



GEDLING

BOROUGH COUNCIL

ANNUAL STATEMENT OF ACCOUNTS

2004/2005

Incorporating:

**The Main Financial Statements
Collection Fund Accounts
Housing Revenue Account**

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

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FOREWORD

INTRODUCTION - The Statement of Accounts for the year 2004/2005 is set out in the following pages. It comprises the main financial statements and associated notes, followed by the Collection Fund and Housing Revenue Accounts together with relevant notes. The Council's Accounts are subject to audit by the District Auditor, and the Certificates are shown on pages 18 to 19.

REVENUE EXPENDITURE – Net General Fund Expenditure on services for 2004/2005 totalled £10.785m. The Council originally budgeted to take £249,000 from General Fund balances in 2004/2005. These accounts show an increased of £625,000 to a year-end balance of £2,095,000. 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.

CAPITAL EXPENDITURE - The Capital spending of £5.838m is set out on page 41 together with how it has been financed. Controls on Capital expenditure have resulted in significantly reduced programmes in recent years, and mean that the Council has continued to be dependent on capital receipts realised from the sale of assets during the year and contributions from other agencies to fund capital schemes.

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 surplus on the Housing Revenue Account at the end of the year was £805,000 as detailed on pages 57 to 58. This is higher than originally estimated by £382,000 due to additional interest earned on balances and investments, and general under spending.

FINANCIAL REPORTING – Retirement Benefits (FRS 17), which replaces the requirements of SSAP24, has now been fully implemented.

REVENUE TAX COLLECTION - The Collection Fund accounts are set out on pages 54 to 56. During the year 98.6% of the Council Tax due was collected, and 98.4% of the National Non Domestic Rate due was collected on behalf of the Government. Following the write off of all remaining Community Charge arrears in 2003/04, remaining credits were written back to the Collection Fund during 2004/05. Overall the Collection Fund Revenue Account shows a deficit of £548,000, which is within acceptable tolerances given that in excess of £60m worth of Local Taxation is accounted for in this fund.

M.S KIMBERLEY, CPFA, Head of Finance
July 2005

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL

The Accounts have been prepared in accordance with the 2004 Code of Practice on Local Authority Accounting and the 2004 Best Value Accounting Code of Practice, both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and also with guidance notes issued by CIPFA on the application of accounting standards (SSAPs) and Financial Reporting Standards (FRSs), which have been adopted in statements of recommended practice (SORPs) issued by the Accounting Standards Board. The Accounts are also subject to recent bulletins issued by CIPFA's Local Authority Accounting Panel.

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. PROVISIONS

The Council sets aside provisions for liabilities or losses which are likely or certain to be incurred, but uncertain as to the amounts or the dates on which they will arise. The main provisions are for pension contributions early retirements, bad debts, redundant stock, mortuary charges and damage to Newton Road sewer. Details of these provisions are included in the notes to the accounts.

3. RESERVES

Earmarked revenue reserves are amounts set aside for specific purposes out of the balances of the Council's funds.

Usable capital reserves are amounts available to finance capital expenditure and include usable capital receipts, capital contributions and the major repairs reserve. The major repairs reserve is solely for the financing of Housing Revenue Account capital expenditure.

The implementation of FRS 17 – Retirement Benefits (see paragraph 15 below) requires the creation of a Pensions Reserve. Where payments made to the pension fund in accordance with 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. This is represented by an appropriation to or from the pensions reserve, which equals the net change in the pensions liability recognised in the Consolidated Revenue Account.

Details of the reserves held at 31 March 2005 are shown as notes to the main financial statements.

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4. TANGIBLE FIXED ASSETS

Tangible fixed assets are stated in the balance sheet as follows:

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

The Authority's Council Dwellings, Land and Buildings and Non-Operational assets are revalued by the Authority's Estates and Valuation Manager on a five-year rolling programme. Material changes to asset valuations are adjusted as they occur. Any surplus or deficit arising from movements in the general level prices is transferred to the fixed asset restatement reserve. Where a loss in value occurs as a result of physical damage or other impairment this is reflected in an impairment charge to the appropriate service within the Consolidated Revenue Account.

5. INTANGIBLE ASSETS

Intangible items are recognised in the balance sheet when the authority controls the future economic benefits arising from the expenditure, for example, software licences. Intangible assets are amortised on a systematic basis over their economic lives.

Intangible assets are stated at historical cost, net of amortisation.

6. 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.

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.

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7. DEPRECIATION, AMORTISATION AND IMPAIRMENT

Depreciation is provided for, in accordance with FRS 15, in respect of the relevant tangible fixed assets where a finite useful life has been determined by the Estates and Valuation Manager. This is with the intention of writing off their balance sheet amounts in equal annual instalments over their remaining expected useful lives. Useful lives for the main asset types are summarised in the table below:

<u>Asset Type</u>	<u>Useful Life Years</u>
Council Dwellings	36-63
Public Conveniences	24-85
Business Centres	30
Car Parks	15
Pavilions	7-54
Community Centres	35-60
Cemetery Chapels/Lodge	100
Leisure Centres	30-45
Public Offices	15-186
Depot	16
Other Miscellaneous	36-50

In accordance with FRS 11, all assets, and in particular those that are not depreciated on the grounds that it would be immaterial are subject to an annual impairment review by the Estates and Valuation Manager. This ensures that assets are recorded in the financial statements at no more than their recoverable amount (see paragraph 4 above).

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

Vehicle purchases and other plant, furniture and equipment financed from capital will, in general, be depreciated over 5 years. Major acquisitions or specialist items may require different depreciation periods. 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 is depreciated over 10 years. Depreciation is charged on Operational Community Assets which have a finite useful life.

8. CHARGES TO REVENUE ACCOUNTS FOR USE OF FIXED ASSETS

Charges for the use of fixed assets are made to the revenue accounts in order to determine the economic costs of operating services. The charges are accounted for as income in the authority's Asset Management Revenue Account which ensures that the capital charges have no overall effect on Council Tax or Housing Rent levels.

The capital charges made to service revenue accounts equate to the sum of depreciation, and where required impairment losses, plus a capital financing charge determined by applying a specified notional rate of interest to opening net asset values. The notional rates of interest used are 3.5% for assets included in the balance sheet at current value and 4.8% for assets included at historic cost.

The charge made to the Housing Revenue Account is an amount equivalent to the statutory capital financing charges as specified by the Local Government and Housing Act 1989. The Local Government Act 2003 requires that certain minimum sums be set aside from revenue

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for the repayment of outstanding debt. This is known as the Minimum Revenue Provision which is 4% of the Authority's Capital Financing Requirement. Where the Capital Financing Requirement is negative, no charge is made to the Consolidated Revenue Account. There is no longer a requirement to make a Minimum Revenue Provision in respect of the Housing Revenue Account.

Overall, the 2004/2005 accounts have been charged with sums equivalent to the minimum revenue provision plus actual external debt charges, with one adjustment being made to the Consolidated Revenue Account to reflect the difference between the minimum revenue provision and the depreciation charges levied.

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 and Nottingham City Councils, (both on the basis of a 5% increase in principal per annum).

9. DEFERRED CHARGES

Deferred Charges include expenditure which may be properly capitalised but which does not result in tangible or intangible fixed assets:

- Improvement Grants
- Other Capital Grants, Contributions, Feasibility Studies etc.
- 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 revenue in the same year in which the capital expenditure is incurred.

10. GRANTS AND CONTRIBUTIONS

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.

Revenue grants and contributions are credited to the appropriate revenue account and matched with the expenditure to which they relate.

Capital grants and contributions in respect of assets which are to be depreciated are credited to a government grants/contributions deferred account. Amounts are released from this account to offset depreciation charges for the assets concerned. Grants and contributions for assets which are not depreciated are taken direct to the Capital Financing Account.

Grants and contributions towards 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. BORROWING AND INVESTMENTS

The Council's policy is to minimise long term debt and during 2004/05 had none outstanding. 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. Daily cash flow surpluses and deficits are covered by the making of temporary investments and loans.

Interest receipts and investment income is held centrally and is not apportioned to service accounts or reserves. This income appears as a separate line in the Consolidated Revenue Account.

The Council has one long-term investment (see note 25.1 on page 42).

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12. DEBTORS & CREDITORS

Both the revenue and capital accounts are maintained on an accruals basis in accordance with the Code of Accounting Practice and FRS 18. That is, all sums due to the Council during the year are included in the accounts whether or not the cash has actually been received or paid in the year.

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 therefore it is unlikely to have a material effect on the year's accounts.

13. STOCKS AND WORK IN PROGRESS

Stocks and stores held in the Council's Depots, Extra Care Units and Leisure Centres (catering supplies only) 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.

14. SUPPORT SERVICE COSTS

All costs of management and administration have been fully allocated to services. The basis of allocation used for the main categories of management and administration are outlined below:

COST HEAD	BASIS OF CHARGE
Administrative Buildings	Area occupied
<u>Support Services:</u>	
Financial Services	Actual time spent by staff / usage statistics
Corporate Administration*	Actual time spent by staff / usage statistics
Personnel	Time spent and proportionate to number of employees per capita
Service Development	Actual time spent by staff
Service Department Administration	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)
Banking Services	Usage statistics
Central Print Room	Usage statistics
Central Reception	Usage statistics
Central Postages	Usage statistics

* Corporate Administration comprises Legal and Committee Services.

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15. PENSIONS

Pensions are accounted for in accordance with the 2004 Accounting Code Of Practice which requires full recognition of FRS 17 - Retirement Benefits. The policies reflect our commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund. Pension disclosures are included at Note 11 on pages 33 to 36.

16. TAXATION

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

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

17. CAPITAL RECEIPTS

Under the 1985 Housing Act, council tenants have the right to buy their dwellings. The proceeds of these sales, together with other disposals of assets that arise in the normal course of council activities are known as capital receipts.

With effect from April 2004, the Government requires that a proportion of Housing Revenue Account capital receipts be "pooled" i.e. returned to Government for redistribution. During 2004/05 the authority has benefited from transitional arrangements, available for authorities without any external debt, which means that 75% of the amount to be pooled has been retained for financing of housing capital expenditure

The usable proportion of capital receipts is immediately available to finance new capital expenditure.

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 Finance
- 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 FINANCE

The Head of Finance 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 Great Britain (The Code of Practice)

In preparing this Statement of Accounts, the Head of Finance has:

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

The Head of Finance has also:

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

ANNUAL STATEMENT OF ACCOUNTS 2004/05

STATEMENT OF INTERNAL CONTROL

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 ensuring that there is a sound system of internal control which facilitates the effective exercise of the authority's functions and which includes arrangements for the management of risk.

THE PURPOSE OF THE SYSTEM -The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance and effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at Gedling Borough Council for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts.

THE INTERNAL CONTROL ENVIRONMENT - The Internal Control environment supports the Authority in establishing, implementing and monitoring policies and objectives. The following documents establish these policies, aims and objectives at a high level:

- The Community Plan 2003-2008
- The Strategic Corporate Plan 2004-2007
- The Strategic Partnership Framework
- The Capital 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.

The Authority's Corporate Governance Framework demonstrates how the Authority meets defined standards of governance in relation to the policies and, aims and objectives. The Authority's Strategic Risk Register and Action Plan is incorporated within 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.

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:

- Corporate Governance review
- Performance Plan monitoring, review and regular reporting

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STATEMENT OF INTERNAL CONTROL

- 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
- Ensuring compliance with established policies, procedures, laws and regulations through the work of the monitoring officer, internal audit reviews and ensuring that staff are adequately trained and experienced
- A Risk Management process that is led by Senior Management for strategic risks
- A departmental operational risk register reviewed within the departments 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 the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by external auditors and other review agencies and inspectorates.

Measures to address the weaknesses and issues identified in the above reviews are included in the action plans for 2005/2006.

The constitution sets out the responsibility of members and senior managers, in particularly the posts of 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.

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 reviewing all framework policies and strategies contained within the Councils 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 Manager of Resource Services.

The findings of other external bodies such as the Audit Commission and other inspectorates, also inform the internal control system review.

The Authority was rated as a "Good" local authority under the comprehensive Performance Assessment in 2003.

ANNUAL STATEMENT OF ACCOUNTS 2004/05

STATEMENT OF INTERNAL CONTROL

SIGNIFICANT INTERNAL CONTROL ISSUES FROM 2003/04 - The following control issues were identified and reported in the Statement of Accounts for 2003/04:

- The findings of Internal and External Audit in relation to the Capital Accounting System.

Recommendations in relation to the Capital Scoring Methodology have been fully implemented. The Authority's Property Management Group has been specifically charged with addressing the issue of slippage within the capital programme. Changes to procedures will be implemented in 2005/06.

- Findings in relation to contract management for the One Stop Shop contract.

Recommendations made in relation to training have begun to take shape. De-briefs have highlighted the issue within departments and induction training for all new employees includes an introduction to Standing Orders and Financial Regulations. However, the training recommended for principal officers has not taken place and is planned for 2005.

- The results of the Planning Inspectorate review in relation to service delivery.

Performance in dealing with planning applications is now on target. The 2004/05 review was undertaken in February 2005 and the report issued in March. An action plan is being developed to address areas which are still of some concern and this plan will be available in September 2005.

- The development of an operational risk register for each service area.

This has taken place and is now fully operational. The operational register has been developed for each department and the departments update this on an ongoing basis. Annually a facilitated meeting to review all operational risks will be undertaken. This is no longer an issue of concern.

SIGNIFICANT INTERNAL CONTROL ISSUES FROM 2004/05 - The system of Internal Control is considered to have operated adequately in 2004/05, with the following exceptions:

- The requirement within the Authority's Financial Regulations for all Heads of Service and Heads of Unit to maintain a register of interests is not complied with in many departments.

Action will be taken to ensure that all qualifying interests will be appropriately recorded.

- The Authority's Business Continuity Plan has not yet been tested. The plan should also include the back-up procedures for IT systems with specific regard to Freedom of Information.

The plan will be completed and tested within 2005/06.

- The Authority's Risk Management Strategy requires updating.

This will be undertaken in 2005/06 and will reflect the major changes that have been facilitated and implemented across the authority in relation to Risk Management.

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 2005-06 have been created.

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STATEMENT OF INTERNAL CONTROL

We have been advised on 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:

Signature of Leading Member

Date

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

GEDLING BOROUGH COUNCIL

STATEMENT OF ACCOUNTS 2004/2005

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 2005, and its income and expenditure for the year then ended.

Signature:

Date:

MS Kimberley CPFA
Head of Finance

ANNUAL STATEMENT OF ACCOUNTS

INDEPENDENT AUDITORS' REPORT TO GEDLING BOROUGH COUNCIL

AUDIT CERTIFICATE AND OPINION

I have audited the statement of accounts on pages 3 to 17 and 22 to 62, which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 4 to 9.

This report is made solely to Gedling Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

RESPECTIVE RESPONSIBILITIES OF THE HEAD OF FINANCE AND AUDITOR

As described on page 12 the Head of Finance is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the statement of accounts present fairly the financial position of the Council and its income and expenditure for the year.

I review whether the statement on internal control on pages 13 to 16 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA 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 whether the statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

BASIS OF AUDIT OPINION

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council'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 statement of accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I evaluated the overall adequacy of the presentation of the information in the financial statements.

ANNUAL STATEMENT OF ACCOUNTS
INDEPENDENT AUDITORS' REPORT TO GEDLING BOROUGH COUNCIL
AUDIT CERTIFICATE AND OPINION

OPINION

In my opinion the statement of accounts presents fairly the financial position of Gedling Borough Council as at 31 March 2005 and its income and expenditure for the year then ended.

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.

Signature:

Date:

A Blackburn (District Auditor)
Audit Commission
Littlemoor House
Eckington
Sheffield S21 4EF

Main Financial Statements

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

CONSOLIDATED REVENUE ACCOUNT

	2003/04	2004/05			Cross Ref.
	Net £000s	Gross Exp £000s	Total Inc. £000s	Net Exp. £000s	Note Page
<u>Net Cost of Services:</u>					
Central Services to the Public:					
Local Taxation & Council Tax Benefits	1,093	6,808	(5,832)	976	
Elections & Electoral Registration	184	173	(33)	140	
Emergency Planning	4	3	0	3	
Land Charges	(45)	298	(260)	38	
Grants & Donations	437	469	(1)	468	
Cultural, Environmental & Planning Services:					
Culture & Related Services	3,908	7,831	(2,954)	4,877	
Environmental Services	3,597	5,406	(1,349)	4,057	
Planning Services	1,007	1,700	(973)	727	
Highways, Roads & Transport	686	759	(28)	731	
Housing Services:					
General Fund (Including Rent Allowances)	1,893	13,616	(12,965)	651	
Housing Revenue Account	5,636	17,204	(10,959)	6,245	
Corporate & Democratic Core	1,283	1,418	(28)	1,390	
Non Distributed Costs	88	569	(346)	223	
Net Cost of Continuing Services	19,771	56,254	(35,728)	20,526	
<u>Corporate Income & Expenditure:</u>					
Parish Precepts & Drainage Board Levy	269	275	0	275	
Asset Management Revenue A/C (Net)	(5,680)	4,314	(11,805)	(7,491)	4 31
Contribution to Housing Pooled Capital Receipts	0	375	0	375	
Interest & Investment Income	(427)	0	(280)	(280)	
Losses on Early Settlement of Loans	818	0	0	0	
Pensions Interest & Expected Return on Assets	706	2,577	(1,964)	613	
Net Operating Expenditure	15,457	63,795	(49,777)	14,018	

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CONSOLIDATED REVENUE ACCOUNT

	2003/04 £000s	2004/05 £000s	Cross Ref. Note Page	
Net Operating Expenditure (as above)	15,457	14,018		
<u>Appropriations</u>				
Surplus/(Deficit) Transferred to/(from) HRA	154	263		
Contributions to/(from) Earmarked Revenue Reserves	280	99	35	47
Contributions to/(from) Capital Reserves	(3,927)	(2,162)	5	31
Contributions to/(from) Pensions Reserve	(516)	(886)		
Contributions to/(from) Pensions Contribution Provision	50	88		
Transfer from Usable Capital Receipts re Housing Pooled Capital Receipts	0	(375)		
Amount to be met from Government Grant & Local Taxation	11,498	11,045		
<u>Principal Sources of Finance:</u>				
Precept demanded from the Collection Fund	(4,457)	(4,791)		
Transfers from the Collection Fund	(128)	7		
Revenue Support Grant	(2,830)	(3,433)		
Contributions from the Non-Domestic Rate Pool	(3,901)	(3,050)		
Reclassified "Earmarked" Reserves	0	(403)		
Net General Fund (Surplus)/Deficit for Year	182	(625)		
General Fund Balance Brought Forward 1 April	(1,652)	(1,470)		
General Fund Balance Carried Forward 31 March	(1,470)	(2,095)		

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2005

2003/2004		2004/2005		Cross Ref.	
£000s	£000s	£000s	£000s	Note	Page
		NET FIXED ASSETS:			
0		Intangible Assets			
		Operational Assets			
174,003		Council Dwellings & Shops	191,721		
17,074		Other Land & Buildings	17,783		
672		Vehicles, Plant, Furniture & Equipt.	1,408		
200		Infrastructure	198		
2,365		Community Assets	2,673		
1,752		Non-Operational Assets	12,797		
	196,066		226,675	13	37-38
	50	INVESTMENTS:			
		Long Term Investments	50		
		LONG TERM DEBTORS:			
79		Transferred Debt	73		
142		Mortgages	112		
153		Other	133	22	41
	374		318		
	196,490	TOTAL LONG TERM ASSETS			
		CURRENT ASSETS:			
1,750		Short Term Investment	2,000		
63		Work in Progress	16	23	42
208		Stocks in Hand	190	24	42
4,226		Debtors (net of Bad Debt Provision)	4,316	26	43
7		Cash at Bank and In Hand	452		
	6,254		6,974		
	202,744	TOTAL ASSETS			
		CURRENT LIABILITIES:			
(4,153)		Creditors	(5,135)	27	43
(332)		Cash Overdrawn	0		
	(4,485)		(5,135)		
	198,259	NET TOTAL ASSETS			
			228,882		

ANNUAL STATEMENT OF ACCOUNTS 2004/2005
CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2005

2003/2004			2004/2005		Cross Ref.	
£000s	£000s		£000s	£000s	Note	Page
	198,259	NET TOTAL ASSETS (from above)		228,882		
		LONG TERM LIABILITIES:				
(11,984)		Pensions Liability Account	(20,718)			
(565)		Deferred Liabilities (Incl Serviced Debt)	(506)		29	44
(221)		Provisions	(341)		36	48
	(12,770)			(21,565)		
	185,489	TOTAL ASSETS LESS LIABILITIES		207,317		
		FINANCED BY:				
1,150		Govt. Grants & Contributions Deferred	1,259		30	44
142		Deferred Capital Receipts	112		31	44
24,627		Capital Financing Account	25,944		32	45
164,764		Fixed Asset Restatement Account	194,727		33	45
3,258		Usable Capital Reserves	2,529		34	46
593		Major Repairs Reserve	12		34	46
(11,984)		Pensions Reserve	(20,718)			
1,403		Revenue Reserves	1,100		35	47-48
	183,953			204,965		
		REVENUE BALANCES:				
1,470		General Fund	2,095			
542		Housing Revenue Account	805			
(476)		Collection Fund	(548)			
	1,536			2,352		
	185,489	TOTAL NET WORTH		207,317		

ANNUAL STATEMENT OF ACCOUNTS 2004/2005
STATEMENT OF TOTAL MOVEMENT IN RESERVES

Revenue Reserves:	General Fund	Collection Fund	Housing Revenue Account	Pensions Reserve	Other Specific Reserves	Sub Total (Revenue Reserves)
	£000s	£000s	£000s	£000s	£000s	£000s
Balance BFwd 1 April 2004						
Surplus / (Deficit)	1,470	(476)	542	(11,984)	1,403	(9,045)
 Net Surplus/(Deficit) for Year	625	(72)	263	(8,734)	(303)	(8,221)
 Unrealised Gains/(Losses) from Revaluation of Fixed Assets	0	0	0	0	0	0
 Impairment losses on fixed assets arising from revaluation	0	0	0	0	0	0
 Effects of disposals of Fixed Assets:						
Cost/Value of Assets	0	0	0	0	0	0
Proceeds from Disposals	0	0	0	0	0	0
 Financing of Fixed Assets	0	0	0	0	0	0
 Total Recognised Gains & Losses	625	(72)	263	(8,734)	(303)	(8,221)
 Balance CFwd 31 March 2005						
Surplus / (Deficit)	2,095	(548)	805	(20,718)	1,100	(17,266)

Further details in respect of Revenue Reserves can be found as follows:

General Fund	Consolidated Revenue Account on pages 22 to 23
Collection Fund	Collection Fund Revenue Accounts on pages 54 to 56
Housing Revenue Account	Housing Revenue Account on pages 57 to 62
Other Specific Reserves	Note 35 on pages 47 to 48

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

STATEMENT OF TOTAL MOVEMENT IN RESERVES (Continued)

Capital Reserves:	Capital Financ'g Account £000s	F'xd Asset Rest'mt Account £000s	Usable Capital Reserves £000s	Deferred Grants/ Receipts £000s	Sub Total (Capital Reserves) £000s	Total (Revenue & Capital) £000s
Balance BFwd 1 April 2004						
Surplus / (Deficit)	24,627	164,764	3,851	1,292	194,534	185,489
Net Surplus/(Deficit) for Year	0	0	0	(30)	(30)	(8,251)
Unrealised Gains/(Losses) from Revaluation of Fixed Assets	0	33,182	0	0	33,182	33,182
Impairment losses on fixed assets arising from revaluation	0	(649)	0	0	(649)	(649)
Effects of disposals of Fixed Assets:						
Cost/Value of Assets	0	(2,570)	0	0	(2,570)	(2,570)
Proceeds from Disposals	0	0	1,842	0	1,842	1,842
Financing of Fixed Assets	1,317	0	(3,152)	109	(1,726)	(1,726)
Total Recognised Gains & Losses	1,317	29,963	(1,310)	79	30,049	21,828
Balance CFwd 31 March 2005						
Surplus / (Deficit)	25,944	194,727	2,541	1,371	224,583	207,317

Further details in respect of Capital Reserves can be found as follows:

Capital Financing Account	Note 32 on page 45
Fixed Asset Restatement Accounts	Note 33 on page 45
Usable Capital Reserves	Note 34 on page 46
Government Grants Deferred/Deferred Capital Receipts	Notes 30 & 31 on page 44

The value of assets disposed of within the Fixed Asset Restatement Accounts includes £485,770 in respect of eleven PRC dwellings, which were transferred to East Midlands Housing Association Ltd. at nil value. This is the Existing Use-Social Housing valuation.

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

CONSOLIDATED CASH FLOW STATEMENT

2003/04				2004/05		
£000s	£000s	£000s		£000s	£000s	£000s
			REVENUE ACTIVITIES			
			Cash Outflows			
12,767			Cash paid to & on behalf of Employees	12,743		
12,128			Other Operating cash payments	12,555		
6,782			Housing Benefits paid out	7,215		
15,735			NNDR payments to the National Pool	14,667		
41,650			Precepts paid	43,881		
0			Contrib'n to Housing Pooled Capital Recpts	325		
	89,062				91,386	
			Cash Inflows			
(3,510)			Rents (after Rebates)	(3,443)		
(40,808)			Council Tax Income	(43,460)		
(3,901)			NNDR Receipts from National Pool	(3,050)		
(15,263)			NNDR Receipts from Ratepayers	(14,880)		
(2)			Community Charge Receipts	0		
(2,830)			Revenue Support Grant	(3,433)		
(11,105)			DWP Grant for Benefits	(12,942)		
(2,773)			Other Government Grants (see note 39e)	(2,685)		
(5,232)			Cash received for Goods & Services	(6,483)		
(3,820)			Other Operating cash receipts	(4,414)		
	(89,244)				(94,790)	
		(182)	Net Revenue Cashflow (note 39a)			(3,404)
			RETURNS ON INVESTMENT & SERVICING OF FINANCE			
			Cash Outflows			
674			Interest Paid	0		
1			Interest element of Finance Lease Rentals	1		
	675				1	
	(407)		Cash Inflows		(232)	
		268	Interest Received			(231)
			CAPITAL ACTIVITIES			
			Cash Outflows			
4,337			Purchase & Improvement of Fixed Assets	4,234		
1,229			Deferred Charges	974		
	5,566				5,208	
(3,858)			Cash Inflows			
(614)			Sales of Fixed Assets	(2,020)		
(175)			Capital Grants Received	(467)		
			Other Capital cash receipts	(172)		
	(4,647)				(2,659)	
		919				2,549
		1,005	Net Cash (Inflow)/Outflow before Financing			(1,086)

ANNUAL STATEMENT OF ACCOUNTS 2004/2005
CONSOLIDATED CASH FLOW STATEMENT (Continued)

2003/04				2004/05		
£000s	£000s	£000s		£000s	£000s	£000s
			MANAGEMENT OF LIQUID RESOURCES (Note 39d)			
		(6,700)	Net Incr / (Decr) in Short Term Deposits			250
			FINANCING (Note 39d)			
			Cash Outflows			
6,023			Repayment of Debt	0		
72			Repayment of Debt serviced by other LAs	55		
4			Capital element of Finance Lease Rentals	4		
	6,099				59	
	0		Cash Inflows		0	
		6,099	Temporary Loans			59
		404	Net (Increase)/Decrease in Cash			(777)

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

NOTES TO THE ACCOUNTS

1. PRIOR YEAR ADJUSTMENTS, EXCEPTIONAL AND EXTRAORDINARY ITEMS

Prior Year Adjustments

There are no prior year adjustments to be made in respect of the 2003/04 Statement of Accounts.

Exceptional and Extraordinary Items

There are no material Exceptional or Extraordinary items to be reported. There are no acquired or discontinued operations.

2. AGENCY SERVICES

The Council carries out certain works on an Agency basis, for which reimbursement is received on an agreed formula leaving residual sums representing net administrative costs not recovered. The Authority's Highways Section supervises work carried out on the district's highways for Notts. County Council. This includes footway repairs, road surface maintenance and street lighting maintenance. Total Expenditure in 2004/05 was £3,150,363 (£2,846,750 in 2003/04). This Agency arrangement was terminated on 31 March 2005.

New Agency arrangements have been set up with Nottinghamshire County Council in respect of grass verge maintenance and other environmental maintenance.

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.

	2003/04 £	2004/05 £
Expenditure	403,495	479,523
Income	(466,310)	(514,120)
(Surplus) / Deficit transferred to Building Control Reserve	(62,815)	(34,597)

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

NOTES TO THE ACCOUNTS

4. ASSET MANAGEMENT REVENUE ACCOUNT

	2003/04		2004/05	
	£000s	£000s	£000s	£000s
Income:				
Capital Charges - General Fund (incl Direct Services)	(1,952)		(3,087)	
Housing Revenue Account	(7,711)		(8,593)	
Debt serviced for Other Authorities	(5)		(2)	
Government Grants / Contributions Deferred	(10)		(123)	
		(9,678)		(11,805)
Expenditure:				
Provision for Depreciation & Impairment	3,376		4,218	
External Interest Charges	509		0	
Finance Lease Interest	1		5	
Prior Year adjustment re Finance Leases	(5)		(4)	
Debt Management Expenses	8		8	
Debt serviced by Other Authorities	109		87	
		3,998		4,314
Balance to Consolidated Revenue Account		(5,680)		(7,491)

5. CONTRIBUTIONS TO / (FROM) CAPITAL RESERVES

	2003/04		2004/05	
	£000s	£000s	£000s	£000s
Non Housing Amount	266		237	
Commutation adjustment	(210)		(70)	
Sub Total - Net Statutory MRP	56		167	
Amount charged as Depreciation & Impairment	(1,122)		(1,796)	
Net Provision for Repayment of Loans		(1,066)		(1,629)
Capital Expenditure from Revenue Account (CERA)		153		576
Government Grants / Contributions Deferred		10		123
Appropriation re Losses on Early Settlement of Loans		(818)		0
Contribution from Major Repairs Reserve		(274)		(484)
Amortisation of Deferred Charges		(1,932)		(748)
Balance to Consolidated Revenue Account		(3,927)		(2,162)

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

NOTES TO THE ACCOUNTS

6. 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:

	2003/04 £	2004/05 £
Recruitment	67,572	59,195
Other	1,821	3,200
Total Relevant Expenditure	69,393	62,395

7. OPERATING LEASES

In previous years, the Council's policy has been to acquire vehicles and equipment through operating leases. However, following the introduction of the Prudential Code, alternative sources of finance were utilised during 2004/05. The capital value of assets acquired under operating leases was therefore Nil, (£438,786 in 2003/04). Lease rental payments in respect of existing leased assets amounted to £565,610 in 2004/05 (£566,562 in 2003/04). These figures include payments in respect of Joint Use Centres.

The following table sets out the Council's Operating Lease commitments for the next year, 2005/06:

	In respect of Commitments Expiring:			
	2005/06 £	Yr 2-5 £	After Yr 5 £	Total £
Vehicles, Plant & Equipment	115,524	293,997	0	409,521
Total Operating Lease Commitments 2005/06	115,524	293,997	0	409,521

8. 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.

	2003/04 Number	2004/05 Number
£50,000 to £59,999	3	8
£60,000 to £69,999	1	1
£70,000 to £79,999	2	1
Total Number of Employees	6	10

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

NOTES TO THE ACCOUNTS

9. 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.

	2003/04 £	2004/05 £
Audit Services carried out by the appointed auditor	92,975	62,950
Statutory Inspections	15,800	7,550
Grant Certification	26,143	22,607
Total	134,918	93,107

10. 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.

	2003/04 £	2004/05 £
Basic Allowance	165,687	163,511
Special Responsibility Allowance	78,343	78,559
Car Allowances	3,666	5,578
Conferences	5,729	4,976
Subsistence	413	65
Total Members' Allowances	253,838	252,689

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

11. 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.

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

NOTES TO THE ACCOUNTS

11. PENSIONS - FRS 17 RETIREMENT BENEFITS (Continued)

The cost of retirement benefits is recognised in the Consolidated Revenue Account (CRA) 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 of the CRA after Net Operating Expenditure. The following transactions have been made in the CRA during the year:

CRA Transactions in the Year:

Net Cost of Services:

Current Service Cost

Past Service Cost

Net Operating Expenditure:

Interest Cost

Expected Return on Assets

Amounts to be met from Govt Grants and

Local Taxation:

Movement on Pension Reserve

Actual amount charged against Council Tax for Pensions in the year:

Employers' contributions payable to scheme

2003/04 £000s	2004/05 £000s
1,040	1,421
116	223
2,326	2,577
(1,620)	(1,964)
(516)	(886)
1,346	1,371

Pension Fund Assets and Liabilities:

The underlying assets and liabilities for retirement benefits in the County Council's scheme which are attributable to Gedling Borough Council at 31 March 2005 are:

	31/03/04 £m	31/03/05 £m
Estimated Share of Assets in the Pension Fund	29.304	32.278
Estimated Share of Liabilities in the Pension Fund	41.288	52.996
Gedling Borough Council's Net Assets / (Liabilities)	(11.984)	(20.718)

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £20.718m has a substantial impact on the net worth of the authority as recorded in the balance sheet, reducing it by 9.1%. 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 the employees, as assessed by the scheme actuary.

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

NOTES TO THE ACCOUNTS

11. PENSIONS - FRS 17 RETIREMENT BENEFITS (Continued)

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. The last full valuation was at 31 March 2004, and their assumptions are:

	31/03/04	31/03/05
	%	%
Rate of Inflation	2.80	2.90
Rate of increase in Salaries	4.30	4.65
Rate of increase in Pensions	2.80	2.90
Rate for discounting scheme liabilities	6.30	5.40

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:

	31/03/04		31/03/05	
	Prop'n of Investment	Rate of Return	Prop'n of Investment	Rate of Return
	%	%	%	%
Equity Investments	62.90	7.50	63.30	7.50
Government Bonds	12.10	4.70	13.80	4.70
Other Bonds	7.90	5.50	4.60	5.40
Property	11.20	6.50	14.30	6.50
Cash/Liquidity	5.90	4.00	2.00	4.75
Other Assets	0.00	0.00	2.00	7.50

Statement of Actuarial Gains and Losses

The actuarial gains identified as movements on the pensions reserve in 2004/05 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2005:

	31/03/05	
	Gain/(Loss)	Gain/(Loss)
	£	%
Differences between expected and actual return on assets	1,416	4.4
Differences between actuarial assumptions about liabilities, and actual experience	(201)	(0.4)
Changes in the demographic and financial assumptions used to estimate liabilities	(9,123)	(17.2)
Net Gain (Loss)	(7,908)	
Comparative total for 2003/04	2,882	

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

NOTES TO THE ACCOUNTS

11. PENSIONS - FRS 17 RETIREMENT BENEFITS (Continued)

In accordance with the 2004 Code of Practice on Local Authority Accounting, with effect from 1 April 2004 there has been a change in the Discount Rate for Defined Benefit Pension Scheme Liabilities from a rate determined by the Government Actuaries Department to the AA Corporate Bond Rate. The effect of the change in Discount Rate is included in the above 'change in the demographic and financial assumptions' figure and equates to a loss of £5.478 million.

12. RELATED PARTY TRANSACTIONS

Financial Reporting Standard 8 requires local authorities to disclose details of transactions with Related Parties. This is to draw attention to the possibility of the reported financial position being affected by either the existence of these Related Parties, or 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 28 to 29
Precepts from other Local Authorities	Collection Fund Accounts, pages 54 to 56
Agency Arrangements	Note 2, page 30
Superannuation Contributions	Note 11, pages 33 to 36
Members' Allowances	Note 10, page 33
Chief Officers' Leased Cars	Included within Note 8, page 32

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

Other Local Authorities (excluding previously disclosed items)
Grants to Parishes
Partners in Capital Projects (excluding other Local Authorities)
National Heritage Lottery Fund

Receipts £000s	Payments £000s
(788)	1,180
0	217
(66)	0
(165)	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:

	Receipts £000s	Payments £000s
British Telecommunications plc	0	109
Citizens' Advice Bureau	0	37
Gedling CVS	0	43
Gedling Primary Care Trust	15	0
Mapperley Golf Club	40	0
Netherfield Forum	0	83
Nottingham Groundwork Trust	0	18
Post Office Counters	0	47
Richard Herrod Bowls Club	78	0

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 Debtors and Creditors in respect of Related Parties are included within notes 26 and 27 on page 43.

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

NOTES TO THE ACCOUNTS

13. 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 1/4/04	174,110	17,166	899	323	2,565	1,774	0	196,837
Cumulative:								
Depreciation	(59)	(60)	(227)	(123)	(200)	(22)	0	(691)
Impairment	(48)	(32)	0	0	0	0	0	(80)
Net Book Value 1 April 04	174,003	17,074	672	200	2,365	1,752	0	196,066
Mvts in Year:								
Revaluations	17,295	2,274	0	0	0	11,195	0	30,764
Additions	2,813	111	808	30	376	631	95	4,864
Disposals	(2,371)	(202)	0	0	0	0	0	(2,573)
Wr.Out/Demolish'd	0	0	0	0	0	(26)	0	(26)
Transfers	0	220	71	0	159	(450)	0	0
Depreciation:								
In Year	(2,440)	(298)	(143)	(32)	(227)	(5)	0	(3,145)
W/O-certif'd revaln	2,408	15	0	0	0	11	0	2,434
W/O-sold/transfd	13	3	0	0	0	0	0	16
Impairment:								
price decrease	0	(342)	0	0	0	(311)	0	(653)
deterioration	0	(1,072)	0	0	0	0	0	(1,072)
Net Book Value 31 March 05	191,721	17,783	1,408	198	2,673	12,797	95	226,675
Analysis of Value:								
Historical/Revalued	191,847	18,155	1,778	353	3,100	12,813	95	228,141
Cumulative:								
Depreciation	(78)	(340)	(370)	(155)	(427)	(16)	0	(1,386)
Impairment	(48)	(32)	0	0	0	0	0	(80)
Net Book Value at 31 March 05	191,721	17,783	1,408	198	2,673	12,797	95	226,675

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

NOTES TO THE ACCOUNTS

13. 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 the Council's Estates and Valuation Manager and a number of assets were found to have suffered impairment losses, some as a result of deteriorating faster than anticipated and some as a result of general price decreases.

In cases of impairment for deteriorating assets, a new certified valuation has been obtained and the losses dealt with in the year, and therefore no accumulated impairment has been carried forward.

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.

The increase in Non Operational Assets from £1.752m to £12.797m is primarily due to the identification of areas of Non Operational land that are surplus to requirements and are pending sale or redevelopment.

14. 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	17,783	1,401	198	2,673	11,009	82	33,146
Direct Services	0	0	7	0	0	0	0	7
Housing Revenue Account	191,721	0	0	0	0	1,788	13	193,522
Total at 31/3/05	191,721	17,783	1,408	198	2,673	12,797	95	226,675

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

NOTES TO THE ACCOUNTS

15. FIXED ASSETS BY TYPE

	31 March 04		31 March 05	
	£000s	Number	£000s	Number
Council Dwellings	172,673	3,527	190,466	3,481
Council Shops	650	15	594	14
Council Garages	680	787	661	787
Public Offices	2,739	6	4,871	6
Depots and Workshops	821	1	856	1
Business Units	463	23	449	23
Public Conveniences	330	12	293	12
Car Parks	2,592	18	2,572	18
Recreation Areas and Pavilions	1,250	18	1,554	19
Community Centres Gedling Borough Council operated	1,970	6	1,397	5
Sure Start operated	199	1	309	1
Community Association operated	277	1	274	1
Cemetery Chapels	144	2	136	2
Leisure Centres - Gedling Borough Council operated	5,728	2	4,626	2
Allotments	279	11	141	10
Other Land & Buildings	282	n/a	305	n/a
Total Land & Buildings (including Council Dwellings)	191,077		209,504	
Vehicles, Plant, Furniture & Equipment	672		1,408	
Infrastructure	200		198	
Community Assets	2,365		2,673	
Non-Operational Assets (Including Assets Under Construction & Housing Land)	1,752		12,797	
Intangible Assets	0		95	
Total	196,066		226,675	

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

NOTES TO THE ACCOUNTS

16. 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 the Authority's Estates and Valuation Manager, a Chartered Surveyor.

(b) Council Dwellings

In line with guidance issued by the ODPM for Housing Resource Accounting, Council Dwellings were valued as at 1 April 2004. A further desk-top revaluation undertaken as at 1 April 2005 has been reflected in the closing asset balance recorded in these financial statements.

(c) Business Units and Industrial Parks

Business Units and Other Land & Buildings in Note 15 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 £448,602. The gross value of the assets is £1,413,000.

17. GRANTS AND CONTRIBUTIONS IN RESPECT OF FIXED ASSETS

Grants and contributions totalling £463,153 were received during 2004/05. Of this amount, £184,000 was applied to Improvement Grants and £42,552 to Other Deferred Charges. The sum of £232,601 was transferred to Government Grants Deferred in respect of assets to be depreciated, and the remaining £4,000 was transferred to the Capital Financing Account.

18. ASSETS ACQUIRED UNDER FINANCE LEASES

The gross value of Vehicle and Plant acquired under Finance Leases is £16,585. Accumulated depreciation amounts to £10,029, leaving net assets on the Consolidated Balance Sheet of £6,556. This is matched by a deferred liability (see also note 29 on page 44). The total depreciation allocated for 2004/05 is £3,802.

The Council's outstanding obligation in respect of Finance Leases, net of financing charges, is £3,802 in the next financial year, 2005/06, and £2,754 in each of the following two years.

19. DEFERRED CHARGES

	Imprvm't Grants £000s	Other Cap Exp. (incl. Regen Wk) £000s	Total Deferred Charges £000s
Balance at 1 April 2004	0	0	0
Expenditure in Year	662	312	974
Grants Applied in Year	(184)	(42)	(226)
Charged to Revenue in Year	(478)	(270)	(748)
Balance at 31 March 2005	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 7.

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

NOTES TO THE ACCOUNTS

20. CAPITAL EXPENDITURE AND FINANCING

Capital Investment:

Operational Assets	3,812	4,138
Non Operational Assets (including Asset Under Construction)	460	631
Deferred Charges	1,229	974
Intangible Assets	0	95

2003/04 £000s	2004/05 £000s
3,812	4,138
460	631
1,229	974
0	95
5,501	5,838
1,056	0
1,333	2,842
544	225
327	238
2,307	3,091
(66)	(558)
5,501	5,838

Sources of Finance:

Borrowing	1,056	0
Capital Receipts	1,333	2,842
Government Grants	544	225
Other Contributions	327	238
Revenue Contributions	2,307	3,091
Movement in Capital Creditors	(66)	(558)

21. SIGNIFICANT COMMITMENTS UNDER CAPITAL CONTRACTS

Major capital contracts entered into, but not paid for at 31 March 2005 were as follows:

Housing - Kitchen Replacement	69
Housing - Walls, Windows & Doors	278
Arnot Hill Park Improvements	112
Cavendish Road - New Play Area	85
Cavendish Road - Teenage Facilities	54

Total

31/3/05 £000s
69
278
112
85
54
598

These figures represent the amounts remaining to be paid during 2005/06, and not the full contract values.

22. OTHER LONG TERM DEBTORS

Employee Car Loans	145	128
Local Loans	8	5

Total

31/3/04 £000s	31/3/05 £000s
145	128
8	5
153	133

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

NOTES TO THE ACCOUNTS

23. WORK IN PROGRESS

Rechargeable Works
Direct Services Unit

Total

31/3/04	31/3/05
£000s	£000s
12	16
51	0
63	16

24. STOCKS

Direct Services Unit
Housing
Other

Total

31/3/04	31/3/05
£000s	£000s
179	158
3	3
26	29
208	190

25. LONG TERM INVESTMENT AND BORROWING

25.1 Investments

There were no movements in long term investments during 2004/05. At 1 April 2004 and 31 March 2005, the Authority had £ 50,000 invested in offices now used by the Local Government Association (formally the Association of District Councils [Properties] Ltd.) This investment is due to mature in 2011, with a return dependant on the sale value of the relevant property.

25.2 Long Term Borrowing

In the light of transitional arrangements to allow debt free authorities to reduce the amount of Housing Capital Receipts payable to the national pool, the Council's outstanding PWLB debt was repaid in March 2004. The Council subsequently remained debt free throughout 2004/05.

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

NOTES TO THE ACCOUNTS

26. DEBTORS

	31/3/04 £000s	31/3/05 £000s
Customs & Excise	91	162
Government Departments	742	1,188
Nottinghamshire County Council (see note 1)	0	743
Non Domestic Ratepayers' Arrears	654	625
Council Taxpayers' Arrears	1,454	1,579
Court Cost Arrears	69	95
Housing Rents	306	299
Sundry Debtor Arrears	1,244	828
Other General Debtors	1,197	529
General Payments in Advance	396	360
Total Debtors	6,153	6,408
Less Provisions for Bad Debts:		
General Debtors (see note 2)	(230)	(299)
Rent Allowances & Rent Rebates	(38)	(49)
Collection Fund Arrears	(1,479)	(1,563)
Housing Tenants (see note 3)	(180)	(181)
Net Debtors per Consolidated Balance Sheet	4,226	4,316

1. From 2004/05, additional disclosure has been made of sums relating to Notts CC, previously included within Other General Debtors.
2. 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%).
3. Based on ODPM formula

27. CREDITORS

	31/3/04 £000s	31/3/05 £000s
Government Departments	26	1
Nottinghamshire County Council (see note 1)	9	226
Non Domestic Ratepayers' Credits Held	389	400
Community Chargepayers' Credits Held	1	0
Council Taxpayers' Credits Held	125	169
Housing Rents	115	110
General Creditors	2,667	3,408
General Receipts in Advance (incl. Rechargeable Works)	821	821
Total	4,153	5,135

1. From 2004/05, additional disclosure has been made of sums relating to Notts CC, previously included within General Creditors.

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

NOTES TO THE ACCOUNTS

28. POST BALANCE SHEET EVENTS

There are no significant post balance sheet events to be reported.

29. DEFERRED LIABILITIES

Deferred Liabilities represent the principal element of finance lease rentals outstanding at the end of the year. The amounts on the Consolidated Balance Sheet match the value of the assets acquired under finance leases included within Fixed Assets (see Note 18 on page 40). When finance lease rentals are paid, the principal element will be charged to Deferred Liabilities to reduce the outstanding balance.

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:

	31/3/04 £000s	31/3/05 £000s
Nottinghamshire County Council	26	26
Nottingham City Council	27	8
Broxtowe Borough Council	502	466
Total Transferred Assets	555	500
Principal element of Finance Leases	10	6
Total Deferred Liabilities per Consolidated Balance Sheet	565	506

30. 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.

	2003/04 £000s	2004/05 £000s
Balance as at 1 April	(637)	(1,150)
New Grants Received	(540)	(233)
Released to Offset Depreciation	27	124
Balance as at 31 March	(1,150)	(1,259)

31. 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.

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

NOTES TO THE ACCOUNTS

32. CAPITAL FINANCING ACCOUNT

	2003/04		2004/05	
	£000s	£000s	£000s	£000s
Balance BFwd 1 April		24,391		24,627
Amounts set aside:				
Minimum Revenue Provision (less Depreciation)	(1,066)		(1,629)	
Reserved Capital Receipts	2,533		0	
Transfer HRA Dwellings Deprn Provision to MRR	(2,254)		(2,422)	
		(787)		(4,051)
Capital Financing:				
Usable Capital Receipts Applied	1,333		2,842	
Capital Contributions Applied	80		4	
Usage of Major Repairs Allowance	2,155		2,518	
Capital Expenditure Financed from Revenue	153		573	
		3,721		5,937
Serviced Debt Redeemed		72		56
Amortisation of Deferred Charges & Infrastructure		(1,932)		(748)
Amortisation of Mortgage Loan		(30)		0
Amortisation of Govt.Grants/Contributions Deferred		10		123
Appropri'n re Losses on Early Settlement of Loans		(818)		0
Net Movement in Year		236		1,317
Balance CFwd 31 March		24,627		25,944

33. FIXED ASSET RESTATEMENT ACCOUNT

	General Fund £000s	Direct Services £00s	Sub Total Non HRA £000s	HRA £000s	Total £000s
Balance BFwd 1 April 2004	13,200	87	13,287	151,477	164,764
Revaluations & Restatements	13,479	0	13,479	19,703	33,182
Impairment Revaluations arising from price decreases	(649)	0	(649)	0	(649)
Disposal of Assets	(213)	0	(213)	(2,357)	(2,570)
Net Movement in Year	12,617	0	12,617	17,346	29,963
Balance CFwd 31 March 2005	25,817	87	25,904	168,823	194,727

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

NOTES TO THE ACCOUNTS

34. USABLE CAPITAL RESERVES

	2003/04		2004/05	
	£000s	£000s	£000s	£000s
Usable Capital Receipts:				
Balance at 1 April	3,004		3,133	
Usable Capital Receipts generated in year	1,462		2,217	
Capital Receipts Applied	(1,333)		(2,842)	
Contribution to Housing Pooled Capital Receipts	0		(375)	
Balance at 31 March		3,133		2,133
Unapplied Capital Contributions:				
Balance at 1 April	209		125	
Contributions received in year	606		538	
Contributions Applied	(690)		(279)	
Balance at 31 March		125		384
Capital Expenditure Reserve:				
Balance at 1 April	0		0	
Contributions received in year	0		12	
Contributions Applied	0		0	
Balance at 31 March		0		12
Sub Total per Consolidated Balance Sheet		3,258		2,529
Major Repairs Reserve:				
Balance at 1 April	768		593	
Contributions received in year	2,274		2,440	
Contributions Applied	(2,449)		(3,021)	
Balance at 31 March		593		12
Total Balance at 31 March per Statement of Movement in Reserves	0	3,851	0	2,541

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

NOTES TO THE ACCOUNTS

35. REVENUE RESERVES

	BFwd 01/04/04 £000s	Transfd 2004/05 £000s	Receipts 2004/05 £000s	Pyts 2004/05 £000s	CRA Mvt 2004/05 £000s	CFwd 31/03/05 £000s
Direct Services Reserve Fund	139	(139)	0	0	0	0
Leisure Management Reserve	24	(24)	0	0	0	0
Insurance Fund	384		141	(18)	123	507
Housing Benefits Reserve Fund	78	(50)	47	0	47	75
IT Equipment Replacement Fund	228		63	(126)	(63)	165
Netherfield Regeneration Reserve	19		0	(11)	(11)	8
Risk Management Fund	16		3	(9)	(6)	10
Project 2000 Reserve	4	(4)	0	0	0	0
Innovations Fund	129	(129)	0	0	0	0
Community & Crime Reserve	53		0	(30)	(30)	23
Job Evaluation Reserve	10	(10)	0	0	0	0
Building Control Reserve	139		35	(4)	31	170
Leasing Reserve	72		11	0	11	83
Disabled Adaptations Reserve	41		14	(17)	(3)	38
Section 106 Revenue Reserve	14		3	(3)	0	14
Other	53	(46)	0	0	0	7
Total	1,403	(402)	317	(218)	99	1,100

During 2004/05, certain reserves previously earmarked for specific purposes were reclassified as General Reserves, and transferred to the General Fund. This movement had no net effect on the Consolidated Revenue Account. The Council continues to set aside the following reserves for specific purposes:

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

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

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

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

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.

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

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.

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

NOTES TO THE ACCOUNTS

35. REVENUE RESERVES (Continued)

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.

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

Section 106 Agreements Reserve - this reserve is operated in order to meet expenditure plans associated with the planning approval process.

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

See also paragraph 3 of the Statement of Accounting Policies on page 4.

36. GENERAL PROVISIONS

	BFwd 01/04/04 £000s	Receipts 2004/05 £000s	Pyts 2004/05 £000s	Net Mv't 2004/05 £000s	CFwd 31/03/05 £000s
Damaged or Redundant Stock (Depot Stock)	18	15	(17)	(2)	16
Honeywood Gardens Compensation	0	17	0	17	17
Carlton Forum Gas Provision	0	77	0	77	77
Mortuary Charges	23	0	0	0	23
Newton Road Sewer	130	0	0	0	130
Pension Contributions for Early Retirement	50	31	(3)	28	78
Total	221	140	(20)	120	341

Bad Debts - calculated on a formula basis relative to the time the debts have been outstanding for each year. These provisions are deducted from Debtors on the Consolidated Balance Sheet.

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

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.

Newton Road Sewer - to provide for the possible costs of repairing the sewer on Newton Road in Gedling, damaged by contractors employed by the Housing Department.

Pension Contributions for Early Retirement - to provide for the pension strain commitments arising from early retirement decisions, which are payable to the Nottinghamshire County Council Pension Fund.

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

NOTES TO THE ACCOUNTS

37. CONTINGENT LIABILITIES

There are no significant contingent liabilities outstanding.

38. INSURANCE

At 31 March 2005, the Authority had six claims outstanding with Municipal Mutual Insurance Company Ltd. (MMI). The company 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.

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 six outstanding claims. Cover was provided by Independent from March 1992 to March 1998.

During 2004/05, Gedling placed the majority of its insurances directly with Zurich Municipal, however, Nottinghamshire County Council provide the cover for the Joint Use Leisure Centres.

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 2005 was £507,000. There are no material risks which are unfunded.

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

NOTES TO THE ACCOUNTS

39. NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT

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

2003/04			2004/05	
£000s	£000s		£000s	£000s
	847	Deficit / (Surplus) for Year		(816)
		Non Cash Transactions		
(1,122)		Depreciation	(1,796)	
1,066		Minimum Revenue Provision (MRP) adjustment	1,629	
(153)		Contribution to Capital Expenditure	(576)	
(1,611)		Contributions (to)/from Reserves & Provisions (including transfer to Major Repairs Reserve)	(2,157)	
	(1,820)			(2,900)
		Accrual Adjustments		
24		Increase/(Decrease) in Stocks	(18)	
13		Increase/(Decrease) in Works in Progress	(47)	
552		Increase/(Decrease) in Revenue Debtors	496	
542		(Increase)/Decrease in Revenue Creditors	(296)	
	1,131			135
	(268)	Net Cost of Servicing of Finance		232
	(72)	Serviced Debt Principal		(55)
	(182)	Net Cashflow from Revenue Activities		(3,404)

(b) Analysis of Debt

	1 April 2004 £000s	Cash Flow £000s	Non Cash Flow £000s	31 March 2005 £000s
Cash in Hand/(Overdrawn)	(325)	777	0	452
Short Term Investments / (Borrowing)	1,750	250	0	2,000
Long Term Borrowing	0	0	0	0
Debt serviced by Other Local Authorities	(555)	55	0	(500)
Capital element of Finance Leases	(10)	4	0	(6)
Total Net Debt	860	1,086	0	1,946

Net Debt excludes Long Term Investments

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

NOTES TO THE ACCOUNTS

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

2003/04			2004/05	
£000s	£000s		£000s	£000s
(404)		Increase / (Decrease) in Cash in the period	777	
(6,700)		Cash (Inflow)/Outflow from mvt Short Term Inv.	250	
6,023		Cash Outflow from decr in Long Term Borr.	0	
72		Cash Outflow from repayment of Serviced Debt	55	
4		Cash Outflow from payment of Fin. Lease Prin.	4	
		Change in Net Debt resulting from Cash Flows		1,086
	(1,005)			
	5	Revaluation of Finance Lease (non cash)		0
	(1,000)	Movement in Net Debt in the period		1,086
	1,860	Net Debt at 1 April		860
	860	Net Debt at 31 March		1,946

(d) Analysis of Movements in Financing and Liquid Resources

2003/04 Movement £000s		01/04/04 £000s	31/03/05 £000s	2004/05 Movement £000s
	FINANCING:			
6,023	PWLB	0	0	0
72	Debt Serviced by Other LAs	555	500	55
6,095	Total Long Term Borrowing	555	500	55
4	Capital element of Finance Leases	10	6	4
5	Revaluation of Finance Leases (non-Cash)	0	0	0
9	Total Finance Leases	10	6	4
6,104	Total Financing	565	506	59
	LIQUID RESOURCES:			
	Short Term Investments:			
(6,700)	Short Term Deposits	1,750	2,000	250
(6,700)	Total Liquid Resources	1,750	2,000	250

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

NOTES TO THE ACCOUNTS

(e) Analysis of Other Government Grants for Revenue Services

2003/04 £000s		2004/05 £000s
(143)	Housing Subsidies (HRA)	(16)
(1,980)	Housing Subsidy Major Repairs Allowance	(1,937)
(20)	Housing Defects (HRA Properties)	(20)
(338)	Housing Defects (Reinstatements)	(338)
(201)	Home Office (Crime Reduction)	(192)
(75)	Planning Delivery Grant	(121)
(16)	Homelessness Directorate	(40)
0	Recycling	(21)
(2,773)	Total Other Revenue Grants Paid by Central Government	(2,685)

It should be noted that in addition to Revenue Grants, the sum of £0.534m was paid by Central Government in 2004/2005 in respect of Capital Expenditure (£0.360m in 2003/04).

Other Financial Statements

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

COLLECTION FUND REVENUE ACCOUNT

2003/04			2004/05		
£000s	£000s	£000s	£000s	£000s	£000s
INCOME					
Council Tax Income Account:					
(50,689)			(54,225)		
(216)			(276)		
	(50,905)			(54,501)	
(1)			(1)		
1,097			1,143		
62			55		
4,431			4,704		
4,502			5,133		
	10,091			11,034	
	(40,814)			(43,467)	
	(4,502)			(5,133)	
		(45,316)			(48,600)
Net Council Tax Income					
NNDR Income Account:					
(17,343)			(17,530)		
266			511		
967			807		
	(16,110)			(16,212)	
Net Sum Due					
642			677		
184			90		
0			0		
(106)			26		
(495)			20		
340			358		
4			5		
2			2		
73			91		
4			4		
0			0		
(39)			(49)		
	609			1,224	
	(15,501)			(14,988)	
100			100		
30			37		
	130			137	
		(15,371)			(14,851)
Net NNDR Income					

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

NOTES TO THE COLLECTION FUND ACCOUNTS

1. NNDR

- (a) Non Domestic Rateable Value at 31 March
(b) Multiplier

2003/04	2004/05
37,529,071	38,453,266
44.4p	45.6p

2. COUNCIL TAX

Chargeable Dwellings in each Band (Band D equivalent):

Note: Disability Reduction reduces the Council Tax charge to a lower Band. In the case of Band A, this results in the creation of a Band A*.

Band A*
Band A
Band B
Band C
Band D
Band E
Band F
Band G
Band H

2003/04 Number	2004/05 Number
11	12
7,658	7,644
9,627	9,636
7,505	7,531
5,768	5,824
3,771	3,809
1,578	1,609
1,134	1,129
120	123
37,172	37,317

Council Tax Base

3. SIGNIFICANT PRECEPTS & DEMANDS ON THE FUND

- Nottinghamshire County Council Precept
Nottinghamshire Police Authority Precept
Combined Fire Authority
Gedling Borough Council Demand (Including Parish element)

2003/04 £000s	2004/05 £000s
36,951	37,097
4,063	4,482
0	2,130
4,457	4,791

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

HOUSING REVENUE ACCOUNT

2003/04 ACTUAL £		2004/05 ACTUAL £
	INCOME:	
(7,554,205)	Dwelling Rents (Gross)	(7,782,359)
(250,959)	Non Dwelling Rents (Gross)	(252,521)
(520,001)	Charges for Services & Facilities	(525,085)
(396,587)	Supporting People	(441,151)
	EXCHEQUER SUBSIDIES	
(321,101)	Housing Subsidy 1989 Act Regulations	0
(1,979,810)	Major Repairs Allowance	(1,937,522)
(19,849)	Housing Defects Act 1984	(19,849)
(11,042,512)	TOTAL INCOME	(10,958,487)
	LESS EXPENDITURE:	
1,365,292	Housing General Management	1,470,413
690,804	Housing Special Services	707,154
22,299	Homeless Accommodation	32,947
1,948,875	Housing Repairs	2,004,034
61,115	Rents, Rates & Other Taxes	68,762
523,339	Supporting People	515,090
0	Repayment of Negative Housing Subsidy	3,741,871
4,276,237	Housing Benefits - Rent Rebates (GF from 1/4/04)	0
5,389,215	Capital Charge - Notional Interest	6,152,700
2,254,181	Capital Financing - Depr'n (Dwellings)	2,421,906
19,675	Capital Financing - Depr'n (Other)	18,470
0	Capital Financing - Amortisation Deferred Charges	14,730
48,100	Capital Financing - Impairment (Garages)	0
68,468	Bad Debt Prov'n/ Other Prov'ns & Write Offs	47,590
31,596	Non Distributed Costs - Pensions	0
0	Contribution to General Fund (Benefits)	28,051
16,699,196	TOTAL EXPENDITURE	17,223,718
	NET COST OF SERVICES	6,265,231
(5,389,215)	Capital Charge - Notional Interest	(6,152,700)
0	Capital Financing - Amortisation Deferred Charges	(14,730)
(156,558)	Capital Financing Charges	(255,087)
(41,487)	Interest on HRA Balances	(44,160)
(14,882)	Mortgage Interest	(7,575)
(48,100)	Impairment	0
0	Pensions Interest & Return on Assets	68,980
6,442	NET OPERATING EXPENDITURE	(140,041)

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HOUSING REVENUE ACCOUNT (Continued)

2003/04 ACTUAL £		2004/05 ACTUAL £
6,442	NET OPERATING EXPENDITURE	(140,041)
124,500	APPROPRIATIONS:	455,300
3,119	Capital Expenditure from Revenue Account (CERA)	(75,083)
5,788	Contributions to / (from) Pensions Reserve	0
(294,046)	Contributions to / (from) Pension Contrib'n Provision	(502,854)
(154,197)	Transfers to / (from) Major Repairs Reserve	
(387,793)	(SURPLUS) / DEFICIT FOR YEAR	(262,678)
(541,990)	Balance at Beginning of Year	(541,990)
	BALANCE AT END OF YEAR	(804,668)

NOTES TO THE HOUSING REVENUE ACCOUNT

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

	Year of Construction				
	Pre 1919	1919 to 1944	1945 to 1964	After 1964	Total
2004/05					
Houses	186	586	656	153	1,581
Flats	10	0	352	1,173	1,535
Bungalows	0	33	132	84	249
Extra Care Units	0	0	0	106	106
Homeless Accommodation	0	10	0	0	10
	196	629	1,140	1,516	3,481
2003/04					
Houses	189	595	673	154	1,611
Flats	10	0	362	1,178	1,550
Bungalows	0	33	133	84	250
Extra Care Units	0	0	0	106	106
Homeless Accommodation	0	10	0	0	10
	199	638	1,168	1,522	3,527
Movement in Year					
Houses	(3)	(9)	(17)	(1)	(30)
Flats	0	0	(10)	(5)	(15)
Bungalows	0	0	(1)	0	(1)
Extra Care Units	0	0	0	0	0
Homeless Accommodation	0	0	0	0	0
	(3)	(9)	(28)	(6)	(46)

ANNUAL STATEMENT OF ACCOUNTS 2004/2005

NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

2. Homeless accommodation is provided at numbers 22-24 Balmoral Road, Colwick. This Hostel comprises two dwellings, but guidance from the ODPM 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**

	2003/04 £	2004/05 £
Current Tenants' Arrears	136,418	129,370
Former Tenants' Arrears	113,529	134,579
Total	249,947	263,949
Amounts relating to the HRA, written off during the year	27,739	28,210
Total Arrears as a percentage of the total gross amount due	2.85%	2.92%
Provision for Bad Debts	180,180	180,660

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

	2003/04 £	2004/05 £
48 Week basis	45.08	47.28
52 Week basis	41.61	43.64

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	172,673	650	680	0	174,003	38	174,041
Balance at 31 March	190,466	594	661	13	191,734	1,788	193,522

As at 31 March 2005, the vacant possession value of dwellings within the Housing Revenue Account was £307.2m, compared to the balance sheet value of £190.5m 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.

ANNUAL STATEMENT OF ACCOUNTS 2004/2005
NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

7. Major Repairs Reserve:

	2003/04 £000s	2004/05 £000s
Balance 1 April	768	593
Depreciation on HRA Assets	2,274	2,440
Appropriation to HRA	(294)	(503)
Financing of HRA Capital Expenditure	(2,155)	(2,518)
Balance at 31 March	593	12

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.

8. Summary of HRA Capital Expenditure:

	2003/04 £000s	2004/05 £000s
Total HRA Capital Expenditure	2,108	2,841
Financed By:		
Revenue Contributions (CERA)	125	455
Grants and Contributions	27	7
Major Repairs Reserve	2,155	2,518
Movement on Capital Creditors	(199)	(139)
Total Financing	2,108	2,841

9. HRA Capital Receipts from Disposal of Fixed Assets:

	2003/04 £000s	2004/05 £000s
Right to Buy Sales	3,291	1,982
Land Sales	48	97
Total HRA Capital Receipts	3,339	2,079

ANNUAL STATEMENT OF ACCOUNTS 2004/2005
NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

10. Capital Charges:

Capital Charges are made to the Housing Revenue Account in respect of all fixed assets used in the provision of the service. The charge to Net Cost of Services equals the provision for depreciation (representing the cost of using the assets) and a capital financing charge calculated by applying a notional interest rate of 3.5% to the net amount at which the asset is included in the balance sheet (representing the cost of tying up resources in the asset).

A Capital Asset Accounting Adjustment is made within Net Operating Expenditure, which reverses out the notional interest charge and replaces it with the Housing Revenue Account's share of the actual interest costs.

11. Summary of Depreciation Charges:

Operational Assets:

Dwellings

Garages

Non Operational:

Housing Land

Total Depreciation Charges

31/03/04 £000s	31/03/05 £000s
2,254	2,422
20	18
2,274	2,440
0	0
2,274	2,440

12. Impairment:

No impairment charges were made to the Housing Revenue Account during 2004/05.

13. Deferred Charges:

During 2004/05 Deferred Charges of £14,730 in respect of software implementation were made to the Housing Revenue Account.

ANNUAL STATEMENT OF ACCOUNTS 2004/2005
NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

14. Analysis of Housing Subsidy Entitlement:

Subsidy Element:

Management & Maintenance

Major Repairs Allowance

Charges for Capital

Rent Rebates

Admissible Allowance

Anti Social Behaviour Allowance

Interest on Receipts

Guideline Rent Income

Net Subsidy Entitlement

2003/04 £000s	2004/05 £000s
3,666	3,963
1,980	1,938
84	91
4,286	0
0	25
0	1
(18)	(14)
(7,697)	(7,824)
2,301	(1,820)

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 after Net Operating Expenditure by a contribution to or from the Pensions Reserve. In 2004/05 the contribution from the Pension Reserve was £75,083.

16. Housing Benefits - Rent Rebates:

Under Resource Accounting for the Housing Revenue Account (HRA) introduced in 2001/02, rent rebates in respect of HRA dwellings were to be removed from the HRA subject to legislation. With effect from April 2004 rent rebate costs and subsidy are now charged to the General Fund and any unsubsidised Incentive Area Costs are now met from the General Fund. Under transitional arrangements, a transfer can be made from the HRA to the General Fund to offset the impact of the new arrangements. The Authority transferred £28,051 from the HRA to the General Fund in 2004/05 and the financial effect on the HRA for the change in accounting arrangement is neutral.

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This is the Official Audited Version, published 31 October 2005
by the Finance Department