation of tangible or intangible fixed assets, for example:

- Improvement grants
- Loans, grants or other financial assistance to any person, which would, if incurred by the authority, be capital expenditure.
- Expenditure on fixed assets where the property is not in the ownership of Gedling Borough Council, e.g. Joint Use Centres

As the authority does not control the economic benefits of this expenditure it does not appear in the balance sheet and is amortised to relevant revenue service accounts in the same year in which the capital expenditure is incurred.

Where the council has determined to meet the cost of deferred charges from existing capital resources or by borrowing, a transfer to the capital adjustment account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance, so there is no impact on the level of the council tax.

10. GRANTS AND CONTRIBUTIONS

Government grants and contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with, there is reasonable assurance that the monies will be received, and the expenditure for which the grant has been given has been incurred.

Revenue grants and contributions are credited to the appropriate revenue account and matched with the expenditure to which they relate. Grants to cover general expenditure, eg.

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Revenue Support Grant, are credited at the foot of the Income and Expenditure Account after Net Operating Expenditure.

Capital grants and contributions that are received in respect of assets which have a finite useful life are credited to the Government Grants and Contributions Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

Grants and contributions for assets which are not depreciated are taken direct to the Capital Adjustment Account. Grants and contributions received in respect of deferred charges, and towards assets where the Council does not have full ownership, are applied as an offset against the expenditure in the year in which they are received.

11. FINANCIAL INSTRUMENTS

Financial Instruments are accounted for in accordance with FRS 25 (presentation), FRS 26 (recognition and measurement), and FRS29 (disclosure), as detailed in Note 40 to the core financial statements on pages 59 to 62. A financial instrument is any contract that gives rise to a financial asset in one entity, and a financial liability in another.

Financial Liabilities:

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The amount presented in the Balance Sheet for borrowing is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement. There has been no repurchase or early settlement of borrowing during 2007/08

In accordance with the Council's Treasury Strategy the authority seeks to minimise its cost of borrowing which may involve borrowing in advance of cash flow need in order to secure the most advantageous market rates.

Financial Assets:

Financial Assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have any fixed or determinable payments. There were no available-for-sale assets held during 2007/08.

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. The amount presented in the Balance Sheet for loans made by the council is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year.

The council has provided car loans to employees at less than market rates (soft loans). In normal circumstances soft loans would be recognised and measured in the accounts at fair value, in accordance with FRS 25 and FRS 26, as disclosed in Note 40 to the core financial statements on pages 59 to 62. However, car loans to employees have been considered in detail, and it has been concluded that the sum outstanding of £79,000 is immaterial and the rates offered are only marginally preferential at best, and in many cases equivalent, to the

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rates on offer in the market. Accordingly, no additional calculations for fair value have been undertaken and car loans continue to be recognised at the value of the sums loaned less repayments made.

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

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

The Council has one long-term investment and this is disclosed at note 22.1 to the core financial statements on page 46

12. STOCKS AND WORK IN PROGRESS

Stocks and stores held in the Council's depot, Extra Care Units and leisure centres at the year-end, are valued at the latest price paid. This is a departure from the requirements of the Code and SSAP 9, which require stocks to be shown at actual cost or net realisable value, if lower. The effect of the different treatment is not considered to be material. Work in Progress on uncompleted jobs is valued at the lower of cost or net realisable value.

13. OVERHEADS AND SUPPORT SERVICES

All overhead and support services costs have been fully allocated to services in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2007. The total absorption costing principle is used – full costs of overhead and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awards to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two categories are accounted for as separate headings in the Income & Expenditure Account, as part of Net Cost of Services.

The basis of allocation used for the main categories of overhead and support services are outlined below:

COST HEAD	BASIS OF CHARGE
• Administrative Buildings	Area occupied
• Financial Services	Actual time spent by staff / usage statistics
• Legal & Democratic Services	Actual time spent by staff / usage statistics
• Personnel	Time spent and proportionate to number of employees per capita
• Cabinet Office	Actual time spent by staff
• Service Dept Admin	Actual time spent by staff
• Information Technology	Systems operated, equipment utilised, and time spent on Programming and Development.
• Safety Officer	Proportionate to no. of employees (per capita)

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- Banking Services Usage statistics
- Central Print Room Usage statistics
- Central Reception Usage statistics
- Central Postages Usage statistics

14. PENSIONS

Pensions are accounted for in accordance with the SORP which requires full recognition of FRS 17 - Retirement Benefits. The policies reflect the Council's commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund. Employees of the Council are members of the Local Government Pensions Scheme, administered by Nottinghamshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

In accordance with the SORP, pension scheme liabilities are discounted at a rate that reflects the time value of money and the characteristics of the liability. The discount rate used by the Actuary to measure scheme liabilities in 2007/08 has changed from the AA Corporate Bond Rate to a more sophisticated approach involving the calculation of "spot yields" on AA rated Corporate Bonds. These weightings reflect more accurately the duration of pension liabilities of the typical Local Government Pension Scheme Employer. Where the rate used in calculating scheme liabilities changes this constitutes a change in estimation technique. During 2007/08 there was an increase in the discount rate from 2.3% (actual corporate bond yield of 5.4% less 3.1% inflation) at the start of the year to 2.5% (actual corporate bond yield 6.1% less 3.6% inflation) at the end of the year. Application of the increased rate has resulted in a decrease in year-end liabilities, which have been offset by increased liabilities resulting from a change in assumptions relating to post-retirement mortality, with the resulting net increase in liabilities being £1.985m.

The implementation of FRS 17 required the creation of a Pension Reserve. Where payments made to the pension fund in accordance with the scheme requirements do not match the change in the authority's asset or liability for the same period, the recognised cost of pensions will not match the amount to be raised in taxation. Statutory provisions limit the council to raising council tax to cover the amounts payable to the pension fund in the year. In the Statement of Movement on the General Fund Balance, this means that there are appropriations to and from the Pension 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.

Full pension disclosures are included at Note 9 to the core financial statements, on pages 37 to 39.

15. TAXATION

VAT is accounted for separately, and net input tax is recovered from HMRC, fully in compliance with SSAP 5.

Local authorities are exempt from Income Tax, Corporation and Capital Gains Taxes, therefore SSAP 15 is not applicable.

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Control Statements

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STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

- Make arrangements for the proper administration of those 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 Head of Corporate Services.
- Manage its affairs to secure economic, efficient and effective use of resources, and to safeguard its assets
- Approve the Statement of Accounts

THE RESPONSIBILITIES OF THE HEAD OF CORPORATE SERVICES

The Head of Corporate Services is responsible for the preparation of the Authority's Statement of Accounts, in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("The Code of Practice")

In preparing this Statement of Accounts, the Head of Corporate Services 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 Head of Corporate Services has also:

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

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ANNUAL GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY - Gedling 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. Gedling 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, Gedling Borough Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for risk management.

Gedling 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 can be obtained by contacting the Resource Services Manager at Gedling Borough Council, Arnot Hill Park, Arnold, Nottingham NG5 6LU. This statement explains how Gedling Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement of internal control.

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and priorities the risks to the achievement of Gedling 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 Gedling Borough Council for the year ended 31 March 2008 and up to the date of approval of the annual report and statement of accounts.

THE GOVERNANCE FRAMEWORK - The governance framework supports the Authority in establishing, implementing and monitoring policies and objectives. The following documents establish these policies, aims and objectives at a strategic level:

- The Community Strategy 2006-2008
- The Strategic Corporate Plan 2008-2012
- The South Notts. Crime & Disorder Strategy
- The Local Development Framework
- Annual Budget & Performance Plan
- The Capital Strategy
- The Financial Strategy
- The Treasury Management Strategy
- The Housing Strategy

These high level plans are further supported by departmental service plans and operational plans. The Authority's Constitution provides clear guidance on how the Authority operates, how decisions are made and the procedures and protocols to ensure that decisions and activities are efficient, transparent and accountable to local citizens. Some of these processes are required by law, whilst others are determined by the Council for itself. All of these documents are available on the Council's

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website at www.gedling.gov.uk or can be inspected at the Council's Civic Centre, Arnot Hill Park, Arnold, Nottinghamshire.

The Authority's Corporate Governance Framework defines the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, and demonstrates how the Authority meets defined standards of governance in relation to its policies and aims and objectives. The Authority's Corporate Risk Scorecard and Action Plan is incorporated within the Corporate Governance Framework. This records the process and results for identifying, assessing, managing and monitoring of strategic risks. These documents are updated and reviewed by senior management regularly. Control issues identified within Internal Audit reviews are integrated with the Risk Management process, providing an holistic and integrated source of assurance.

The Corporate Plan lays out the Authority's vision, priorities and values. The plan affirms its commitment to continuous service improvement. The Authority recognises the increasing importance of working in partnership with other agencies and is committed to partnership working in order to deliver its priorities and wider themes of the Gedling Partnership.

The Authority acknowledges its responsibility to ensure that it operates an effective system of internal control to maintain and operate controls over its resources. This system of internal control can only provide reasonable (not absolute) assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are prevented or would be detected within a reasonable period. The internal control system includes:

- Annual review of the effectiveness of the Authority's Corporate Governance Framework, including signed Assurance Statements from Heads of Service,
- An established anti-fraud strategy, including whistle-blowing procedures, communicated to members, officers and the public and available on the Council's website,
- Audit Sub Committee established to undertake the core functions as identified in CIPFA guidance,
- The development of a partnership risk register to identify strategic partnership arrangements and assess the adequacy of governance arrangements,
- Performance Plan monitoring, review and reporting,
- Facilitation of policy and decision making through the constitution, codes of conduct and the decision-making process, forward plan and role of the scrutiny committee,
- The statutory roles of the Council's Monitoring Officer and Chief Finance Officer place a duty on these post holders to ensure compliance with established policies, procedures, laws and regulations,
- Compliance with established policies, procedures, laws and regulations are monitored through the work of the Finance and Legal staff that are adequately trained and experienced,
- Internal audit reviews are carried out using a risk based audit approach with the emphasis on key financial systems. This work is undertaken in co-operation with the Council's External Auditor ensuring maximum use of Audit resources and that professional standards are maintained,
- A Risk Management Strategy that is led by Senior Management for the identification and evaluation of Corporate Risks, and integrated with the work of Internal Audit to provide an holistic source of assurance aligned to corporate objectives,

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- Departmental operational risk registers, subject to review by section heads,
- Ensuring economical, effective and efficient use of resources and securing continuous improvement by adherence to the Best Value performance review findings and agreed action plans,
- The financial management of the authority and the reporting of financial management through Financial Regulations and Standing Orders, a comprehensive budgeting and budget monitoring system, a robust medium term financial planning process and internal audit review,
- The performance management of the authority and the reporting of performance management through a quarterly reporting system to Cabinet and Council,
- Formal project management guidelines,
- Adherence to good employment practices.

REVIEW OF EFFECTIVENESS - Gedling 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 the effectiveness of the system of internal control is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Council's approach includes an annual review of the Council's Corporate Governance Framework by the Senior Management Team, which includes a detailed examination of corporate risks. This review is subsequently reported both to the Council's Cabinet (the Executive) and the Personnel and Resources Committee (the non Executive).

All Chief Officers of the Council are required to keep under review and comply with the elements of internal control that individually apply to each. Annual statements are made by the Chief Officer confirming compliance within their respective areas of responsibility and highlighting areas of concern if appropriate.

Measures to address the weaknesses and issues identified in the above reviews are included in the action plans for 2008-09.

The constitution sets out the responsibility of members and senior managers, in particular the posts of the Chief Executive, Monitoring Officer and Section 151 Officer.

The Chief Executive is responsible for annual, independent review and reporting on the adequacy and effectiveness of the corporate governance arrangements and compliance with them.

The Cabinet members have both collective and individual responsibility for ensuring that decisions of the Council delegated to them are in compliance with the Authority's overall governance arrangements. This responsibility rests with the Personnel and Resources Committee for non-executive functions, including the review of financial management reports. In 2004/05 an Audit sub-committee was created to review Internal Audit and External Audit reports. This committee meets on an ad hoc basis, generally at least four times a year and reviews the outcomes of individual audit reviews, helps plan overall internal audit activity and receives annual reports from both the Internal and External Auditor.

During 2006-07 the Terms of Reference for the audit sub-committee were reviewed and updated to include specific responsibility for reviewing risk management procedures, including the reporting arrangements on strategic risks via a corporate risk scorecard.

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The Council's Cabinet, Senior Management Team and Personnel and Resources Committee have received quarterly reports detailing both financial and operational performance throughout the financial year. These reports have resulted in changes to budgets and performance plans and this process forms the basis of operational management at the corporate level.

The Council also operates scrutiny arrangements. The Scrutiny Committees are able to review decisions of the executive, contribute to the process of determining priorities and review all framework policies and strategies contained within the Council's Constitution.

Internal Audit undertakes reviews of the Authority's system of internal control. These reviews together with the assurance statements from the Chief Executive, Deputy Chief Executive, Chief Financial Officer, Monitoring Officer, Heads of Service and Head of Unit support the assurance statement and findings given by the Manager of Resource Services, the Council's Chief Internal Auditor. This Assurance Statement concluded that systems of internal control were adequate and operating effectively.

The internal audit statement senior management assurance statements are further evidenced by external evaluators such as Comprehensive Performance Assessment (CPA) inspection, the Use of Resources assessment, the Audit Commissions annual audit and inspection letter and other inspectorate reports such as the Planning Inspectorate.

The Authority was rated as a "Good" local authority under the CPA in 2003. A CPA reassessment is scheduled to be undertaken during 2008-09.

The Council has reviewed its partnership arrangements and identified and evaluated its key partnerships as part of its Risk Management process. A formal partnership risk register is being developed, which will form the basis for a list of key governance requirements that all partnership arrangements will be required to meet, to ensure that all members of any partnership are responsible for ensuring they meet the highest standards of governance.

During the 2007-08 financial year the following issues were identified via the Authorities risk management, governance and internal control processes as being relevant to the preparation of the Annual Governance Statement:

- **Register of Interests** - recommendations relating to the development of an Authority wide Register of Interests for Employee's have been addressed with the development of a policy. Once approved this will be rolled out across the authority with supporting guidelines and ongoing monitoring of policy compliance.
- **Business Continuity Plan (BCP)** – the Council's BCP has been reviewed and updated. Resource requirements for all critical systems have been identified and a Disaster Recovery plan developed. A contract has been entered into with a third party supplier and neighbouring authorities to provide contingency arrangements. The contract includes the provision of an annual test of the recovery arrangements, with the first live test to be undertaken during quarter 2 of 2008-09.
- **Large Scale Voluntary Transfer (LSVT)** – following the comprehensive positive vote by the residents, a transfer date for November 2008 has been set. The authority will need to ensure it delivers benefits to tenants whilst effectively managing corporate costs post transfer.
- **Partnership Risk** – the authority has identified its key partnerships and undertaken a risk assessment of these as part of its Risk Management process. The ongoing development of a formal partnership risk register will further enhance the governance arrangements associated with these.

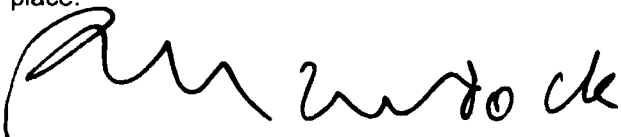
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- **Data Security** – recent high profile and well-publicised incidents of data loss and breaches has significantly raised awareness and concerns of data security issues. Whilst the authority has not experienced any significant data breaches, a Data Security Working Group has been established with the key objective of undertaking a thorough review of data security arrangements to provide assurance to members and officers that procedures are adequate and effective.

All of the above internal control issues have been reported specifically to the Authority's Senior Management Team and action plans to ensure that all issues are addressed within 2008-09 have been developed.

We have been advised of the implications of the result of the review and of the effectiveness of the system of internal control by the Authority, the Executive, and the Personnel and Resources Committee will monitor our plans to address weaknesses and ensure improvement of the system in place.



Signature of the Chief Executive

Date: 20/6/08



Signature of Leading Member

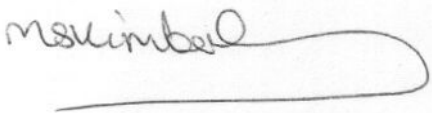
Date: 19/6/08

ANNUAL STATEMENT OF ACCOUNTS 2007/08

GEDLING BOROUGH COUNCIL

STATEMENT OF ACCOUNTS 2007/08

This Statement of Accounts is that upon which the Auditor should enter his certificate and opinion, and has been prepared under the Local Government Finance Act 1982. It presents fairly the financial position of the Authority at 31 March 2008, and its income and expenditure for the year then ended.

Signature: 

Date: 30/6/08

MS Kimberley CPFA
Head of Corporate Services

This Statement of Accounts was approved by the Personnel and Resources Committee at its meeting on 30 June 2008, in accordance with the authority given by the delegation arrangements under section 3 of the Council's Constitution.

Signature: 

Date: 21/7/08

Councillor EJ Collin
Chair of Personnel and Resources Committee

Independent auditor's report to the Members of Gedling Borough Council

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Gedling Borough Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Authority Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority Balance Sheet, the Authority Statement of Total Recognised Gains and Losses, the Authority Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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

Respective responsibilities of the Head of Corporate Services and auditor

The Head of Corporate Services's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority and its income and expenditure for the year.

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

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

Basis of audit opinion

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

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

Opinion

In my opinion:

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

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

Authority's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

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

Best Value Performance Plan

I have issued our statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 on 14 December 2007. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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

A handwritten signature in black ink, appearing to read 'J.R. Cornett', with a long horizontal line extending to the right from the end of the signature.

John R Cornett – District Auditor

Audit Commission, Rivermead House, 7 Lewis Court, Grove Park, Enderby, Leics. LE19 1SU

24 September 2008

ANNUAL STATEMENT OF ACCOUNTS 2007/08

Core Financial Statements

ANNUAL STATEMENT OF ACCOUNTS 2007/08

INCOME & EXPENDITURE ACCOUNT

2006/07		2007/08		
Net £000s		Gross Exp £000s	Total Inc. £000s	Net Exp. £000s
	<u>Net Cost of Services:</u>			
1,441	Central Services to the Public:	9,840	(8,368)	1,472
9,207	Cultural, Environmental & Planning Services:	16,390	(6,636)	9,754
1,198	Highways, Roads & Transport	1,421	(130)	1,291
	Housing Services:			
954	General Fund (Including Rent Allowances)	17,063	(16,018)	1,045
(652)	Housing Revenue Account	9,695	(9,991)	(296)
1,853	Corporate & Democratic Core	2,006	(22)	1,984
(888)	Non Distributed Costs	465	0	465
13,113	Net Cost of Services	56,880	(41,165)	15,715
	<u>Corporate Income & Expenditure:</u>			
0	Gain/Loss on Disposal of Fixed Assets			30
291	Parish Precepts & Drainage Board Levy			292
344	Interest Payable & similar charges			447
734	Contribution to Housing Pooled Capital Receipts			1,272
(589)	Interest & Investment Income			(722)
557	Pensions Interest & Expected Return on Assets			432
0	Other Income - Receipts not relating to Disposals			(51)
14,450	Net Operating Expenditure			17,415
(5,252)	Precept demanded from the Collection Fund			(5,357)
78	Transfers from the Collection Fund			84
(1,430)	Revenue Support Grant			(1,246)
(6,888)	Contributions from the Non-Domestic Rate Pool			(7,423)
(755)	LA Business Growth Incentive Scheme (LABGI)			(749)
(192)	Other General Grants Received			0
11	General Fund (Surplus)/Deficit for Year			2,724

ANNUAL STATEMENT OF ACCOUNTS 2007/08

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

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

The payment of a share of housing capital receipts to the Government scores as a loss in the Income & Expenditure Account, but is met from the usable capital receipts balance rather than Council Tax.

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

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

This reconciliation statement summarises the differences between the outturn on the Income & Expenditure Account and the General Fund Balance.

2006/07		2007/08
£000s		£000s
11	(Surplus)/Deficit for the year on the Income & Expenditure Account	2,724
(1,283)	Net additional amount required by statute and non-statutory proper practice to be debited or credited to the General Fund Balance for the year	(2,897)
(1,272)	(Increase)/Decrease in General Fund Balance for the Year	(173)
(2,044)	General Fund Balance Brought Forward at 1 April	(3,316)
(3,316)	General Fund Balance Carried Forward at 31 March	(3,489)

The SORP requires a note to the accounts that breaks down the amounts apart from the outturn on the Income and Expenditure Account, required by statute or non-statutory proper practice to be debited or credited to the General Fund for the year. For clarity, this note is to be found directly following the Statement of Movement on the General Fund Balance.

ANNUAL STATEMENT OF ACCOUNTS 2007/08

NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2006/07		2007/08
£000s		£000s
	Amounts included in the Income & Expenditure Account, but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
(1,378)	Depreciation and impairment of Fixed Assets	(1,796)
(223)	Depreciation charged to HRA in excess of MRA	(344)
225	Government Grants Deferred Amortisation	293
96	Government Grants applied to assets not likely to depreciate	0
(986)	Write-down of Deferred Charges to be financed from capital resources	(599)
0	Adjustment to previous year write-down of Deferred Charges	155
0	Net gain/loss on Disposal of Fixed Assets	(30)
0	Receipts not relating to Disposals	51
(1,467)	Net charges made for Retirement Benefits in accordance with FRS17	(2,428)
(3,733)		(4,698)
	Amounts not included in the Income & Expenditure Account but required by statute when determining the Movement on the General Fund Balance for the year	
298	Minimum Revenue Provision for capital financing	419
549	Capital Expenditure charged in-year to the General Fund Balance (CERA)	300
(734)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(1,272)
1,560	Employer's contributions payable to the Nottinghamshire County Council Pension Fund and retirement benefits payable direct to pensioners	1,670
1,673		1,117
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	
470	Housing Revenue Account Balance	355
34	Voluntary Revenue Provision for capital financing	36
273	Net transfer to/from earmarked reserves	293
777		684
	Net additional amount required to be credited to the General Fund Balance for the year	
(1,283)		(2,897)

ANNUAL STATEMENT OF ACCOUNTS 2007/08

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The Income and Expenditure Account brings together all the functions of the authority and summarises all of the resources that the authority has generated, consumed or set aside in providing services during the year. An authority will be recognising gains and losses in its Balance Sheet that are not debited or credited to the Income & Expenditure Account. The Statement of Recognised Gains and Losses (STRGL) is the statement that brings these other gains and losses together with the outturn on the Income & Expenditure Account to show the total movement in the authority's total net worth for the year.

2006/07		2007/08
£000s		£000s
11	Deficit/(Surplus) for the year on the Income & Expenditure Account	2,724
(5,062)	Revaluation of Fixed Assets	(5,724)
(4,079)	Pension Reserve-Actuarial (gains)/losses on Pension Fund assets & liabilities	3,645
(25)	Pension Reserve-movement on Pension Strain contribution	0
(34)	Movement in Collection Fund balance (Gedling BC share only)	15
(56)	Other Movements	30
(9,245)	Total Recognised (Gains)/Losses for the year	690

2006/07		2007/08
£000s	Reconciliation to Balance Sheet:	£000s
168,871	Net Worth per Balance Sheet at 1 April	178,116
178,116	Net worth per Balance Sheet at 31 March	177,426
(9,245)	Movement in Net Worth	690

Note:

The Net worth of the Authority at 1 April 07 differs to the figure in the 2006/07 Statement of Accounts by £149,000. This is due to the previous incorrect inclusion of Unapplied Capital Grants and Contributions. This has now been correctly included in Long Term Liabilities.

ANNUAL STATEMENT OF ACCOUNTS 2007/08

BALANCE SHEET AS AT 31 MARCH 2008

2006/07		2007/08		Cross Ref.	
£000s	£000s	£000s	£000s	Note	Page
NET FIXED ASSETS:					
Intangible Assets					
376		335			
Operational Assets					
161,672		166,617			
18,127		17,812			
3,473		3,714			
142		106			
3,463		3,453			
13,760		13,744			
	201,013		205,781	11	41-42
Non-Operational Assets					
	50		50	22	46
INVESTMENTS:					
60		53			
71		45		28	49
112		79		19	45
	243		177		
	201,306		206,008		
TOTAL LONG TERM ASSETS					
CURRENT ASSETS:					
8,660		10,111			
16		5		20	46
113		112		21	46
7,190		5,919		23	47
40		34			
	16,019		16,181		
	217,325		222,189		
TOTAL ASSETS					
CURRENT LIABILITIES:					
(7,349)		(6,116)		24	47
(360)		(28)			
	(7,709)		(6,144)		
	209,616		216,045		
NET TOTAL ASSETS					

ANNUAL STATEMENT OF ACCOUNTS 2007/08
BALANCE SHEET AS AT 31 MARCH 2008 (Continued)

2006/07			2007/08		Cross Ref.	
£000s	£000s		£000s	£000s	Note	Page
	209,616	NET TOTAL ASSETS (from above)		216,045		
		LONG TERM LIABILITIES:				
(10,000)		Long Term Borrowing (PWLB)	(12,503)		22	46
(200)		Provisions	(343)		33	53
(2,165)		Govt. Grants & Contrib'ns Deferred	(2,051)		27	49
(149)		Capital Grants & Contrib'ns Unapplied	(372)		32	51
(426)		Deferred Liabilities (Incl Serviced Debt)	(388)		26	48-49
(18,560)		Pensions Liability Account	(22,962)		9	37-39
	(31,500)			(38,619)		
	178,116	TOTAL ASSETS LESS LIABILITIES		177,426		
		FINANCED BY:				
0		Revaluation Reserve	5,217		30	50
188,616		Capital Adjustment Account	185,613		29	50
1,889		Usable Capital Receipts Reserve	2,595		31	51
71		Deferred Capital Receipts	45		28	49
0		Major Repairs Reserve	13		31	51
(18,560)		Pensions Reserve	(22,962)		9	37-39
1,530		Revenue Reserves	1,822		32	52
	173,546			172,343		
		REVENUE BALANCES:				
3,316		General Fund	3,489			
1,350		Housing Revenue Account	1,705			
(96)		Collection Fund (GBC Share Only)	(111)			
	4,570			5,083		
	178,116	TOTAL NET WORTH		177,426		

Notes:

The Net worth of the Authority at 1 April 07 differs to the figure in the 2006/07 Statement of Accounts by £149,000. This is due to the previous incorrect inclusion of Unapplied Capital Grants and Contributions. This has now been correctly included in Long Term Liabilities.

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve (see paragraph 6 of the Accounting Policies on p5. The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA) The credit balance of £162.7m on the FARA at 31 March 2007 has been written off to the Capital Financing Account to form the new Capital Adjustment Account with a balance of £189m. The Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance.

ANNUAL STATEMENT OF ACCOUNTS 2007/08

CASH FLOW STATEMENT

2006/07			2007/08		
£000s	£000s	£000s	£000s	£000s	£000s
			REVENUE ACTIVITIES		
			Cash Outflows		
14,028			Cash paid to & on behalf of Employees	15,162	
10,402			Other Operating cash payments	10,905	
9,076			Housing Benefits paid out	9,223	
17,981			NNDR payments to the National Pool	18,421	
48,620			Precepts paid	50,162	
709			Contrib'n to Housing Pooled Cap Recpts	912	
	100,816			104,785	
			Cash Inflows		
(3,430)			Rents (after Rebates)	(3,585)	
(46,530)			Council Tax Income	(48,936)	
(6,888)			NNDR Receipts from National Pool	(7,423)	
(17,024)			NNDR Receipts from Ratepayers	(17,920)	
(1,430)			Revenue Support Grant	(1,246)	
(15,396)			DWP Grant for Benefits	(16,427)	
(3,976)			Other Government Grants (see note 37e)	(3,656)	
(7,293)			Cash received for Goods & Services	(7,966)	
(1,014)			Other Operating cash receipts	(1,211)	
	(102,981)			(108,370)	
		(2,165)	Net Revenue Cashflow (note 37a)		
			RETURNS ON INVESTMENT & SERVICING OF FINANCE		
			Cash Outflows		
	167		Interest Paid	625	
			Cash Inflows		
	(458)		Interest Received	(790)	
		(291)			(165)
			CAPITAL ACTIVITIES		
			Cash Outflows		
5,119			Purchase & Improvement of Fixed Assets	6,632	
1,528			Deferred Charges	1,191	
	6,647			7,823	
			Cash Inflows		
(1,400)			Sales of Fixed Assets	(1,980)	
(768)			Capital Grants Received	(693)	
(80)			Other Capital cash receipts	(619)	
	(2,248)			(3,292)	
		4,399			4,531
		1,943	Net Cash (Inflow)/Outflow before Financing		
					781

ANNUAL STATEMENT OF ACCOUNTS 2007/08

CASH FLOW STATEMENT (Continued)

2006/07				2007/08		
£000s	£000s	£000s		£000s	£000s	£000s
			MANAGEMENT OF LIQUID RESOURCES (Note 37d)			
		2,610	Net Incr / (Decr) in Short Term Deposits			1,355
			FINANCING (Note 37d)			
			Cash Outflows			
2,000			PWLB Loans Repaid	0		
34			Repayment of Debt serviced by other LAs	37		
1			Capital element of Finance Lease Rentals	1		
	2,035				38	
	(6,000)		Cash Inflows			
		(3,965)	PWLB Loans Received		(2,500)	(2,462)
		588	Net (Increase)/Decrease in Cash			(326)

ANNUAL STATEMENT OF ACCOUNTS 2007/08
NOTES TO THE CORE FINANCIAL STATEMENTS

1. PRIOR YEAR ADJUSTMENTS, EXCEPTIONAL AND EXTRAORDINARY ITEMS

The Net worth of the Authority on the balance sheet at 31 March 07 differs to the figure in the 2006/07 Statement of Accounts by £149,000. This is due to the previous incorrect inclusion of Unapplied Capital Grants and Contributions. This has now been correctly included in Long Term Liabilities.

From 1 April 2007 the Fixed Asset Restatement Account and Capital Financing Account were replaced by a Revaluation Reserve and a Capital Adjustment Account. SORP 2007 requires a prior period adjustment for the new balances, and the 2006/07 comparative figures have therefore been restated and the balance on the Revaluation Reserve at 31 March 2007 has been shown as nil. The balance on the Capital Adjustment Account has been shown as the combined total of the Fixed Asset Restatement Account and the Capital Financing Account. See also note 30 on page 50.

There are no Exceptional or Extraordinary items to be reported, and there are no acquired or discontinued operations.

2. INCOME FROM BODIES UNDER THE LOCAL AUTHORITY (GOODS & SERVICES) ACT 1970 AND RELATED EXPENDITURE

Income and expenditure under this heading relates to arrangements entered into by local authorities that are authorised by section 1 of the Local Authority (Goods and Services) Act 1970 (as amended by subsequent legislation). The 1970 Act specifies the conditions under which authorities can enter into agreements to supply goods and services to each other and to other public bodies.

	2006/07		2007/08	
	Exp £000s	Inc £000s	Exp £000s	Inc £000s
Grass Verge Maintenance for Notts CC	58	64	52	57
Tree Maintenance for Rushcliffe BC	27	31	19	22
Provision of Fuel to Notts CC (Creche)	1	1	0	0
Payroll Services for Rushcliffe BC	0	0	55	55

3. BUILDING REGULATIONS CHARGING ACCOUNT

Fees for Building Control functions have been set in accordance with the Local Government Association model scheme and the Building Control (Local Authority Charges) Regulations 1998. Surpluses are transferred to the Building Control Reserve and used to fund improvements to the service. Over a three year period, Building Control costs should equate to income from fees.

	2005/06 £	2006/07 £	2007/08 £
Expenditure	430,860	438,359	465,361
Income	(443,348)	(437,876)	(448,257)
(Surplus) / Deficit transferred to Building Control Reserve	(12,488)	483	17,104

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4. EXPENDITURE ON PUBLICITY

Section 5 of the Local Government Act 1986 requires Local Authorities to separately account for expenditure on publicity, excluding that related to the execution of a statutory duty or promoting the Council's facilities. Relevant expenditure on such publicity is as follows:

	2006/07	2007/08
	£	£
Recruitment	77,683	106,459
Other	0	35,457
Total Relevant Expenditure	77,683	141,916

5. LEASES

(i) Disclosures by Gedling BC as Lessee

Operating Leases:

Prior to the introduction of the Prudential Code it was the Council's policy to acquire vehicles, plant and equipment through operating leases. However, in 2007/08 alternative sources of finance were used, as in 2006/07. The capital value of assets acquired under operating leases was therefore Nil for both years.

Operating lease rental payments charged to the Income and Expenditure Account in respect of existing leased assets amounted to £191,300 in 2007/08, (£335,226 in 2006/07). All operating lease rentals are in respect of vehicles, plant and equipment.

The following table sets out the Council's Operating Lease commitments for charging to the Income and Expenditure Account during the next year, 2008/09:

	In respect of Commitments Expiring:			Total
	2008/09	Yr 2-5	After Yr 5	
	£	£	£	£
Vehicles, Plant & Equipment	24,187	38,320	0	62,507
Total Operating Lease Commitments 2008/09	24,187	38,320	0	62,507

Finance Leases:

The gross value of Vehicle and Plant acquired under Finance Leases is £16,585. These assets have now been fully depreciated, leaving net assets on the Balance Sheet of Nil. Accordingly, there is now no matching deferred liability. The final depreciation sum of £1,377 was allocated in 2007/08, and lease rentals of £1,013 were charged in the year. There is no further financial obligation outstanding in respect of these assets.

(ii) Disclosures by Gedling BC as Lessor

The council has granted leases in respect of assets including Business Units at Newstead and Calverton, shops, and various other miscellaneous properties. Rentals payable under these leases at 31 March 2008 total £354,983 (£375,360 at 31 March 2007). In addition, lease rentals are received in respect of telecommunications masts, however in these cases, no asset is held. All leases are accounted for as operating leases. The total value of the leases does not exceed the council's materiality level therefore no further disclosures are required.

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6. STATEMENT OF OFFICERS' EMOLUMENTS

The Accounts and Audit Regulations 2003 introduced a specific requirement to disclose the number of employees, in the period to which the accounts relate, whose remuneration fell within each £10,000 bracket of a scale starting at £50,000. For this purpose, remuneration means all amounts received by an employee, and includes sums due to expenses and benefits received other than in cash, ie. benefits in kind, but excludes pension contributions. Details for this Authority are given below.

	2006/07 Number	2007/08 Number
£50,000 to £59,999	5	2
£60,000 to £69,999	2	6
£70,000 to £79,999	0	0
£80,000 to £89,999	1	0
£90,000 to £99,999	1	1
Total Number of Employees	9	9

7. AUDIT COSTS

The Code of Practice on Local Authority Accounting requires the disclosure of fees payable to the Audit Commission in respect of external audit and inspection.

	2006/07 £	2007/08 £
Audit Services carried out by the appointed auditor	73,589	82,581
Statutory Inspections	5,747	5,900
Grant Certification	23,058	34,979
LSVT	0	7,273
Total Audit Fees	102,394	130,733

8. MEMBERS' ALLOWANCES

The Local Authorities (Member's Allowances) (Amendment) Regulations 1995 introduced a requirement to disclose annually the amounts paid to each member in respect of basic allowance, special responsibility allowance and attendance allowance. This is fulfilled by the placement of a suitable advertisement in the local newspaper. Additionally, the 1998 Code of Practice requires the disclosure of the total amount of Members' Allowances paid.

	2006/07 £	2007/08 £
Basic Allowance	171,600	179,606
Special Responsibility Allowance	95,841	98,253
Car Allowances	7,309	5,902
Conferences	2,075	1,022
Total Members' Allowances	276,825	284,783

Under the Council's Scheme of Allowances, a basic allowance is paid to each member, together with relevant special responsibility allowances. There is also provision for the payment of car allowances, conference expenses and subsistence.

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NOTES TO THE CORE FINANCIAL STATEMENTS

9. PENSIONS - FRS 17 RETIREMENT BENEFITS

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

The authority participates in the Local Government Pension Scheme, administered by Nottinghamshire County Council. This is a defined benefit scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. In addition, the Authority has made arrangements for the payment of added years benefits to certain retired employees outside the provisions of the scheme.

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

	2006/07 £000s	2007/08 £000s
Income & Expenditure Account -		
Net Cost of Services:		
Current Service Cost	1,798	1,533
Past Service Cost	82	0
Past Service (Gain)/Loss	(970)	463
Net Operating Expenditure:		
Interest Cost	3,032	3,353
Expected Return on Assets	(2,475)	(2,921)
Net Charge to Income & Expenditure Account	1,467	2,428
Statement of Movement on General Fund Balance -		
Reversal of net charges made for retirement benefits in accordance with FRS17	(1,467)	(2,428)
Actual amount charged against the General Fund Balance for Pensions in Year - employers' contributions payable to scheme	1,560	1,670

ANNUAL STATEMENT OF ACCOUNTS 2007/08
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9. PENSIONS - FRS 17 RETIREMENT BENEFITS (Continued)

Pensions Reserve

The implementation of FRS17 required the creation of a Pensions Reserve. Where payments to the pension fund do not match the change in the authority's asset or liability for the same period, the recognised cost of pensions will not match the amounts to be raised in taxation, and accordingly, appropriations to and from the Pensions Reserve are made in the Statement of Movement on the General Fund Balance to remove the notional debits and credits and replace them with debits for the cash paid to the fund. Actuarial gains and losses are also reflected as movements on the Reserve.

	2006/07	2007/08
	£m	£m
Balance at 1 April	22.756	18.560
Appropriations on Statement of Movement on the General Fund Balance	(0.093)	0.757
Actuarial (Gains) & Losses	(4.079)	3.645
Pension Strain Provision written off to Pensions Reserve	(0.024)	0.000
Balance at 31 March	18.560	22.962

Pension Fund Assets and Liabilities:

The underlying assets and liabilities for retirement benefits in The Nottinghamshire County Council's scheme which are attributable to Gedling Borough Council at 31 March 2008 are:

	31/03/07	31/03/08
	£m	£m
Estimated Share of Assets in the Pension Fund	43.473	42.111
Estimated Share of Liabilities in the Pension Fund	62.033	65.073
Gedling Borough Council's Net Assets / (Liabilities)	(18.560)	(22.962)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £22.962m has a substantial impact on the net worth of the authority as recorded in the balance sheet, reducing it by 11.46%. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy, as the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

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 upon assumptions about relevant factors e.g. mortality rates and salary levels. The County Council Pension Fund liabilities have been valued by Mercer Human Resource Consulting Ltd. Actuaries based on the latest full valuation of the scheme at 31 March 2007. The main assumptions used in their calculations have been:

	31/03/07	31/03/08
	%	%
Rate of Inflation	3.10	3.60
Rate of increase in Salaries	4.85	5.10
Rate of increase in Pensions	3.10	3.60
Rate for discounting scheme liabilities	5.40	6.10

ANNUAL STATEMENT OF ACCOUNTS 2007/08
NOTES TO THE CORE FINANCIAL STATEMENTS

9. PENSIONS - FRS 17 RETIREMENT BENEFITS (Continued)

Assets in the County Council Pension Fund are valued at a fair value, principally "market value" for investments, and consist of the following categories by proportion of total assets held and expected rate of return:

	31/03/07			31/03/08		
	Amount of Inv. £000s	Prop'n of Inv. %	Rate of Return %	Amount of Inv. £000s	Prop'n of Inv. %	Rate of Return %
Equity Investments	29,823	68.60	7.50	27,499	65.30	7.50
Government Bonds	3,347	7.70	4.70	4,211	10.00	4.60
Other Bonds	1,826	4.20	5.40	1,221	2.90	6.10
Property	7,347	16.90	6.50	7,075	16.80	6.50
Cash/Liquidity	1,130	2.60	5.25	1,684	4.00	5.25
Other Assets	0	0.00	n/a	421	1.00	7.50
	43,473	n/a	n/a	42,111	n/a	n/a

Statement of Actuarial Gains and Losses

The actuarial losses identified as movements on the pensions reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008:

	31/03/05		31/03/06		31/03/07		31/03/08	
	Gain/ (Loss) £000s	Gain/ (Loss) %	Gain/ (Loss) £000s	Gain/ (Loss) %	Gain/ (Loss) £000s	Gain/ (Loss) %	Gain/ (Loss) £000s	Gain/ (Loss) %
Diffs between expected and actual ret'n on assets	1,416	4.4	5,143	12.9	915	2.1	(4,753)	(11.3)
Diffs between actuarial assumptions about liabs. and actual experience	(201)	(0.4)	(1,359)	(2.2)	0	0.0	3,093	4.8
Changes in demographic and financial assumptions used to estimate liabilities	(9,123)	(17.2)	(4,880)	(7.9)	3,164	5.1	(1,985)	(3.1)
Net Gain (Loss)	(7,908)		(1,096)		4,079		(3,645)	

In accordance with the Code of Practice on Local Authority Accounting, Pension Scheme liabilities are discounted at a rate that reflects the time value of money and the characteristic of the liability. In a change from the approach adopted in the past, the Actuary's discount rate is no longer based purely on the AA Corporate Bond Rate but on a more sophisticated approach involving the calculation of "spot yields" on AA rated corporate bonds. These weightings reflect more accurately the duration of the pension liabilities of the typical LGPS employer. The real discount rate at the beginning of the year was 2.3% (actual bond yield of 5.4%, less 3.1% inflation assumption), whereas at the end of the year it was 2.5% (actual corporate bond yield of 6.1% less 3.6% inflation assumption). However, application of the increased rate, when combined with changes in mortality assumptions, has resulted in an increase in year-end liabilities of £1.985m. This has been adjusted for by an increase in actuarial losses in the table above in changes in demographic and financial assumptions.

ANNUAL STATEMENT OF ACCOUNTS 2007/08
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10. RELATED PARTY TRANSACTIONS

Financial Reporting Standard 8 requires local authorities to disclose details of transactions with Related Parties, ie. bodies or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council. This disclosure is to draw attention to the possibility of the reported financial position being affected by either the existence of these Related Parties, or by any material transactions with them.

Most transactions with Related Parties are disclosed elsewhere in the Statement of Accounts, as follows:

Payments to Central Government	Cash Flow Statement, pages 32 to 33
Precepts from other Local Authorities	Collection Fund Accounts, pages 70 to 71
Superannuation Contributions	Note 9, pages 37 to 39
Members' Allowances	Note 8, page 36

Other transactions with Related Parties, not included elsewhere are as follows:

Other Local Authorities (excluding previously disclosed items)	(595)	1,985
Nottinghamshire Police Authority	(18)	162
Grants to Parishes	0	192
Other Partners in Capital Projects (excluding other Local Authorities)	(237)	0

Receipts	Payments
£000s	£000s
(595)	1,985
(18)	162
0	192
(237)	0

The Authority maintains a register of Members' interests, together with a record of interests declared at Cabinet and Council meetings. Material transactions with organisations included in these registers were:

Citizens' Advice Bureau	0	40
Co-Operative Group (CWS)	(35)	0
Gedling CVS	(216)	91
Local Government East Midlands	0	20
Mapperley Golf Club	(33)	0
Netherfield Forum	0	18
Richard Herrod Bowls Club	(64)	0
Richard Sankey & Sons	0	63

Receipts	Payments
£000s	£000s
0	40
(35)	0
(216)	91
0	20
(33)	0
0	18
(64)	0
0	63

Letters were sent to Members of the Council explaining the requirements of FRS 8, and asking for declarations to assist in complying with the Standard. This information has been used in the preparation of the disclosures above. Details of outstanding Accounts Receivable (Debtors) and Accounts Payable (Creditors) in respect of Related Parties are included within notes 23 and 24 on page 47.

ANNUAL STATEMENT OF ACCOUNTS 2007/08
NOTES TO THE CORE FINANCIAL STATEMENTS

11. MOVEMENTS ON FIXED ASSETS

	Council Dwell'gs £000s	Land & Bldgs £000s	V&P & Equip't £000s	Infra- Struct £000s	Comm'y Assets £000s	Non-Op'l Assets £000s	Intang'b Assets £000s	Total £000s
BFwd 1/4/07	161,672	19,084	4,826	368	4,456	13,765	450	204,621
Cumulative:								
Depreciation	0	(925)	(1,353)	(226)	(993)	(5)	(74)	(3,576)
Impairment	0	(32)	0	0	0	0	0	(32)
Net Book Value 1 April 07	161,672	18,127	3,473	142	3,463	13,760	376	201,013
Mvts in Year:								
Revaluations & Restatements	3,314	39	0	0	0	23	0	3,376
Additions	3,391	9	1,213		312	16	49	4,990
Disposals	(1,739)	0	(17)	0	0	(10)	0	(1,766)
Demolished Assets	0	(36)	0	0	0	0	0	(36)
Transfers	0	4	1	0	38	(43)	0	0
Depreciation:								
-In year	(2,368)	(327)	(918)	(36)	(360)	(2)	(90)	(4,101)
-On certified Revaluations	2,347	0	0	0	0	0	0	2,347
-On sold, transf'd & demolished	0	15	7	0	0	0	0	22
Impairment:								
-Price Decreases (certified)	0	(19)	0	0	0	0	0	(19)
-Price Decreases (uncertified)	0	0	(45)	0	0	0	0	(45)
Net Book Value 31 March 08	166,617	17,812	3,714	106	3,453	13,744	335	205,781
Analysis of Value:								
Historical/Revalued	166,638	19,080	6,023	368	4,806	13,751	499	211,165
Cumulative:								
Depreciation	(21)	(1,236)	(2,264)	(262)	(1,353)	(7)	(164)	(5,307)
Impairment	0	(32)	(45)	0	0	0	0	(77)
Net Book Value at 31 March 08	166,617	17,812	3,714	106	3,453	13,744	335	205,781

ANNUAL STATEMENT OF ACCOUNTS 2007/08
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11. MOVEMENTS ON FIXED ASSETS (Continued)

Intangible assets represent purchased software licences which will be amortised on a straight line basis over the estimated useful lives of 5 years.

An impairment review has been carried out by Rushcliffe Borough Council's Property Estates Manager and no assets were found to have suffered impairment losses. However, as a result of scheduled revaluations and at the request of Service Managers, a number of individual assets were found to have suffered some degree of impairment losses, one as a result of faster than anticipated deterioration, and others as a result of general price decreases.

In addition to the assets analysed above, the Authority also owns Community Assets which do not have a balance sheet value. These assets are dedicated to public use, for example the land element of parks and cemeteries, and as such are not considered to have a market value.

12. FIXED ASSETS BY FUND

	Council Dwell'gs £000s	Land & Bldgs £000s	V&P & Equip't £000s	Infra- Struct £000s	Comm'y Assets £000s	Non-Op'l Assets £000s	Intang'b Assets £000s	Total £000s
General Fund	0	17,812	3,714	106	3,453	11,765	310	37,160
Housing Revenue Account	166,617	0	0	0	0	1,979	25	168,621
Total at 31/03/08	166,617	17,812	3,714	106	3,453	13,744	335	205,781

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13. FIXED ASSETS BY TYPE

	31 March 07		31 March 08	
	£000s	Number	£000s	Number
Council Houses	160,235	3,439	164,933	3,415
Council Shops	650	14	918	14
Council Garages	787	787	766	787
Council Dwellings	161,672	4,240	166,617	4,216
Public Offices	4,772	6	4,675	4
Depots and Workshops	795	1	765	1
Business Units	419	23	404	23
Public Conveniences	270	12	259	12
Car Parks	2,542	18	2,521	18
Recreation Areas and Pavilions	1,480	19	1,864	19
Community Centres Gedling Borough Council operated	1,739	6	1,723	6
Sure Start operated	308	1	306	1
Community Association operated	269	1	266	1
Cemetery Chapels	134	2	132	2
Leisure Centres - Gedling Borough Council operated	5,112	2	4,576	2
Allotments	140	10	144	11
Other Land & Buildings	147	n/a	177	n/a
Total Land & Buildings (including Council Dwellings)	179,799		184,429	
Vehicles, Plant, Furniture & Equipment	3,473		3,714	
Infrastructure	142		106	
Community Assets	3,463		3,453	
Non-Operational Assets (Including Assets Under Construction & Housing Land)	13,760		13,744	
Intangible Assets	376		335	
Total	201,013		205,781	

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14. VALUATION OF ASSETS

(a) General

Revaluations of Council Dwellings, Shops and Other Land & Buildings are undertaken on a five year rolling programme, the last cycle of which was completed on 31 March 2005. All valuations are completed by Leanne Baines MRICS, Rushcliffe Borough Council's Property Estates Manager, a Chartered Surveyor.

(b) Council Dwellings

Following material movements in capital expenditure and disposals in the financial year, a year end desk top revaluation of the Council's housing stock has been undertaken by Leanne Baines MRICS, Rushcliffe Borough Council's Property Estates Manager as at 31 March 2008 and reflected in these financial statements.

(c) Business Units and Industrial Parks

Business Units and Other Land & Buildings in Note 11 include assets constructed under Partnership arrangements with Nottinghamshire County Council and the East Midlands Development Agency. The values included in the balance sheet represent the Council's proportion of the assets, and total £404,362. The gross value of the assets is £1,413,000.

15. GRANTS AND CONTRIBUTIONS IN RESPECT OF FIXED ASSETS

New grants and contributions totalling £852,048 were received during 2007/08. Of this amount, £405,073 was applied to Improvement Grants and £64,000 to Other Deferred Charges and the sum of £123,027 was transferred to Government Grants Deferred in respect of assets to be depreciated. The remaining £259,948 was transferred to Grants and Contributions Unapplied, to fund expenditure in future years.

16. DEFERRED CHARGES

	Imprvm't Grants £000s	Other Cap Exp. (incl. Regen Wk) £000s	Total Deferred Charges £000s
Balance at 1 April 2007	0	0	0
Expenditure in Year	805	386	1,191
Grants Applied in Year	(528)	(64)	(592)
Charged to Revenue in Year	(277)	(322)	(599)
Balance at 31 March 2008	0	0	0

Improvement Grants and Other Capital Expenditure are fully amortised in the year in which the capital expenditure was incurred. See also paragraph 9 of the Accounting Policies on page 8.

ANNUAL STATEMENT OF ACCOUNTS 2007/08
NOTES TO THE CORE FINANCIAL STATEMENTS

17. CAPITAL EXPENDITURE AND FINANCING

Capital Investment:

Operational Assets
 Non Operational Assets (including Assets Under Construction)
 Deferred Charges
 Intangible Assets

Total Capital Expenditure

Sources of Finance:

Borrowing
 Capital Receipts
 Government Grants
 Other Contributions
 Revenue Contributions

Total Financing

	2006/07 £000s	2007/08 £000s
	6,548	4,923
	44	16
	1,511	1,191
	158	49
Total Capital Expenditure	8,261	6,179
	3,519	3,125
	978	0
	601	576
	538	164
	2,625	2,314
Total Financing	8,261	6,179

18. SIGNIFICANT COMMITMENTS UNDER CAPITAL CONTRACTS

Major capital contracts entered into, but not paid for at 31 March 2008 were as follows:

Housing Planned Maintenance Management Fee
 Housing Planned Maintenance Agreement for 2008/09
 Arnot Hill Park Bowls Pavilion

Total

31/3/08 £000s
293
631
157
1,081

These figures represent the amounts remaining to be paid under the contracts, and not the full contract values.

19. OTHER LONG TERM DEBTORS

Employee Car Loans

Total

	31/3/07 £000s	31/3/08 £000s
	112	79
Total	112	79

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20. WORK IN PROGRESS

	31/3/07 £000s	31/3/08 £000s
Rechargeable Works	16	5
Total	16	5

21. STOCKS

	31/3/07 £000s	31/3/08 £000s
Direct Services-Depot Stock	90	90
Leisure	21	19
Housing	2	3
Total	113	112

22. LONG TERM INVESTMENT AND BORROWING

22.1 Investments

There were no movements in long term investments during 2007/08. At 1 April 2007 and 31 March 2008, the Authority had £ 50,000 invested in offices used by the Local Government Association (formally the Association of District Councils [Properties] Ltd.) This investment was due to mature in 2011, with a return dependant on the sale value of the relevant property. As soon as ADC Properties were advised that the achievable sale price was sufficient to repay debenture holders and redeem a further loan outstanding on the building , it was put on the market and sold on 1 April 2008. The deed provides that repayment be made six months after the sale of the property, which will be 1 October 2008. It is likely that a premium will be payable to debenture holders, but this cannot be be reliably estimated, or even guaranteed, until repayment arrangements are finalised.

22.2 Long Term Borrowing

New borrowing of £2.5m was undertaken during 2007/08 in accordance with advice from Sector Treasury Services. This activity allowed the Authority to take advantage of extremely favourable interest rates. All borrowing was from the Public Works Loan Board.

PWLB Loan Maturity Analysis

	31/3/08 £000s
Within 1 year	2,500
1 to 2 years	0
2 to 5 years	0
5 to 10 years	0
Over 10 years	10,000
	12,500

It should be noted that the sum outstanding above differs to that on the balance sheet by the amount of the accrued interest, which SORP 2007 requires to be shown with the principal.

ANNUAL STATEMENT OF ACCOUNTS 2007/08
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23. ACCOUNTS RECEIVABLE (DEBTORS)

	31/3/07	31/3/08
	£000s	£000s
HMRC	352	337
Government Departments	1,753	1,279
Nottinghamshire County Council and Other Local Authorities	1,646	1,218
Non Domestic Ratepayers' Arrears	1,173	573
Council Taxpayers' Arrears	2,482	2,537
Court Cost Arrears	230	295
Housing Rents	407	473
Sundry Debtor Arrears	1,096	1,025
Other General Debtors	968	929
General Payments in Advance	286	155
Total Debtors	10,393	8,821
Less Provisions for Bad Debts:		
General Debtors (see note 1)	(436)	(388)
Rent Allowances & Rent Rebates	(161)	(271)
Collection Fund Arrears - NNDR	(813)	(366)
Collection Fund Arrears - Council Tax	(1,519)	(1,587)
Housing Tenants (see note 2)	(274)	(290)
Net Debtors per Balance Sheet	7,190	5,919

1. Based on 2% of debtors up to three months old, 5% of debtors over three months old, 20% of debtors over six months old, and 95% of debtors over one year old (except cases where payment is made by instalment, where the assumption is 50%).
2. Based on CLG formula

24. ACCOUNTS PAYABLE (CREDITORS)

	31/3/07	31/3/08
	£000s	£000s
HMRC	3	1
Government Departments	120	424
Nottinghamshire County Council and Other Local Authorities	483	742
Non Domestic Ratepayers' Credits Held	362	0
Council Taxpayers' Credits Held	247	269
Housing Rents	86	179
General Creditors	4,848	3,391
General Receipts in Advance (incl. Rechargeable Works)	1,200	1,110
Total	7,349	6,116

ANNUAL STATEMENT OF ACCOUNTS 2007/08
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25. EVENTS AFTER THE BALANCE SHEET

During 2007/2008 the Council conducted a formal consultation process with housing tenants regarding a proposed Large Scale Voluntary Transfer of the ownership & management of its housing stock to Gedling Homes. The consultation process concluded with a ballot of tenants and the outcome was a majority in favour of transfer.

On 23 April 2008 the Council formally approved the transfer and subsequently submitted a formal application for consent to transfer, under Section 32-34 and 43 of the Housing Act 1985, to the First Secretary of State of the Communities & Local Government. The estimated date of transfer is November 2008.

The method of stock valuation used for transfer is the tenanted market value (tmv) which assumes that the stock is transferred as a going social housing concern and, in simple terms equates to the income the landlord is likely to receive over thirty years in the form of rents less the estimated expenditure necessary on repairs and improvement works, maintenance and supervision and management. The proposed sale price should accord with, and be able to support the prospective landlord's business plan. The valuation for the transfer of stock to Gedling Homes resulted in a negative tenanted market value (tmv) and, as such, there will not be a capital receipt due to the Council. As a result, the Department of Communities and Local Government have agreed to repay the Council's remaining housing debt and guarantee funds to Gedling Homes to finance the gap resulting from the negative tmv to ensure the transfer will meet tenants objectives.

As there are a number of significant decisions still to be taken before transfer can take place in November, it is not practicable to estimate the full financial effect of the decision. However, the financial impact on the Council's General Fund is expected to be broadly neutral, with the charge of some residual corporate/support service costs being mainly offset by additional interest from the investment of reserves transferring from the Housing Revenue Account and reduced interest on borrowing due to the repayment of housing debt.

An application will be made to the Secretary of State for consent to close the Housing Revenue Account following transfer and it is anticipated that the final year of production will be 2009/10.

26. DEFERRED LIABILITIES

Deferred Liabilities represent the principal element of finance lease rentals outstanding at the end of the year. The amounts on the Balance Sheet match the value of the assets acquired under finance leases included within Fixed Assets (see note 5 on page 32). When finance lease rentals are paid, the principal element will be charged to Deferred Liabilities to reduce the outstanding balance.

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26. DEFERRED LIABILITIES (continued)

Deferred Liabilities also include sums in respect of Transferred Assets. Debt is held by other authorities, and payments of principal and interest are made quarterly by Gedling Borough Council. The sums held are detailed below:

	31/3/07	31/3/08
	£000s	£000s
Nottinghamshire County Council	(25)	(24)
Broxtowe Borough Council	(400)	(364)
Total Transferred Assets	(425)	(388)
Principal element of Finance Leases	(1)	0
Total Deferred Liabilities per Balance Sheet	(426)	(388)

27. GOVERNMENT GRANTS AND CONTRIBUTIONS DEFERRED

Government Grants and Contributions Deferred represent contributions towards capital expenditure which are written off over the life of the asset, in line with the associated depreciation charges.

	2006/07	2007/08
	£000s	£000s
Balance as at 1 April	(1,904)	(2,165)
Adjustment re Previous Year		(31)
New Grants Received (from Unapplied Capital Grants & Contribs)	(486)	(148)
Released to Offset Depreciation	225	293
Balance as at 31 March	(2,165)	(2,051)

28. DEFERRED CAPITAL RECEIPTS

Deferred Capital Receipts are amounts derived from sales of assets, which will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of Council Houses, which form the main part of Mortgages under Long Term Debtors. The amount outstanding at 31 March 2008 was £45,364, a reduction of £19,437 from the balance of £71,210 at 31 March 2007.

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29. CAPITAL ADJUSTMENT ACCOUNT

	2006/07		2007/08	
	£000s	£000s	£000s	£000s
Balance BFwd 1 April		26,187		188,616
Adjustment re Previous Year				(31)
Amounts set aside:				
Minimum Revenue Provision (less Depreciation)	(1,080)		(1,313)	
Reserved Capital Receipts	0		0	
Transfer HRA Deprn Provision to MRR	(2,204)		(2,368)	
		(3,284)		(3,681)
Capital Financing:				
Usable Capital Receipts Applied	978		0	
Capital Contributions Applied	128		0	
Usage of Major Repairs Allowance	2,013		2,011	
Capital Expenditure Financed from Revenue	612		304	
		3,731		2,315
Serviced Debt Redeemed		34		36
Amortisation of Deferred Charges & Infrastructure		(986)		(599)
Amortisation of Govt.Grants/Contributions Deferred		225		293
Fixed Asset Disposals		0		(1,272)
Fixed Asset Impairments		0		(64)
Net Movement in Year		(280)		(2,972)
Balance on FARA written off (see below)		162,709		0
Balance CFwd 31 March		188,616		185,613

30. REVALUATION RESERVE (FIXED ASSET RESTATEMENT ACCOUNT)

	2006/07	2007/08
	£000s FARA	£000s RR
Balance BFwd 1 April	158,971	0
Revaluations & Restatements	5,062	5,724
Revaluations - Impairment Price Decreases	0	0
Disposals, Transfers & Demolitions	(1,324)	(507)
Written off to Capital Financing Reserve (see note below)	(162,709)	0
Net Movement in Year	(158,971)	5,217
Balance CFwd 31 March	0	5,217

Note:

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve (see paragraph 6 of the Accounting Policies on p5. The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA) The credit balance of £162.7m on the FARA at 31 March 2007 has been written off to the Capital Financing Account (£26m credit balance) to form the new Capital Adjustment Account with a balance of £189m. The Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance. The Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007.

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31. USABLE CAPITAL RESERVES

	2006/07		2007/08	
	£000s	£000s	£000s	£000s
Usable Capital Receipts:				
Balance at 1 April	2,198		1,886	
Adjustment re Previous Year			155	
Usable Capital Receipts generated in year	1,400		1,826	
Capital Receipts Applied	(978)		0	
Contribution to Housing Pooled Capital Receipts	(734)		(1,272)	
Balance at 31 March		1,886		2,595
Capital Expenditure Reserve:				
Balance at 1 April	66		3	
Contributions received in year	549		300	
Contributions Applied	(612)		(303)	
Balance at 31 March		3		0
Sub Total General Usable Capital Reserves		1,889		2,595
Major Repairs Reserve:				
Balance at 1 April	32		0	
Contributions received in year	1,981		2,024	
Contributions Applied	(2,013)		(2,011)	
Sub Total Major Repairs Reserve		0		13
Total Usable Capital Reserves		1,889		2,608

32. UNAPPLIED CAPITAL GRANTS & CONTRIBUTIONS

	2006/07		2007/08	
Balance at 1 April	(31)		(149)	
Contributions received in year	(149)		(963)	
Transferred to Government Grants Deferred	0		148	
Applied to Improvement Grants	0		528	
Applied to Other Deferred Charges	31		64	
Balance at 31 March		(149)		(372)

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32. REVENUE RESERVES

	BFwd 01/04/07 £000s	Receipts 2007/08 £000s	Pyts 2007/08 £000s	Mvt 2007/08 £000s	CFwd 31/03/08 £000s
IT Equipment Replacement Fund	296	94	(79)	15	311
Netherfield Regeneration Reserve	37	0	(14)	(14)	23
Community & Crime Reserve	60	47	0	47	107
Disabled Adaptations Reserve	54	0	0	0	54
Leasing Reserve	98	0	(10)	(10)	88
Risk Management Fund	10	80	(41)	39	49
Graves in Perpetuity	7	0	0	0	7
Housing Benefits Reserve Fund	125	189	(109)	80	205
Insurance Fund	640	154	(101)	53	693
Building Control Reserve	183	0	(18)	(18)	165
Carbon Footprint Reserve	20	0	0	0	20
Efficiency & Innovation Reserve	0	100	0	100	100
Total	1,530	664	(372)	292	1,822

IT Replacement - to provide for the cost of replacing personal computing facilities based on a rolling programme.

Netherfield Regeneration - to cover specific regeneration works in the Netherfield area of the Borough.

Community & Crime Reserve - to fund future community and crime initiatives.

Disabled Adaptations Reserve - to provide resources to cover agreed disabled access grants.

Leasing Reserve - a new fund set up in 2002/03 to recognise the Council's obligation to return leased vehicles (mainly refuse freighters), in a condition that meets the requirements of the lessor.

Risk Management Fund - monies set aside from savings in insurance premiums, 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.

Graves in Perpetuity - monies paid to the former Carlton Urban District Council for the perpetuity of of graves.

Housing Benefits Reserve - to cover unpredictable increases in caseload, categories or volume.

Insurance Fund - provides cover for excess payments following changes in the insurance market, and the level of cover provided by the Council's insurers.

Building Control Reserve - over a three-year period, Building Control costs should equate to income from fees. Each year, any surplus or deficit is transferred to this reserve.

Carbon Footprint Reserve - to provide cover for the cost of reducing the Council's carbon emissions.

Efficiency & Innovation Reserve - to provide funding for future initiatives.

See also paragraph 4 of the Statement of Accounting Policies on page 4.

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33. GENERAL PROVISIONS

	BFwd 01/04/07 £000s	Receipts 2007/08 £000s	Pyts 2007/08 £000s	Net Mv't 2007/08 £000s	CFwd 31/03/08 £000s
Honeywood Gardens Compensation	(17)	0	0	0	(17)
Carlton Forum Gas Provision	(77)	0	0	0	(77)
Mortuary Charges	(23)	0	0	0	(23)
Direct Services Damaged & Redundant Stock	(10)	(4)	5	1	(9)
Concessionary Fares Provision	(73)	(107)	0	(107)	(180)
Crime Grant Provision	0	(37)	0	(37)	(37)
Total	(200)	(148)	5	(143)	(343)

Honeywood Gardens - provision for possible compensation in respect of Compulsory Purchase Orders.

Carlton Forum Gas - to provide for possible back-billing by Nottinghamshire County Council following invoicing delays exacerbated by the fire at the Wheldon School.

Mortuary Charges - to reflect charges for mortuary services which are currently in dispute with the Local Health Trust. The dispute has been ongoing for several years.

Redundant Stock - maintained for General Depot Stores, for the possible write-off of redundant, damaged or missing stock. This is assessed on an annual basis.

Concessionary Fares - to reflect possible back charges in the event of a dispute with a Bus Operator.

Crime Grant Provision- to provide for possible repayment of Grant to the Home Office/LAA

34. CONTINGENT LIABILITIES

There are no significant contingent liabilities or assets outstanding.

35. INSURANCE

Municipal Mutual Insurance Company (MMI) ceased trading on 30 September 1992, following financial difficulties, and has since been running off its liabilities in respect of policies issued prior to that date. At 31 March 2008, the Council had no remaining claims outstanding with MMI.

In the light of the provisional liquidation of the Independent Insurance Company, a reserve of £20,000 has been made in the Insurance Fund to cover the potential payments on an estimated five outstanding claims. Cover was provided by Independent from March 1992 to March 1998.

During 2007/08, Gedling placed the majority of its insurances directly with Zurich Municipal, however, Nottinghamshire County Council provide the cover for the Joint Use Leisure Centres.

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35. INSURANCE (continued)

The Authority has established an Insurance Fund to cover excesses on claims, and certain small risks. The value of the Insurance Fund at 31 March 2008 was £692,000. There are no material risks which are unfunded.

36. POOLED BUDGETS

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

"First Lets" is a partnership project between Rushcliffe (the host), Gedling and Broxtowe Borough Councils. It has been developed to create stronger links with local landlords and letting agents, to help more people enter into private rented accommodation. Total expenditure of £71,541 has been incurred by Rushcliffe Borough Council, of which £24,692 was attributable to Gedling Borough Council in 2007/08. Gedling Borough Council's share of the expenditure was met by Government grant of £16,102 paid directly to Rushcliffe Borough Council and by a revenue contribution of £8,590.

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NOTES TO THE CORE FINANCIAL STATEMENTS

37. NOTES TO THE CASHFLOW STATEMENT

(a) Reconciliation of Deficit / (Surplus) to Net Revenue Cashflow

2006/07			2007/08	
£000s	£000s		£000s	£000s
	11	Deficit / (Surplus) for Year		2,724
		Non Cash Transactions		
		Depreciation	(4,228)	
(3,583)		Government Grants Deferred Amortisation	293	
225		Deferred Charges financed from capital resources	(599)	
(986)		Adj re previous year write-down of Def'd Chgs	155	
0		Collection Fund surplus for year	(126)	
(33)		Voluntary MRP for capital financing	36	
34		Net Gain/Loss on disposal of Fixed Assets	(30)	
0		Government Grants - assets unlikely to depreciate	0	
96		Contributions (to) / from provisions	(143)	
79		Charges made for retirement benefits (FRS17)	(2,428)	
(1,467)		Pension Fund and retirement benefits payable	1,670	
1,560				
	(4,075)	Accrual Adjustments		(5,400)
		Increase/(Decrease) in Stocks	(1)	
21		Increase/(Decrease) in Works in Progress	(11)	
7		Increase/(Decrease) in Revenue Debtors	(714)	
592		(Increase)/Decrease in Revenue Creditors	(312)	
1,022				
	1,642			(1,038)
	291	Net Cost of Servicing of Finance		165
	(34)	Serviced Debt Principal		(36)
	(2,165)	Net Cashflow from Revenue Activities		(3,585)

(b) Analysis of Debt

	1 April 2007 £000s	Cash Flow £000s	Non Cash Flow £000s	31 March 2008 £000s
Cash in Hand/(Overdrawn)	(320)	326	0	6
Short Term Investments / (Borrowing)	8,660	1,355	96	10,111
Long Term Borrowing (PWLb)	(10,000)	(2,500)	(3)	(12,503)
Debt serviced by Other Local Authorities	(425)	37	0	(388)
Capital element of Finance Leases	(1)	1	0	0
Total Net Debt	(2,086)	(781)	93	(2,774)

Net Debt excludes Long Term Investments

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(c) Reconciliation of Net Cashflow to the Movement in Net Debt

2006/07			2007/08	
£000s	£000s		£000s	£000s
(588)		Increase / (Decrease) in Cash in the period	326	
2,610		Cash Outflow from incr. Short Term Inv.	1,355	
(4,000)		Cash Inflow from incr. Long Term Borr. (net)	(2,500)	
34		Cash Outflow from repayment of Serviced Debt	37	
1		Cash Outflow from payment of Fin. Lease Prin.	1	
	(1,943)	Change in Net Debt resulting from Cash Flows		(781)
	0	Changes resulting from Non-Cash Flows		93
	(143)	Net Debt at 1 April		(2,086)
	(2,086)	Net Debt at 31 March		(2,774)

(d) Analysis of Movements in Financing and Liquid Resources

2006/07 Movement £000s		01/04/07 £000s	31/03/08 £000s	2007/08 Movement £000s
	FINANCING:			
(4,000)	PWLB	10,000	12,500	(2,500)
34	Debt Serviced by Other LAs	425	388	37
(3,966)	Total Long Term Borrowing	10,425	12,888	(2,463)
1	Capital element of Finance Leases	1	0	1
1	Total Finance Leases	1	0	1
(3,965)	Total Financing	10,426	12,888	(2,462)
	LIQUID RESOURCES:			
	Short Term Investments:			
2,610	Short Term Deposits	8,660	10,015	1,355
2,610	Total Liquid Resources	8,660	10,015	1,355

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(e) Analysis of Other Government Grants for Revenue Services

2006/07 £000s		2007/08 £000s
(1,981)	Housing Subsidy Major Repairs Allowance	(2,024)
0	Housing Defects (HRA Properties)	(6)
(325)	Housing Defects (Reinstatements)	(194)
(344)	Home Office (Crime Reduction)	(111)
(422)	Planning Delivery Grant	(293)
(51)	Homelessness Directorate	(55)
0	Gypsy Grant	(8)
(46)	Recycling	(48)
(1)	Contaminated Land (DEFRA)	(1)
(755)	Local Authority Business Growth Incentive Scheme	(750)
(51)	Performance Reward Grant	(45)
0	Flood Recovery Grant	(11)
0	Travel Concession Grant	(110)
(3,976)	Total Other Revenue Grants Paid by Central Government	(3,656)

It should be noted that in addition to Revenue Grants, the sum of £0.693m was paid by Central Government in 2007/08 in respect of Capital Expenditure (£0.652m in 2006/07).

38. LOCAL AREA AGREEMENTS

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

To form an agreement between Partners and Government (represented by the Government Office for the East Midlands) to establish a collective vision for Nottinghamshire in accordance with the County Community Strategy

To agree specific outcomes and targets that will be achieved each year for the three years of the agreement

To improve the effectiveness and efficiency of public services in Nottinghamshire by pooling and aligning funding streams

The LAA partners are:

Local Government bodies – Nottinghamshire County Council, Ashfield District Council, Bassetlaw District Council, Broxtowe Borough Council, Gedling Borough Council, Mansfield District Council, Newark & Sherwood District Council, Rushcliffe Borough Council

Community Protection authorities – Nottinghamshire & City of Nottingham Fire Authority, Nottinghamshire Police Authority, Nottinghamshire Probation Service

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38. LOCAL AREA AGREEMENTS (continued)

- Health bodies – Nottinghamshire County Teaching PCT. Bassetlaw PCT

Learning bodies – Connexions, Learning & Skills Council

Voluntary organisations – Kirkby Neighbourhood Pathfinder, Manton Community Alliance, Networking Action for Voluntary Organisations

Other - Nottinghamshire Pensions Service, Business Link, JobCentre Plus, Nottinghamshire County Drug & Alcohol Team, Rural Community Council, East Midlands Development Agency

Nottinghamshire County Council acts as the accountable body for the LAA.

The total amount of LAA grant received by the LAA in 2007/08 is £37.02m. Gedling Borough Council received £0.20m of this total to fund its own services.

The authority accounts for the LAA grants receivable on an accruals basis and apportion the income between services that are funded by the grant.

- 39.** The Statement of Accounts was issued and authorised by M.S.Kimberley CPFA, Head of Corporate Services, on 20 June 2008.

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NOTES TO THE CORE FINANCIAL STATEMENTS

40. FINANCIAL INSTRUMENTS

Until recently, financial instruments were not covered comprehensively by UK financial reporting standards. The 2007 SORP requirements are based on FRS25 (presentation), FRS26 (recognition and measurement and FRS29 (disclosure).

A financial instrument is any contract that gives rise to a financial asset in one entity, and a financial liability in another. Most straightforward financial assets (debtors, bank deposits, investments etc.) and liabilities (creditors, borrowings etc.), are covered, together with more complex ones not used by this Authority (debt instruments with embedded swaps, and options etc.)

Initial Recognition

A financial asset or liability is recognised on the balance sheet when the holder becomes committed to the purchase, ie. the contract date. Trade receivables (debtors) are an exception, being recognised not when a contract to supply is made, but when the goods have been delivered or the service rendered. Similarly, trade payables (creditors) are recognised only when the goods or services have been received. In the case of a contract to borrow money, recognition is at the point at which the cash lent is received, not when the authority becomes committed to the loan agreement. In most cases relevant to Gedling Borough Council, the recognition point is obvious.

Initial Measurement

Financial assets and liabilities should be measured initially at fair value less transaction costs that are directly attributable to them. Fair value is defined as "the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arms-length transaction". In general, the best evidence of a fair value on initial recognition is the transaction price. Transaction costs include fees paid to brokers, dealers and advisers, but do not include internal administrative costs.

Soft Loans

Local Authorities often make "soft loans", ie. loans for policy reasons, rather than as financial instruments, and these loans may sometimes be interest free or at rates below those prevailing in the market, for example to voluntary bodies or to employees for the purchase of motor vehicles. The fair value of such loans may be held to be less than the amount of cash lent and would accordingly be estimated as the present value of all the future cash receipts, discounted using the prevailing market rate of interest for a similar loan. Any sum by which the amount lent exceeds the fair value of the loan should be charged to the Income and Expenditure Account. Subsequent accounting would require the loan's "effective rate of interest" to be used which will be higher than the contractual rate since the initial carrying amount of the loan is less than the principal sum required to repay the loan. This rate will be the same as the rate used to discount the loan to its initial fair value. Interest in excess of the contractual is credited to the Income and Expenditure Account over the term of the loan.

The only soft loans identified by Gedling Borough Council are car loans to employees. These have been considered in detail, and it has been concluded that not only is the sum outstanding of £79,000 immaterial but the rates offered are only marginally preferential at best, and in many cases equivalent, to rates on offer in the market. Accordingly no additional calculations for fair value have been undertaken and car loans continue to be recognised at the value of the sums loaned less repayments made.

ANNUAL STATEMENT OF ACCOUNTS 2007/08
NOTES TO THE CORE FINANCIAL STATEMENTS

40. FINANCIAL INSTRUMENTS (Continued)

Although all financial instruments are initially measured on the basis of fair value, subsequent measurement depends on the classification of an instrument. FRS 26 defines two classes of financial liabilities and four classes of financial assets, although in practice the vast majority of financial liabilities held by local authorities will be in the "amortised cost" category, and financial assets will be either "loans and receivables" or "available-for-sale". It will often not be necessary to undertake a formal effective interest rate (EIR) calculation, either because the instrument is a short duration receivable (debtor) or payable (creditor) which is required to be measured at the original invoice amount, or because it is clear that the nominal interest rate equals the EIR, as in the case of a most fixed rate instruments. Most loan debts and investments will feature transaction costs which should be applied to adjust the initial carrying amount, however where judged immaterial, for example the 0.035% charge made by PWLB, the transaction costs may be charged immediately to the Income and Expenditure Account.

Transitional Arrangements

The date of transition to the new arrangements for financial instruments is 1 April 2007. In accordance with FRS26, amendments to the recognition and derecognition requirements introduced by SORP 2007 are effective from 1 April 2006. With the exception of overhanging premiums and discounts, recognition of financial instruments occurring before 1 April 2006 have not therefore been reviewed. The 2007 SORP sets out a seven step approach for making any necessary adjustments:

- (1) Consider whether or not to recognise previously derecognised instruments or derecognise previously recognised instruments.

There are no adjustments required. One discount was generated on the rescheduling of debt during 2006/07 but this was taken in full to the Income and Expenditure Account. The discount was only £28,000 and below the materiality level, therefore no recognition adjustment has been made.

- (2) Classify the financial instruments on the council's balance sheet per the categories set out in the SORP

Category of Financial Liabilities	GBC Balance Sheet item
Amortised Costs	Long term borrowing (PWLB Accounts payable (creditors) Overdrawn cash balances
Fair Value through Profit and Loss	None (liabilities held for trading etc)

Category of Financial Assets	GBC Balance Sheet item
Loans and Receivables	Long term investments Long term debtors (car loans etc) Temporary investments Accounts receivable (debtors) Cash balances in hand
Available-for-Sale	None (equity shareholdings, quoted investments etc)
Fair Value through Profit and Loss	None (assets held for trading)
Held to Maturity	None (SORP 2007 prohibits use of this category)

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40. FINANCIAL INSTRUMENTS (Continued)

- (3) Identify the assets and liabilities to be measured at fair value, amortised cost etc. and account for any necessary re-measurements.
- a) PWLB outstanding at 31 March was £12.5m. The fair value of this debt has been calculated by PWLB as £12.490m. Since the whole of the Council's debt is with PWLB, for which there is no comparable lender, the "fair" value is deemed to be the sum that would fall due for payment, given the prevailing premature repayment discount rates, on 31 March 2008.
- b) Temporary investments held at 31 March amounted to £10.015m, consisting of £8.75m of fixed term investments, where the instrument carries the same interest rate for the whole term, and £1.265m of deposits in call accounts where in general the rate only alters with movements in Bank Rate. No formal calculation of EIR is necessary, and the carrying amount is a reasonable approximation of the fair value. Similarly, the fair value of cash balances are deemed to be the carrying values.
- c) Trade accounts payable and trade accounts receivable, both of which are instruments of short duration, with no formal effective interest rate, are required to be valued at their original amount, ie. the carrying amount is a reasonable approximation of fair value. No disclosure is required.
- d) The only soft loans identified by Gedling Borough Council are car loans to employees as previously discussed.
- (4) Assess whether any impairment write-downs or provisions previously made need to be reversed, or if any new ones need to be made.

A full review of bad debt provisions has been made and appropriate adjustments to the provisions have been made, based on the age analysis of the debtors involved.

- (5) Adjust soft loans to fair value.

The only soft loans identified by Gedling Borough Council are car loans to employees. These have been considered at length, and it has been concluded that not only is the sum outstanding of £79,000 immaterial, but that the rates offered are only marginally preferential at best, and in many cases equivalent, to rates on offer in the market. Accordingly no additional calculations for fair value have been undertaken and car loans continue to be recognised at the value of the sums loaned less repayments made.

- (6) Recognise and measure any derivatives and/or embedded derivatives

The council has no financial instruments falling into this category.

- (7) Effect the adjustments permitted by regulation or statutory guidance in the Statement of Movement on the General Fund Balance (STMGF) to neutralise any impacts on council tax.

No adjustments requiring neutralising entries have been identified, therefore no reconciling transactions are required in the Statement of Movement on the General Fund, or accordingly in the Financial Instruments Adjustment Account.

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40. FINANCIAL INSTRUMENTS (Continued)

Nature and Extent of risks arising from Financial Instruments and the management

The Council is required to disclose information regarding the risk arising from financial instruments which the authority is exposed.

Credit risk is the possibility that other parties might fail to pay amounts due to the authority. Liquidity risk is the risk that the authority may not have the funds available to meet its commitments and payments. Market risk is the possibility that financial loss may arise as a result of changes in interest rates and stock market movements.

The council'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 its activities.

Credit Risk

Credit risk arises from deposits with banks and financial institutions. The council's Treasury Management Policy is to only lend to counterparties with long term credit ratings of AA- or above. If a counterparty is loaned above £5m without the specific approval of the Head of Corporate Finance. The council does not expect any non-performance from any of the counterparties in respect of its temporary investments.

Liquidity Risk

As the authority has access to borrowings from PWLB, 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 may have to replenish significant proportions of its borrowings at unfavourable interest rates. The Prudential Code requires an indicator that specifies maximum proportions of debt at different terms, and this is reported daily. The maturity profile is given at note 25 to the core financial statements.

Market Risk

The authority is exposed to some degree of risk on its exposure to interest rate movements on its borrowings and investments, and movements in interest rates can have a complex impact on the value of its assets. The Treasury Management Strategy set each year specifies the maximum proportions of variable rate borrowing and investment that may be outstanding at any one time. In addition, advice is sought from the council's treasury advisors with regard to the timing of borrowing and investment.

Price Risk

The authority has no equity shareholdings and thus has no exposure to risk arising from movements in the price of shares.

Foreign Exchange Risk

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

Supplementary Financial Statements

ANNUAL STATEMENT OF ACCOUNTS 2007/08

HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE ACCOUNT

2006/07 ACTUAL £000s		2007/08 ACTUAL £000s
	INCOME:	
(8,317)	Dwelling Rents (Gross)	(8,694)
(261)	Non Dwelling Rents (Gross)	(259)
(591)	Charges for Services & Facilities	(546)
(459)	Supporting People	(486)
0	Housing Defects Subsidy	(6)
(9,628)	TOTAL INCOME	(9,991)
	LESS EXPENDITURE:	
1,175	Housing General Management	1,081
850	Housing Special Services	860
33	Homeless Accommodation	38
2,002	Housing Repairs	2,420
52	Rents, Rates & Other Taxes	58
536	Supporting People	533
68	LSVT	209
2,006	Net Repayment of Housing Subsidy	2,076
2,186	Capital Financing - Depr'n (Dwellings)	2,347
18	Capital Financing - Depr'n (Other)	21
50	Bad Debt Prov'n/ Other Prov'ns & Write Offs	52
8,976	TOTAL EXPENDITURE	9,695
(652)	NET COST OF SERVICES TO AUTHORITY I&E A/C	(296)
(88)	Non Distributed Costs	54
203	HRA Share of Corporate & Democratic Core	237
(537)	NET COST OF HRA SERVICES	(5)
(287)	Interest & Investment Income	(263)
68	Pensions Interest & Return on Assets	50
(756)	NET OPERATING EXPENDITURE	(218)

As Gedling Borough Council is a net payer of Housing Subsidy, this is shown as part of Total Expenditure. This is in accordance with the SORP, and matches the treatment in the overall Authority Income and Expenditure Account on page 26. Figures for the previous year have also been amended and therefore differ to the Statement of Accounts for 2006/07.

ANNUAL STATEMENT OF ACCOUNTS 2007/08

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

The overall objectives for the Statement of Movement on the HRA Balance are the same as those for the Statement of Movement on on the General Fund Balance. The Statement takes the outturn on the HRA Income & Expenditure Account and reconciles it to the the surplus or deficit for the year on the HRA balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

2006/07		2007/08
£000s		£000s
(756)	(Surplus)/Deficit for the year on the HRA Income & Expenditure Account	(218)
286	Net additional amount required by statute and non-statutory proper practice to be debited or credited to the HRA Balance for the year	(137)
(470)	(Increase)/Decrease in HRA Balance for the Year	(355)
(880)	HRA Balance Brought Forward at 1 April	(1,350)
(1,350)	HRA Fund Balance Carried Forward at 31 March	(1,705)

NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

2006/07		2007/08
£000s		£000s
	Amounts included in the HRA Income & Expenditure Account, but excluded when determining the Movement on the HRA Balance for the year	
(223)	Transfer to/(from) Major Repairs Reserve	(344)
(198)	Net charges made for Retirement Benefits in accordance with FRS17	(281)
(421)		(625)
	Amounts not included in the HRA Income & Expenditure Account but included in the Movement on the HRA Balance for the year	
490	Capital Expenditure charged in-year to the HRA Balance (CERA)	300
197	Employer's contributions payable to the Nottinghamshire County Council Pension Fund and retirement benefits payable direct to pensioners	188
20	Net Transfer to Earmarked Reserves	0
707		488
286	Net additional amount required to be credited to the HRA Balance for the year	(137)

ANNUAL STATEMENT OF ACCOUNTS 2007/08
NOTES TO THE HOUSING REVENUE ACCOUNT

1. Housing Stock managed within the Housing Revenue Account at 31 March:

	Year of Construction				Total
	Pre 1919	1919 to 1944	1945 to 1964	After 1964	
2007/08					
Houses	173	568	638	148	1,527
Flats	10	0	344	1,168	1,522
Bungalows	0	33	132	84	249
Extra Care Units				107	107
Homeless Accommodation		10			10
	183	611	1,114	1,507	3,415
2006/07					
Houses	177	576	644	149	1,546
Flats	10	0	349	1,169	1,528
Bungalows	0	33	132	84	249
Extra Care Units	0	0	0	106	106
Homeless Accommodation	0	10	0	0	10
	187	619	1,125	1,508	3,439
Movement in Year					
Houses	(4)	(8)	(6)	(1)	(19)
Flats	0	0	(5)	(1)	(6)
Bungalows	0	0	0	0	0
Extra Care Units	0	0	0	1	1
Homeless Accommodation	0	0	0	0	0
	(4)	(8)	(11)	(1)	(24)

2. Homeless accommodation is provided at numbers 22-24 Balmoral Road, Colwick. This Hostel comprises two dwellings, but guidance from the DCLG indicates that the number of dwellings used for Homeless accommodation should be calculated by dividing the total number of bed spaces by three, with any balance counting as one dwelling. There are twenty eight bed spaces at Balmoral Road, therefore the number of dwellings has been recorded as ten.

3. Arrears and Bad Debts at 31 March

	2006/07 £	2007/08 £
Current Tenants' Arrears	182,682	125,978
Former Tenants' Arrears	193,412	210,881
Total	376,094	336,859
Amounts relating to the HRA, written off during the year	13,171	37,305
Total Arrears as a percentage of the total gross amount due	3.66%	3.27%
Provision for Bad Debts	274,381	289,530

ANNUAL STATEMENT OF ACCOUNTS 2007/08

NOTES TO THE HOUSING REVENUE ACCOUNT

4. **Average weekly rent per dwelling:**

48 Week basis
52 Week basis

2006/07	2007/08
£	£
52.22	54.80
48.20	50.58

5. In addition to the information contained in this Statement of Accounts, further Performance Indicators are available in the "Information to Tenants" publication produced under Section 167 (1) of the Local Government & Housing Act 1989.

6. **Fixed Assets:**

	Operational Assets					Non Op'l	Total
	Housing Dwell'gs £000s	Shops £000s	Garages £000s	Intang. Assets £000s	Sub Total £000s	Land £000s	Assets £000s
Balance at 1 April	160,235	650	787	35	161,707	1,979	163,686
Balance at 31 March	164,933	918	766	25	166,642	1,979	168,621

As at 31 March 2008, the vacant possession value of dwellings within the Housing Revenue Account was £320.5m, compared to the balance sheet value of £164.9m which is valued on an Existing Use basis discounted to reflect Social Housing use. The vacant possession value and balance sheet value of dwellings show the economic cost to the Government of providing council housing at less than open market rents.

7. **Major Repairs Reserve:**

Balance 1 April

Depreciation on HRA Assets

Appropriation to HRA

Financing of HRA Capital Expenditure

Balance at 31 March

2006/07	2007/08
£000s	£000s
32	0
2,204	2,368
(223)	(344)
(2,013)	(2,011)
0	13

The Major Repairs Reserve is credited with the depreciation charged to the HRA, together with an appropriation to/from the HRA to ensure the net credit in the year is equal to the Major Repairs Allowance that is received as part of the Housing Subsidy arrangements. The reserve is only available for funding major repairs to the housing stock and any amount unspent are carried forward for use in future years.

ANNUAL STATEMENT OF ACCOUNTS 2007/08
NOTES TO THE HOUSING REVENUE ACCOUNT

8. Summary of HRA Capital Expenditure:

	2006/07 £000s	2007/08 £000s
Total HRA Capital Expenditure	4,267	3,389
Financed By:		
Revenue Contributions (CERA)	490	300
Grants and Contributions	1	78
Major Repairs Reserve	2,013	2,011
Prudential Borrowing	1,000	1,000
Usable Capital Receipts	763	0
Total Financing	4,267	3,389

9. HRA Capital Receipts from Disposal of Fixed Assets:

	2006/07 £000s	2007/08 £000s
Right to Buy Sales	1,316	1,739
Land Sales	8	0
Total HRA Capital Receipts	1,324	1,739

10. Capital Charges:

In 2005/06 and previous years, capital charges comprised depreciation plus a capital financing charge calculated by applying a notional interest rate to the net amount at which the asset was valued in the balance sheet. For 2006/07 and future years, the SORP requirement to make capital charges has been replaced by the requirement to charge depreciation only. Depreciation Charges are made to the Housing Revenue Account in respect of all fixed assets used in the provision of the service.

11. Summary of Depreciation Charges:

	31/03/07 £000s	31/03/08 £000s
Operational Assets:		
Dwellings	2,186	2,347
Garages	18	21
	2,204	2,368
Non Operational:		
Housing Land	0	0
Total Depreciation Charges	2,204	2,368

ANNUAL STATEMENT OF ACCOUNTS 2007/08
NOTES TO THE HOUSING REVENUE ACCOUNT

12. Impairment:

No impairment charges were made to the Housing Revenue Account during 2007/08.

13. Deferred Charges:

During 2007/08 no Deferred Charges were made to the Housing Revenue Account.

14. Analysis of Housing Subsidy Entitlement:

Subsidy Element:

Management & Maintenance
 Major Repairs Allowance
 Charges for Capital
 Admissible Allowance
 Rental Constraint Allowance
 Interest on Receipts
 Guideline Rent Income

2006/07 £000s	2007/08 £000s
4,497	4,711
1,981	2,024
139	170
8	0
108	296
(6)	(5)
(8,733)	(9,272)
(2,006)	(2,076)

Net Subsidy Repayment

Guideline Rent Income is the assumed rental income used in the calculation of Housing Subsidy entitlement.

15. Pensions - FRS17 Retirement Benefits:

The cost of retirement benefits is recognised in the Housing Revenue Account (HRA) in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The HRA's share of the Pensions interest costs and return on assets is charged to Net Operating Expenditure. However, the charge that is required to be made against Housing Rents is based on the cash payable in the year, so the real cost of retirement benefits, interest costs and return on assets are reversed out of the HRA on the Statement of Movement on HRA Balances by a contribution to or from the Pensions Reserve. In 2007/08 the contribution from the Pension Reserve was £92,453.

ANNUAL STATEMENT OF ACCOUNTS 2007/08

COLLECTION FUND REVENUE ACCOUNT

2006/07			2007/08	
£000s	£000s		£000s	£000s
		INCOME		
(46,869)		Sum due from Council Taxpayers	(48,943)	
(5,931)		Sum due from Council Tax Benefits	(6,043)	
	(52,800)	Council Tax Income		(54,986)
	(17,112)	NNDR Payers		(17,646)
	(710)	Appropriations		(772)
	(78)	Contributions to General Fund re previous years' Council Tax surplus/(deficit)		(84)
	(70,700)	TOTAL INCOME FOR THE YEAR		(73,488)
		EXPENDITURE		
	53,596	Precepts (See Note 3)		55,241
	16,962	GBC Contribution to NNDR Pool (net of cost of collection)		17,790
	109			331
	70,667	TOTAL EXPENDITURE FOR THE YEAR		73,362
	(33)	Net Deficit / (Surplus) for Current Year		(126)
	1,327	Add Balance BFwd from Previous Year		1,294
	1,294	Balance CFwd (Surplus) / Deficit		1,168

ANNUAL STATEMENT OF ACCOUNTS 2007/08
NOTES TO THE COLLECTION FUND ACCOUNTS

1. NNDR	2006/07	2007/08
(a) Non Domestic Rateable Value at 31 March	46,885,767	46,614,648
(b) Multiplier	43.3p	44.4p

2. COUNCIL TAX BASE	2006/07	2007/08
	Number	Number
Chargeable Dwellings in each Band at Band D equivalent and after allowing for discounts, disregards, exemptions etc.		
Band A*	9	10
Band A	7,846	7,786
Band B	9,833	9,678
Band C	7,686	7,549
Band D	5,787	5,757
Band E	3,867	3,886
Band F	1,623	1,639
Band G	1,159	1,168
Band H	121	119
Council Tax Base	37,931	37,592

3. SIGNIFICANT PRECEPTS & DEMANDS ON THE FUND	2006/07	2007/08
	£000s	£000s
Nottinghamshire County Council Precept	41,020	42,279
Nottinghamshire Police Authority Precept	5,016	5,217
Combined Fire Authority	2,308	2,388
Gedling Borough Council Demand (Including Parish element)	5,252	5,357
	53,596	55,241

4. ACCOUNTING FOR THE COLLECTION FUND BALANCE

The opening balance on the Collection Fund for 2007/08 was a deficit of £1.294m. At the end of the year the deficit had fallen slightly to £1.168m. On the basis that surpluses and deficits are shared with the County Council, Police Authority and Combined Fire Authority, Gedling BC accounted for the Collection Fund balance in its 2007/08 Statement of Accounts as follows (the basis of calculation used is the precept paid to each authority during the relevant year).

	2006/07	2007/08
	£000s	£000s
Balance Sheet Debtors:		
Nottinghamshire County Council	1,017	896
Nottinghamshire Police Authority	124	110
Combined Fire Authority	57	51
	1,198	1,057
Deficit attributable to Gedling BC	96	111
(shown alongside the General Fund balance)		
	1,294	1,168

Total

ANNUAL STATEMENT OF ACCOUNTS 2007/08

This is the Official Audited Version, published on 30 September 2008 by the
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