



**GEDLING**  
BOROUGH COUNCIL

**ANNUAL STATEMENT OF ACCOUNTS**

**2006/07**

# ANNUAL STATEMENT OF ACCOUNTS 2006/2007

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## EXPLANATORY FOREWORD

**INTRODUCTION** - The Accounting Statements for the year 2006/2007 are set out in the following pages. In accordance with the Statement of Recommended Practice (SORP) 2006, 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 18 to 20.

**THE STATEMENTS AND THEIR RELATIONSHIP TO EACH OTHER** - Significant changes to the core statements have been made in 2006/07, with the Consolidated Revenue Account being replaced by the Income & Expenditure Account. This statement is fundamental to the understanding of the authority's activities, in that it reports the net cost for the year of all the functions for which the authority is responsible, and demonstrates how that cost has been financed from government grants and income from local taxpayers. The intention of the new statement is to ensure compliance with the UK Generally Accepted Accounting Principles (UK GAAP), however, certain items required to be charged or credited to the General Fund, and which must therefore be taken into account when setting the Council Tax, are determined by statute and non-statutory proper practice, rather than UK GAAP. Accordingly, a Statement of Movement on the General Fund Balance is required to reconcile the surplus or deficit on the Income and Expenditure Account with the balance held on the General Fund.

The Statement of Movement in Reserves has been replaced by the Statement of Total Recognised Gains and Losses (STRGL). Not all gains and losses experienced by the authority are reflected in the Income & Expenditure Account, since they do not arise from operating performance. An example of such items are actuarial gains and losses on the Pension Fund. The STRGL reconciles the movement on the Income and Expenditure Account to the movement in the Authority's net worth, and it is a requirement that it be given the same prominence as the other primary statements.

The Consolidated Balance Sheet has been renamed the Balance Sheet, to follow both the change from the Consolidated Revenue Account to the Income & Expenditure Account, and the classification of the Collection Fund and the Housing Revenue Account as supplementary statements.

Following the introduction of the new accounting statements it has been necessary to restate the comparative figures for 2005/06. A reconciliation of the movement from the Consolidated Revenue Account to the Income and Expenditure Account presentation has been included at note 1 to the core statements.

**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. A significant change to the policy regarding charges for fixed assets has resulted from the introduction of SORP 2006, in that notional interest charges have been abolished. The treatment of government grants deferred has also changed, with a new requirement to post the credits to the relevant service accounts rather than to the Asset Management Revenue Account (AMRA), which has also been abolished.

**FINANCIAL OVERVIEW** - The financial outturn for 2006/07 shows the council underspending against capital, General Fund and Housing Revenue Account budgets. It is pleasing to note that further improvements have been made in the monitoring of the capital programme, and that improvements with regard to revenue and HRA have been maintained. Significant points to note are:

- Overall, the improvements in outturn financial performance have been maintained.
- The General Fund budgets included an employee vacancy provision of £122,000. Overall, the actual savings in employee costs were £105,000 in excess of this provision.
- Following implementation of the Rushcliffe Shared Service Agreement and IBS Benefits System for sundry debtors, it has been necessary to establish new bad debt provisions. In addition, a significant provision is still held for outstanding Gedling debtors system items, owing to the age of the debts. Contributions to these provisions have been charged to the revenue accounts.
- Fees and charges income is still showing signs of customer resistance, which may have a further impact in the medium term if the council continues with a policy of above inflation increases.

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Overall, 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.

**REVENUE EXPENDITURE** – Net General Fund Expenditure on services for 2006/07 totalled £12.794m. The Council originally budgeted to take £0.286m from General Fund balances in 2006/07. These accounts show that, due to underspendings and additional Local Authority Business Growth Incentive grant, the sum of £1.272m was transferred into the General Fund, leaving a year-end balance of £3.316m. 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, £0.45m has been earmarked to finance revenue budgets carried forward from 2006/07 to 2007/08.

**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 £1.35m as detailed on pages 56 to 61. This is higher than originally estimated by £0.456m due to underspending on Housing Repairs and additional interest received from the General Fund as a result of higher interest rates.

**PENSIONS** – The pensions liability of £18.6m 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 62 to 64. During the year 98.3% of the Council Tax due was collected, and 98.7% of the National Non Domestic Rate due was collected on behalf of the Government. These rates represent an improvement on those reported for 2005/06 due to the successful implementation and operation of the new Revenues and Benefits system.

The Collection Fund Revenue Account shows a deficit of £1.294m, which is within acceptable tolerances given that in excess of £70m worth of Local Taxation is accounted for in this fund. In accordance with SORP2006 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 £8.261m is set out on page 42 together with how it has been financed.

The Council has outstanding borrowing of £10m, all of which is held with the Public Works Loan Board (PWLb). Following advice from Treasury advisors, borrowing has 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 has continued 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.

A new community centre at Honeywood Gardens was completed during the year, at a cost of £350,000. Following a revaluation, investment land held by the Council at Teal Close, Netherfield, increased in value by £1m.

**SUMMARY** – the Statement of Accounts reports the final position for the authority for 2006/07. It relates to the Performance Plan for 2006/07 published in March 2006. The council continues to report a strong financial position, and has plans in place for future developments in service delivery, for example the reintroduction of weekly bin collections during the summer months.

**MS KIMBERLEY, CPFA**

Head of Corporate Services, June 2007

# ANNUAL STATEMENT OF ACCOUNTS 2006/2007

## STATEMENT OF ACCOUNTING POLICIES

### 1. GENERAL

The Statement of Accounts summarises the Council's transactions for the 2006/07 financial year and its position at the year-end of 31 March 2007. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2006 (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 44 and 49.

### 4. RESERVES

Earmarked revenue reserves are amounts set aside out of the balances of the Council's funds for specific purposes or for contingencies. Usable capital reserves are amounts available to finance capital expenditure and include usable capital receipts, capital contributions 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 revenue account in that year, to score against the Net Cost of Services in the Income & Expenditure Account.

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The reserve is then appropriated back to the Statement of Movement on General Fund Balance so that there is no net charge against Council Tax for the expenditure.

The implementation of FRS 17 – Retirement Benefits (see paragraph 15 below) required the creation of a pensions 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.

Details of the reserves held at 31 March 2007 are included in note 32 to the core financial statements, on page 48.

### 5. 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 the Authority's Acting 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 of prices is transferred to the fixed asset restatement account to recognise unrealised gains or losses. 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 Income & Expenditure Account.

### 6 INTANGIBLE FIXED 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.

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

### 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.

Disclosures in respect of leases are made at note 5 to the core financial statements on page 32.

### 8. 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 Acting 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</u> Years
Council Dwellings	35-62
Public Conveniences	24-85
Business Centres	30
Car Parks	15
Pavilions	7-100
Community Centres	35-65
Cemetery Chapels/Lodge	100
Leisure Centres	30-45
Public Offices	15-186
Depot	15-16
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 Acting Estates and Valuation Manager. This ensures that assets are recorded in the financial statements at no more than their recoverable amount (see paragraph 5 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.

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Infrastructure is depreciated over 10 years. Depreciation is charged on Operational Community Assets which have a finite useful life.

### **9. CHARGES TO REVENUE ACCOUNTS FOR USE OF FIXED ASSETS**

From 1 April 2006 notional interest has been abolished. It has therefore been necessary to restate the comparative figures for 2005/06 in the 2006/07 Statement of Accounts. 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
- 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 an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the capital financing requirement, excluding amounts attributable to HRA activity). 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 financing 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).

### **10. 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
- 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 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 financing 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.

### **11. 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.

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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.

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

Capital grants and contributions in respect of assets which are to be depreciated are credited to a government grants & contributions deferred account. Amounts are then released from this account to service revenue accounts to offset the depreciation charges for the specific assets concerned. This treatment represents a change for 2006/07 following the abolition of the Asset Management Revenue Account (AMRA). Previously the government grants deferred credit was treated a "corporate credit" to AMRA.

Grants and contributions for assets which are not depreciated are taken direct to the Capital Financing 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.

### **12. BORROWING AND INVESTMENTS**

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 Net Operating Expenditure the Income & Expenditure Account, together with gains on the repurchase or early settlement of borrowing.

The Council has one long-term investment and this is disclosed at note 22.1 to the core financial statements on page 43.

### **13. 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.

### **14. 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 2006. The total absorption costing principle is used – full costs 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

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

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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)
• Banking Services	Usage statistics
• Central Print Room	Usage statistics
• Central Reception	Usage statistics
• Central Postages	Usage statistics

### 15. 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 is the AA Corporate Bond Rate which can change from year to year. Where the rate changes and is used in calculating scheme liabilities this constitutes a change in estimation technique. During 2006/07 there was an increase in the discount rate from 2% real (4.9% actual) at the start of the year to 2.3% real (5.4% actual) at the end of the year. Application of the increased rate has resulted in a decrease in year end liabilities of £3.164m

Full pension disclosures are included at Note 9 to the core financial statements, on pages 34 to 36.

### 16. 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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### 17. DISPOSALS AND 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 has required that a proportion of Housing Revenue Account capital receipts be "pooled" i.e. returned to Government for redistribution. The authority has benefited from transitional arrangements available for authorities without any external debt at 1 April 2004. In 2004/05 this benefit was 75%, reducing to 50% in 2005/06 and to 25% for 2006/07, meaning that 25% 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.

Capital receipts arising from the sale of other tangible and intangible fixed assets are credited to the Usable Capital Receipts reserve, which can then only be used for new capital investment or set aside to reduce the Council's borrowing requirement.

Under the SORP 2006, any gains and losses on the disposal of fixed assets are required to be debited or credited to the Income and Expenditure Account. These are then reversed out by a matching entry on the Statement of Movement on General Fund Balance.

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.

# **Control Statements**

# **ANNUAL STATEMENT OF ACCOUNTS 2006/2007**

## **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

# ANNUAL STATEMENT OF ACCOUNTS 2006/07

## 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 2007 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 Strategy 2006-2008
- The Strategic Corporate Plan 2005-2008
- 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. All of these documents are available on the Council's website at [www.gedling.gov.uk](http://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 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.

# ANNUAL STATEMENT OF ACCOUNTS 2006/07

## STATEMENT OF INTERNAL CONTROL

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
- 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 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.

# **ANNUAL STATEMENT OF ACCOUNTS 2006/07**

## **STATEMENT OF INTERNAL CONTROL**

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 2007/2008.

The constitution sets out the responsibility of members and senior managers, in particular 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. 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 new corporate risk scorecard.

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 operating satisfactorily

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 2006/07

## STATEMENT OF INTERNAL CONTROL

**SIGNIFICANT INTERNAL CONTROL ISSUES FROM 2005/06** - The following control issues were identified and reported in the Statement of Accounts for 2005/06 and remain outstanding: -

- It was highlighted in the 2005/06 Statement that the requirement within the Authority's Financial Regulations for all Heads of Service and Heads of Unit to maintain a register of interests was not complied with in many departments. Procedures have been developed across a number of departments, however, further action is required to ensure that all qualifying interests are disclosed across all departments.
- The Authority's Business Continuity Plan has been reviewed and updated. Formal testing procedures will be developed and deployed during 2007/08. This will provide a key feed into the development of the Disaster Recovery plan.

**SIGNIFICANT & EMERGING INTERNAL CONTROL ISSUES FROM 2006/07** - The system of Internal Control is considered to have operated adequately in 2006/07, however, consideration should be given to the following emerging issues: -

- Implications of the outputs of the Comprehensive Spending review 2007 on the medium and long-term financial strategy.
- LSVT – management of the corporate “overhang” through costs absorption.
- Partnership Risk – the Authority will need to review its approach to Partnership Risk, and consider associated control issues as and when the number and complexity of partnership activity changes.

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 2007/08 have been created.

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:

Signature of Leading Member

Date:

**ANNUAL STATEMENT OF ACCOUNTS 2006/2007**

**GEDLING BOROUGH COUNCIL**

**STATEMENT OF ACCOUNTS 2006/2007**

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 2007, and its income and expenditure for the year then ended.

**Signature:**

**Date:**

**MS Kimberley CPFA  
Head of Corporate Services**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GEDLING BOROUGH COUNCIL**

**OPINION ON THE FINANCIAL STATEMENTS**

I have audited the financial statements of Gedling Borough Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These financial statements have been prepared under the accounting policies set out within them. 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 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 Auditors**

The Head of Corporate Services' responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the '*Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006*' are set out in the Statement of Responsibilities.

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 financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the '*Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006*'.

I review whether the statement on internal control reflects compliance with CIPFA's guidance '*The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003*' issued in 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, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not 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 financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword and summary accounts. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, 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 financial statements 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 financial statements.

## ANNUAL STATEMENT OF ACCOUNTS 2006-2007

### Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the '*Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006*', the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended.

Signature

Date

Andrew Blackburn, District Auditor  
Audit Commission, Littlemoor House, Littlemoor, Eckington, Sheffield S21 4EF  
September 2007

### 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 to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

#### 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.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

## ANNUAL STATEMENT OF ACCOUNTS 2006-2007

### 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 2007.

### BEST VALUE PERFORMANCE PLAN

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 on 30 November 2006. 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.

Signature

Date

Andrew Blackburn, District Auditor  
Audit Commission, Littlemoor House, Littlemoor, Eckington, Sheffield S21 4EF  
September 2007

# **Core Financial Statements**

# ANNUAL STATEMENT OF ACCOUNTS 2006/2007

## INCOME & EXPENDITURE ACCOUNT

2005/06		2006/07		
Net £000s		Gross Exp £000s	Total Inc. £000s	Net Exp. £000s
	<b><u>Net Cost of Services:</u></b>			
	Central Services to the Public:			
1,004	Local Taxation & Council Tax Benefits	8,644	(7,802)	842
156	Elections & Electoral Registration	127	(9)	118
15	Emergency Planning	32	0	32
0	Land Charges	238	(284)	(46)
463	Grants & Donations	496	(1)	495
	Cultural, Environmental & Planning Services:			
3,346	Culture & Related Services	7,398	(3,223)	4,175
4,403	Environmental Services	6,315	(1,720)	4,595
612	Planning Services	1,767	(1,330)	437
659	Highways, Roads & Transport	1,229	(31)	1,198
	Housing Services:			
772	General Fund (Including Rent Allowances)	15,738	(14,784)	954
(287)	Housing Revenue Account	6,979	(7,631)	(652)
1,646	Corporate & Democratic Core	1,857	(4)	1,853
243	Non Distributed Costs	(888)	0	(888)
13,032	<b>Net Cost of Services</b>	<b>49,932</b>	<b>(36,819)</b>	<b>13,113</b>
	<b><u>Corporate Income &amp; Expenditure:</u></b>			
278	Parish Precepts & Drainage Board Levy			291
167	Interest Payable & similar charges			344
504	Contribution to Housing Pooled Capital Receipts			734
(400)	Interest & Investment Income			(589)
735	Pensions Interest & Expected Return on Assets			557
14,316	<b>Net Operating Expenditure</b>			<b>14,450</b>
(5,059)	Precept demanded from the Collection Fund			(5,252)
2	Transfers from the Collection Fund			78
(3,802)	Revenue Support Grant			(1,430)
(3,212)	Contributions from the Non-Domestic Rate Pool			(6,888)
(185)	LA Business Growth Incentive Scheme (LABGI)			(755)
0	Other General Grants Received			(192)
2,060	<b>General Fund (Surplus)/Deficit for Year</b>			<b>11</b>

## ANNUAL STATEMENT OF ACCOUNTS 2006/2007

### 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.

2005/06		2006/07
£000s		£000s
2,060	(Surplus)/Deficit for the year on the Income & Expenditure Account	11
(2,009)	Net additional amount required by statute and non-statutory proper practice to be debited or credited to the General Fund Balance for the year	(1,283)
51	<b>(Increase)/Decrease in General Fund Balance for the Year</b>	<b>(1,272)</b>
(2,095)	General Fund Balance Brought Forward at 1 April	(2,044)
(2,044)	<b>General Fund Balance Carried Forward at 31 March</b>	<b>(3,316)</b>

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 2006/2007

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

2005/06		2006/07
£000s		£000s
	<b>Amounts included in the Income &amp; Expenditure Account, but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>	
(925)	Depreciation and impairment of Fixed Assets	(1,378)
(289)	Depreciation charged to HRA in excess of MRA	(223)
101	Government Grants Deferred Amortisation	225
0	Government Grants applied to assets not likely to depreciate	96
(747)	Write-down of Deferred Charges to be financed from capital resources	(986)
(2,519)	Net charges made for Retirement Benefits in accordance with FRS17	(1,467)
(4,379)		(3,733)
	<b>Amounts not included in the Income &amp; Expenditure Account but required by statute when determining the Movement on the General Fund Balance for the year</b>	
187	Minimum Revenue Provision for capital financing	298
876	Capital Expenditure charged in-year to the General Fund Balance (CERA)	549
(504)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(734)
1,523	Employer's contributions payable to the Nottinghamshire County Council Pension Fund and retirement benefits payable direct to pensioners	1,560
2,082		1,673
	<b>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</b>	
76	Housing Revenue Account Balance	470
41	Voluntary Revenue Provision for capital financing	34
171	Net transfer to/from earmarked reserves	273
288		777
	<b>Net additional amount required to be credited to the General Fund Balance for the year</b>	
(2,009)		(1,283)

## ANNUAL STATEMENT OF ACCOUNTS 2006/2007

### 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.

2005/06		2006/07
£000s		£000s
2,060	Deficit/(Surplus) for the year on the Income & Expenditure Account	11
34,293	Revaluation of Fixed Assets	(5,062)
1,096	Pension Reserve-Actuarial (gains)/losses on Pension Fund assets & liabilities	(4,079)
(53)	Pension Reserve-movement on Pension Strain contribution	(25)
78	Movement in Collection Fund balance (Gedling BC share only)	(34)
353	New Unapplied Capital Contributions received in year	(149)
(158)	New Unapplied Capital Receipts received in year	(56)
37,669	<b>Total Recognised (Gains)/Losses for the year</b>	<b>(9,394)</b>

2005/06		2006/07
£000s	<b>Reconciliation to Balance Sheet:</b>	£000s
206,540	Net Worth per Balance Sheet at 1 April	168,871
168,871	Net worth per Balance Sheet at 31 March	178,265
37,669	<b>Movement in Net Worth</b>	<b>(9,394)</b>

# ANNUAL STATEMENT OF ACCOUNTS 2006/2007

## BALANCE SHEET AS AT 31 MARCH 2007

2005/2006		2006/2007		Cross Ref.	
£000s	£000s	£000s	£000s	Note	Page
<b>NET FIXED ASSETS:</b>					
<b>Intangible Assets</b>					
273		376			
<b>Operational Assets</b>					
156,622		161,672			
17,369		18,127			
2,862		3,473			
178		142			
3,413		3,463			
13,390		13,760			
	194,107		201,013	11	38-39
<b>Non-Operational Assets</b>					
	50		50	22	43
<b>INVESTMENTS:</b>					
<b>LONG TERM DEBTORS:</b>					
66		60			
91		71		28	45
155		112		19	42
	312		243		
	194,469		201,306		
<b>TOTAL LONG TERM ASSETS</b>					
<b>CURRENT ASSETS:</b>					
6,050		8,660			
9		16		20	43
92		113		21	43
6,147		7,190		23	44
271		40			
	12,569		16,019		
	207,038		217,325		
<b>TOTAL ASSETS</b>					
<b>CURRENT LIABILITIES:</b>					
(6,763)		(7,349)		24	44
(3)		(360)			
	(6,766)		(7,709)		
	200,272		209,616		
<b>NET TOTAL ASSETS</b>					

**ANNUAL STATEMENT OF ACCOUNTS 2006/2007**  
**BALANCE SHEET AS AT 31 MARCH 2007 (Continued)**

2005/2006			2006/2007		Cross Ref.	
£000s	£000s		£000s	£000s	Note	Page
	200,272	<b>NET TOTAL ASSETS (from above)</b>		<b>209,616</b>		
		<b>LONG TERM LIABILITIES:</b>				
(6,000)		Long Term Borrowing (PWLB)	<b>(10,000)</b>		22	43
(279)		Provisions	<b>(200)</b>		33	49
(1,904)		Govt. Grants & Contributions Deferred	<b>(2,165)</b>		27	45
(462)		Deferred Liabilities (Incl Serviced Debt)	<b>(426)</b>		26	45
(22,756)		Pensions Liability Account	<b>(18,560)</b>		9	34-36
	(31,401)			<b>(31,351)</b>		
	168,871	<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>178,265</b>		
		<b>FINANCED BY:</b>				
91		Deferred Capital Receipts	<b>71</b>		28	45
26,187		Capital Financing Account	<b>25,907</b>		29	46
158,971		Fixed Asset Restatement Account	<b>162,709</b>		30	46
2,295		Usable Capital Reserves	<b>2,038</b>		31	47
32		Major Repairs Reserve	<b>0</b>		31	47
(22,756)		Pensions Reserve	<b>(18,560)</b>		9	34-36
1,257		Revenue Reserves	<b>1,530</b>		32	48
	166,077			<b>173,695</b>		
		<b>REVENUE BALANCES:</b>				
2,044		General Fund	<b>3,316</b>			
880		Housing Revenue Account	<b>1,350</b>			
(130)		Collection Fund (GBC Share Only)	<b>(96)</b>			
	2,794			<b>4,570</b>		
	168,871	<b>TOTAL NET WORTH</b>		<b>178,265</b>		

# ANNUAL STATEMENT OF ACCOUNTS 2006/2007

## CASH FLOW STATEMENT

2005/06			2006/07		
£000s	£000s	£000s	£000s	£000s	£000s
			<b>REVENUE ACTIVITIES</b>		
			<b>Cash Outflows</b>		
13,150			Cash paid to & on behalf of Employees	14,028	
11,421			Other Operating cash payments	10,402	
7,616			Housing Benefits paid out	9,076	
15,650			NNDR payments to the National Pool	17,981	
46,076			Precepts paid	48,620	
465			Contrib'n to Housing Pooled Capital Recpts	709	
	94,378			100,816	
			<b>Cash Inflows</b>		
(3,479)			Rents (after Rebates)	(3,430)	
(44,444)			Council Tax Income	(46,530)	
(3,212)			NNDR Receipts from National Pool	(6,888)	
(16,009)			NNDR Receipts from Ratepayers	(17,024)	
(3,802)			Revenue Support Grant	(1,430)	
(13,855)			DWP Grant for Benefits	(15,396)	
(2,748)			Other Government Grants (see note 37e)	(3,976)	
(8,712)			Cash received for Goods & Services	(7,293)	
(1,090)			Other Operating cash receipts	(1,014)	
	(97,351)			(102,981)	
		(2,973)	<b>Net Revenue Cashflow (note 37a)</b>		
			<b>RETURNS ON INVESTMENT &amp; SERVICING OF FINANCE</b>		
			<b>Cash Outflows</b>		
	148		Interest Paid	167	
			<b>Cash Inflows</b>		
	(313)		Interest Received	(458)	
		(165)			(291)
			<b>CAPITAL ACTIVITIES</b>		
			<b>Cash Outflows</b>		
6,488			Purchase & Improvement of Fixed Assets	5,119	
911			Deferred Charges	1,528	
	7,399			6,647	
			<b>Cash Inflows</b>		
(1,642)			Sales of Fixed Assets	(1,400)	
(499)			Capital Grants Received	(768)	
(31)			Other Capital cash receipts	(80)	
	(2,172)			(2,248)	
		5,227			4,399
		2,089	<b>Net Cash (Inflow)/Outflow before Financing</b>		
					1,943

**ANNUAL STATEMENT OF ACCOUNTS 2006/2007**

**CASH FLOW STATEMENT (Continued)**

2005/06				2006/07		
£000s	£000s	£000s		£000s	£000s	£000s
			<b>MANAGEMENT OF LIQUID RESOURCES</b> (Note 37d)			
		4,050	Net Incr / (Decr) in Short Term Deposits			<b>2,610</b>
			<b>FINANCING</b> (Note 37d)			
			<b>Cash Outflows</b>			
0			PWLB Loans Repaid	<b>2,000</b>		
41			Repayment of Debt serviced by other LAs	<b>34</b>		
4			Capital element of Finance Lease Rentals	<b>1</b>		
	45				<b>2,035</b>	
	(6,000)		<b>Cash Inflows</b>			
		(5,955)	PWLB Loans Received		<b>(6,000)</b>	<b>(3,965)</b>
		<b>184</b>	<b>Net (Increase)/Decrease in Cash</b>			<b>588</b>

# ANNUAL STATEMENT OF ACCOUNTS 2006/2007

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. PRIOR YEAR ADJUSTMENTS, EXCEPTIONAL AND EXTRAORDINARY ITEMS

#### Prior Year Adjustments

In the 2006/07 Statement of Accounts, the council has adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income & Expenditure Account:

- (a) Capital financing charges for the use of fixed assets are no longer made to service revenue accounts and support services
- (b) Credits for government grants deferred are now posted to service revenue accounts and support services, rather than credited as a corporate income item
- (c) Gains and losses on the disposal of fixed assets are recognised in the Income & Expenditure Account

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts (only figures that have changed are included in the table). Please note that there were no gains or losses on the disposal of fixed assets.

	<b>Consol. Revenue Account 2005/06</b>	<b>Remove Capital Financing Charges</b>	<b>Reloc'n of Govt Grts Deferred Credits</b>	<b>Misc Adjs</b>	<b>Restated Inc &amp; Exp Account 2005/06</b>
	£000s	£000s	£000s	£000s	£000s
Central Services to the Public:					
Local Taxation & Council Tax Benefits	1,063	(32)	(27)	0	1,004
Elections & Electoral Registration	158	0	(2)	0	156
Emergency Planning	15	0	0	0	15
Land Charges	1	0	(1)	0	
Grants & Donations	463	0	0	0	463
Cultural, Environmental & Planning Servs:					0
Culture & Related Services	4,388	(991)	(51)	0	3,346
Environmental Services	4,500	(91)	(6)	0	4,403
Planning Services	658	(40)	(6)	0	612
Highways, Roads and Transport Servs.	748	(89)	0	0	659
General Fund Housing Services	800	(22)	(6)	0	772
HRA	5,355	(5,483)	0	(159)	(287)
Corporate & Democratic Core	1,561	(72)	(2)	159	1,646
Non Distributed Costs	243				243
<b>Impact on Net Cost of Services</b>	<b>19,953</b>	<b>(6,820)</b>	<b>(101)</b>	<b>0</b>	<b>13,032</b>
Parish Precepts	278	0	0	0	278
Asset Management Revenue Account	(6,716)	6,716	0	0	0
Interest & Similar Charges	0	164	0	0	164
Contribution to Pooled Capital Receipts	504	0	0	0	504
Interest & Investment Income	(397)	0	0	0	(397)
Pension Interest & Exp'd Ret'n on Assets	735	0	0	0	735
<b>Impact on Net Operating Expenditure</b>	<b>14,357</b>	<b>60</b>	<b>(101)</b>	<b>0</b>	<b>14,316</b>

# ANNUAL STATEMENT OF ACCOUNTS 2006/2007

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. PRIOR YEAR ADJUSTMENTS, EXCEPTIONAL AND EXTRAORDINARY ITEMS (Continued)

#### Exceptional and Extraordinary Items

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

	2005/06		2006/07	
	Exp £000s	Inc £000s	Exp £000s	Inc £000s
Grass Verge Maintenance for Notts CC	91	97	58	64
Tree Maintenance for Rushcliffe BC	17	19	27	31
Provision of Fuel to Notts CC (Creche only 06/07)	81	87	1	1

### 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.

	2004/05 £	2005/06 £	2006/07 £
Expenditure	479,523	430,860	438,359
Income	(514,120)	(443,348)	(437,876)
<b>(Surplus) / Deficit transferred to Building Control Reserve</b>	<b>(34,597)</b>	<b>(12,488)</b>	<b>483</b>

### 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:

	2005/06 £	2006/07 £
Recruitment	95,532	77,683
Other	1,400	0
<b>Total Relevant Expenditure</b>	<b>96,932</b>	<b>77,683</b>

**ANNUAL STATEMENT OF ACCOUNTS 2006/2007**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

**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 2006/07 alternative sources of finance were used, as in 2005/06. The capital value of assets acquired under operating leases was therefore Nil for both years.

Operating lease rental payments in respect of existing leased assets amounted to £335,226 in 2006/07, (£519,155 in 2005/06). All operating lease rentals are in respect of vehicles, plant and equipment.

The following table sets out the Council's Operating Lease commitments for the next year, 2007/08:

	<b>In respect of Commitments Expiring:</b>			<b>Total</b>
	<b>2007/08</b>	<b>Yr 2-5</b>	<b>After Yr 5</b>	
	£	£	£	£
Vehicles, Plant & Equipment	49,809	34,498	0	<b>84,307</b>
<b>Total Operating Lease Commitments 2007/08</b>	<b>49,809</b>	<b>34,498</b>	<b>0</b>	<b>84,307</b>

**Finance Leases:**

The gross value of Vehicle and Plant acquired under Finance Leases is £16,585. Accumulated depreciation amounts to £15,208, leaving net assets on the Balance Sheet of £1,377. This is matched by a deferred liability (see also note 29 on page 44). The total depreciation allocated for 2006/07 is £1,377. Finance lease rentals of £1,397 were paid in the year.

The Council's only outstanding obligation in respect of Finance Leases, net of financing charges, is £1,377 in the next financial year, 2007/08.

**(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 2007 Total £375,360. 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.

## ANNUAL STATEMENT OF ACCOUNTS 2006/2007

### NOTES TO THE CORE FINANCIAL STATEMENTS

#### 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.

	2005/06 Number	2006/07 Number
£50,000 to £59,999	4	5
£60,000 to £69,999	2	2
£70,000 to £79,999	0	0
£80,000 to £89,999	2	1
£90,000 to £99,999	0	1
<b>Total Number of Employees</b>	<b>8</b>	<b>9</b>

#### 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.

	2005/06 £	2006/07 £
Audit Services carried out by the appointed auditor	68,580	73,589
Statutory Inspections	3,070	5,747
Grant Certification	25,783	23,058
<b>Total Audit Fees</b>	<b>97,433</b>	<b>102,394</b>

#### 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.

	2005/06 £	2006/07 £
Basic Allowance	174,413	171,600
Special Responsibility Allowance	84,294	95,841
Car Allowances	5,515	7,309
Conferences	4,053	2,075
Subsistence	151	876
<b>Total Members' Allowances</b>	<b>268,426</b>	<b>277,701</b>

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.

# ANNUAL STATEMENT OF ACCOUNTS 2006/2007

## 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:

	2005/06 £000s	2006/07 £000s
<b>Income &amp; Expenditure Account -</b>		
<b>Net Cost of Services:</b>		
Current Service Cost	1,541	1,798
Past Service Cost	243	82
Past Service Gain	0	(970)
<b>Net Operating Expenditure:</b>		
Interest Cost	2,870	3,032
Expected Return on Assets	(2,135)	(2,475)
<b>Net Charge to Income &amp; Expenditure Account</b>	<b>2,519</b>	<b>1,467</b>
<b>Statement of Movement on General Fund Balance -</b>		
Reversal of net charges made for retirement benefits in accordance with FRS17	(2,519)	(1,467)
Actual amount charged against the General Fund Balance for Pensions in Year - employers' contributions payable to scheme	1,523	1,560

# ANNUAL STATEMENT OF ACCOUNTS 2006/2007

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

	2005/06 £m	2006/07 £m
Balance at 1 April	20.718	<b>22.756</b>
Appropriations on Statement of Movement on the General Fund Balance	0.996	<b>(0.093)</b>
Actuarial (Gains) & Losses	1.096	<b>(4.079)</b>
Pension Strain Provision written off to Pensions Reserve	(0.054)	<b>(0.024)</b>
<b>Balance at 31 March</b>	<b>22.756</b>	<b>18.560</b>

#### 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 2007 are:

	31/03/06 £m	31/03/07 £m
Estimated Share of Assets in the Pension Fund	39.895	<b>43.473</b>
Estimated Share of Liabilities in the Pension Fund	62.651	<b>62.033</b>
<b>Gedling Borough Council's Net Assets / (Liabilities)</b>	<b>(22.756)</b>	<b>(18.560)</b>

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £18.560m has a substantial impact on the net worth of the authority as recorded in the balance sheet, reducing it by 9.43%. 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 2004. The main assumptions used in their calculations have been:

	31/03/06 %	31/03/07 %
Rate of Inflation	2.90	<b>3.10</b>
Rate of increase in Salaries	4.65	<b>4.85</b>
Rate of increase in Pensions	2.90	<b>3.10</b>
Rate for discounting scheme liabilities	4.90	<b>5.40</b>

# ANNUAL STATEMENT OF ACCOUNTS 2006/2007

## 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:

	31/03/06			31/03/07		
	Amount of Inv. £000s	Prop'n of Inv. %	Rate of Return %	Amount of Inv. £000s	Prop'n of Inv. %	Rate of Return %
Equity Investments	27,687	69.40	7.00	29,823	68.60	7.50
Government Bonds	3,192	8.00	4.30	3,347	7.70	4.70
Other Bonds	2,513	6.30	4.90	1,826	4.20	5.40
Property	5,705	14.30	6.00	7,347	16.90	6.50
Cash/Liquidity	798	2.00	4.50	1,130	2.60	5.25
Other Assets	0	0.00	n/a	0	0.00	n/a
	39,895	n/a	n/a	43,473	n/a	n/a

### Statement of Actuarial Gains and Losses

The actuarial losses identified as movements on the pensions reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2007:

	31/03/04		31/03/05		31/03/06		31/03/07	
	Gain/ (Loss) £000s	Gain/ (Loss) %						
Diffs between expected and actual ret'n on assets	2,882	9.8	1,416	4.4	5,143	12.9	915	2.1
Diffs between actuarial assumptions about liabs. and actual experience	0	0.0	(201)	(0.4)	(1,359)	(2.2)	0	0.0
Changes in demographic and financial assumptions used to estimate liabilities	0	0.0	(9,123)	(17.2)	(4,880)	(7.9)	3,164	5.1
<b>Net Gain (Loss)</b>	2,882		(7,908)		(1,096)		4,079	

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. The discount rate used to measure scheme liabilities is the AA Corporate Bond Rate, and during 2006/07 there was an increase in the discount rate from 2% real (4.9% actual) at the start of the year to 2.3% real (5.4% actual) at the end of the year. Application of the increased rate has resulted in a decrease in the year end liabilities of £3.164m, adjusted for by a decrease in actuarial losses in the table above in changes in demographic and financial assumptions'.

# ANNUAL STATEMENT OF ACCOUNTS 2006/2007

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 influence 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 28 to 29
Precepts from other Local Authorities	Collection Fund Accounts, pages 62 to 64
Superannuation Contributions	Note 9, pages 34 to 36
Members' Allowances	Note 8, page 33

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

Other Local Authorities (excluding previously disclosed items)	(338)	1,860
Nottinghamshire Police Authority	(6)	228
Grants to Parishes	0	241
Greater Nottingham Partnership	(192)	0
Other Partners in Capital Projects (excluding other Local Authorities)	(195)	0

<b>Receipts</b>	<b>Payments</b>
<b>£000s</b>	<b>£000s</b>
(338)	1,860
(6)	228
0	241
(192)	0
(195)	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:

British Telecommunications plc	0	36
Citizens' Advice Bureau	0	39
Gedling CVS	(134)	55
Gedling Primary Care Trust	(43)	0
Mapperley Golf Club	(40)	0
Netherfield Forum	0	20
Post Office Counters	0	13
Richard Herrod Bowls Club	(32)	0
Richard Sankey & Sons	0	44

<b>Receipts</b>	<b>Payments</b>
<b>£000s</b>	<b>£000s</b>
0	36
0	39
(134)	55
(43)	0
(40)	0
0	20
0	13
(32)	0
0	44

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 23 and 24 on page 44.

# ANNUAL STATEMENT OF ACCOUNTS 2006/2007

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 11. MOVEMENTS ON FIXED ASSETS

	<b>Council Dwell'gs £000s</b>	<b>Land &amp; Bldgs £000s</b>	<b>V&amp;P &amp; Equip't £000s</b>	<b>Infra- Struct £000s</b>	<b>Comm'y Assets £000s</b>	<b>Non-Op'l Assets £000s</b>	<b>Intang'b Assets £000s</b>	<b>Total £000s</b>
BFwd 1/4/06	156,766	18,033	3,548	368	4,082	13,393	292	<b>196,482</b>
Cumulative:								
Depreciation	(96)	(632)	(686)	(190)	(669)	(3)	(19)	<b>(2,295)</b>
Impairment	(48)	(32)	0	0	0	0	0	<b>(80)</b>
<b>Net Book Value 1 April 06</b>	<b>156,622</b>	<b>17,369</b>	<b>2,862</b>	<b>178</b>	<b>3,413</b>	<b>13,390</b>	<b>273</b>	<b>194,107</b>
<b>Mvts in Year:</b>								
Revaluations	2,267	0	0	0	0	447	0	<b>2,714</b>
Additions	3,955	1,034	1,278	0	281	44	158	<b>6,750</b>
Disposals	(1,316)	0	0	0	0	(8)	0	<b>(1,324)</b>
Wr.Out/Demolish'd	0	0	0	0	0	0	0	<b>0</b>
Transfers	0	17	0	0	93	(111)	0	<b>(1)</b>
Depreciation:								
In Year	(2,204)	(293)	(667)	(36)	(324)	(2)	(55)	<b>(3,581)</b>
W/O-certif'd revaln	2,293	0	0	0	0	0	0	<b>2,293</b>
W/O-sold/transfd	7	0	0	0	0	0	0	<b>7</b>
Impairment:								
W/O-certif'd revaln price decrease	48	0	0	0	0	0	0	<b>48</b>
deterioration	0	0	0	0	0	0	0	<b>0</b>
<b>Net Book Value 31 March 07</b>	<b>161,672</b>	<b>18,127</b>	<b>3,473</b>	<b>142</b>	<b>3,463</b>	<b>13,760</b>	<b>376</b>	<b>201,013</b>
<b>Analysis of Value:</b>								
Historical/Revalued	161,672	19,084	4,826	368	4,456	13,765	450	<b>204,621</b>
Cumulative:								
Depreciation	0	(925)	(1,353)	(226)	(993)	(5)	(74)	<b>(3,576)</b>
Impairment	0	(32)	0	0	0	0	0	<b>(32)</b>
<b>Net Book Value at 31 March 07</b>	<b>161,672</b>	<b>18,127</b>	<b>3,473</b>	<b>142</b>	<b>3,463</b>	<b>13,760</b>	<b>376</b>	<b>201,013</b>

# ANNUAL STATEMENT OF ACCOUNTS 2006/2007

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 the Council's Acting Estates and Valuation Manager and no assets were found to have suffered impairment losses.

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

	<b>Council Dwell'gs £000s</b>	<b>Land &amp; Bldgs £000s</b>	<b>V&amp;P &amp; Equip't £000s</b>	<b>Infra- Struct £000s</b>	<b>Comm'y Assets £000s</b>	<b>Non-Op'l Assets £000s</b>	<b>Intang'b Assets £000s</b>	<b>Total £000s</b>
General Fund	0	18,127	3,473	142	3,463	11,781	341	<b>37,327</b>
Housing Revenue Account	161,672	0	0	0	0	1,979	35	<b>163,686</b>
<b>Total at 31/03/07</b>	<b>161,672</b>	<b>18,127</b>	<b>3,473</b>	<b>142</b>	<b>3,463</b>	<b>13,760</b>	<b>376</b>	<b>201,013</b>

# ANNUAL STATEMENT OF ACCOUNTS 2006/2007

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13. FIXED ASSETS BY TYPE

	31 March 06		31 March 07	
	£000s	Number	£000s	Number
Council Dwellings	155,385	3,459	160,235	3,439
Council Shops	594	14	650	14
Council Garages	643	787	787	787
Public Offices	4,842	6	4,772	6
Depots and Workshops	825	1	795	1
Business Units	434	23	419	23
Public Conveniences	282	12	270	12
Car Parks	2,552	18	2,542	18
Recreation Areas and Pavilions	1,518	19	1,480	19
Community Centres Gedling Borough Council operated	1,382	5	1,739	6
Sure Start operated	312	1	308	1
Community Association operated	271	1	269	1
Cemetery Chapels	135	2	134	2
Leisure Centres - Gedling Borough Council operated	4,542	2	5,112	2
Allotments	141	10	140	10
Other Land & Buildings	133	n/a	147	n/a
<b>Total Land &amp; Buildings (including Council Dwellings)</b>	<b>173,991</b>		<b>179,799</b>	
<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>2,862</b>		<b>3,473</b>	
<b>Infrastructure</b>	<b>178</b>		<b>142</b>	
<b>Community Assets</b>	<b>3,413</b>		<b>3,463</b>	
<b>Non-Operational Assets (Including Assets Under Construction &amp; Housing Land)</b>	<b>13,390</b>		<b>13,760</b>	
<b>Intangible Assets</b>	<b>273</b>		<b>376</b>	
<b>Total</b>	<b>194,107</b>		<b>201,013</b>	

# ANNUAL STATEMENT OF ACCOUNTS 2006/2007

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

#### (b) Council Dwellings

A desk top annual revaluation of the Council's housing stock has been undertaken by the Acting Estates and Valuation Manager at 1 April 2007 in accordance with the guidance notes on Stock Valuation for Resource Accounting. This 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 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 £419,109. The gross value of the assets is £1,413,000.

### 15. GRANTS AND CONTRIBUTIONS IN RESPECT OF FIXED ASSETS

Grants and contributions totalling £1,139,023 were received during 2006/07. Of this amount, £430,660 was applied to Improvement Grants and £94,766 to Other Deferred Charges and the sum of £485,806 was transferred to Government Grants Deferred in respect of assets to be depreciated.

£96,791 related to grants that could not be identified to any particular asset and as such a Government Grants Deferred treatment would not have been appropriate. These grants have been credited to the Income and Expenditure Account in line with the 2006 SORP and reversed out to the Capital Financing Account. An additional £31,000 was transferred to the Capital Financing Account in respect of unapplied capital contributions brought forward from 2005/06.

### 16. DEFERRED CHARGES

Balance at 1 April 2006  
Expenditure in Year  
Grants Applied in Year  
Charged to Revenue in Year

**Balance at 31 March 2007**

Imprvm't Grants £000s	Other Cap Exp. (incl. Regen Wk) £000s	Total Deferred Charges £000s
0	0	0
601	910	1,511
(430)	(95)	(525)
(171)	(815)	(986)
<b>0</b>	<b>0</b>	<b>0</b>

Improvement Grants and Other Capital Expenditure are fully amortised in the year in which the capital expenditure was incurred. See also paragraph 10 of the Accounting Policies on page 7.

# ANNUAL STATEMENT OF ACCOUNTS 2006/2007

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 17. CAPITAL EXPENDITURE AND FINANCING

**Capital Investment:**

Operational Assets	6,168	<b>6,548</b>
Non Operational Assets (including Asset Under Construction)	107	<b>44</b>
Deferred Charges	822	<b>1,511</b>
Intangible Assets	197	<b>158</b>

**Total Capital Expenditure**

7,294	<b>8,261</b>
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**Sources of Finance:**

Borrowing	2,528	<b>3,519</b>
Capital Receipts	1,073	<b>978</b>
Government Grants	781	<b>601</b>
Other Contributions	197	<b>538</b>
Revenue Contributions	2,715	<b>2,625</b>

**Total Financing**

7,294	<b>8,261</b>
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### 18. SIGNIFICANT COMMITMENTS UNDER CAPITAL CONTRACTS

Major capital contracts entered into, but not paid for at 31 March 2007 were as follows:

Carlton Forum - Modular Changing Rooms	21
Housing - Windows & Doors	72
Housing - House and Plant Refurbishment at Nabarro Court	97
Housing - Planned Maintenance Management Fee	950
Housing - Planned Maintenance Agreement for 2007/08	1,972

**Total**

<b>31/3/07</b>
<b>£000s</b>
21
72
97
950
1,972
<b>3,112</b>

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	153	<b>112</b>
Local Loans	2	<b>0</b>

**Total**

155	<b>112</b>
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## ANNUAL STATEMENT OF ACCOUNTS 2006/2007

### NOTES TO THE CORE FINANCIAL STATEMENTS

#### 20. WORK IN PROGRESS

Rechargeable Works

**Total**

31/3/06 £000s	31/3/07 £000s
9	16
9	16

#### 21. STOCKS

Direct Services-Depot Stock

Leisure

Housing

**Total**

31/3/06 £000s	31/3/07 £000s
69	90
21	21
2	2
92	113

#### 22. LONG TERM INVESTMENT AND BORROWING

##### 22.1 Investments

There were no movements in long term investments during 2006/07. At 1 April 2006 and 31 March 2007, 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.

##### 22.2 Long Term Borrowing

New borrowing of £4m was undertaken during 2006/07. In addition, two loans of £1m each were rescheduled in accordance with advice from Sector Treasury Services. This activity allowed the Authority to take advantage of more favourable ongoing interest rates, and to generate a discount of £28,000 which has been used to benefit the General Fund. All borrowing was from the Public Works Loan Board.

##### PWLB Loan Maturity Analysis

1 to 2 years  
2 to 5 years  
5 to 10 years  
Over 10 years

31/3/07 £000s
0
0
0
10,000
10,000

# ANNUAL STATEMENT OF ACCOUNTS 2006/2007

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 23. DEBTORS

	31/3/06 £000s	31/3/07 £000s
HMRC	426	352
Government Departments	884	1,753
Nottinghamshire County Council and Other Local Authorities	1,145	1,646
Non Domestic Ratepayers' Arrears	1,588	1,173
Council Taxpayers' Arrears	2,268	2,482
Court Cost Arrears	129	230
Housing Rents	358	407
Sundry Debtor Arrears	891	1,096
Other General Debtors	957	968
General Payments in Advance	349	286
<b>Total Debtors</b>	<b>8,995</b>	<b>10,393</b>
<b>Less Provisions for Bad Debts:</b>		
General Debtors (see note 1)	(336)	(436)
Rent Allowances & Rent Rebates	(69)	(161)
Collection Fund Arrears - NNDR	(586)	(813)
Collection Fund Arrears - Council Tax	(1,620)	(1,519)
Housing Tenants (see note 2)	(237)	(274)
<b>Net Debtors per Balance Sheet (see note 3)</b>	<b>6,147</b>	<b>7,190</b>

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 DCLG formula
3. The balance at 31 March 2006 differs to that shown in the Statement of Accounts for 2005/06 by £1.197m. This is due to the inclusion of the Notts County Council, Police and Fire Authorities proportions of the Collection Fund deficit, in line with SORP 2006. Police and Fire Authority elements are included within General Debtors. See note 4 to the Collection Fund Revenue Account on page 64.

### 24. CREDITORS

	31/3/06 £000s	31/3/07 £000s
HMRC	0	3
Government Departments	100	120
Nottinghamshire County Council	489	483
Non Domestic Ratepayers' Credits Held	685	362
Council Taxpayers' Credits Held	321	247
Housing Rents	135	86
General Creditors	3,917	4,848
General Receipts in Advance (incl. Rechargeable Works)	1,116	1,200
<b>Total</b>	<b>6,763</b>	<b>7,349</b>

## ANNUAL STATEMENT OF ACCOUNTS 2006/2007

### NOTES TO THE CORE FINANCIAL STATEMENTS

#### 25. POST BALANCE SHEET EVENTS

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

#### 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.

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:

	31/3/06 £000s	31/3/07 £000s
Nottinghamshire County Council	26	25
Broxtowe Borough Council	433	400
<b>Total Transferred Assets</b>	<b>459</b>	<b>425</b>
Principal element of Finance Leases	3	1
<b>Total Deferred Liabilities per Balance Sheet</b>	<b>462</b>	<b>426</b>

#### 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.

	2005/06 £000s	2006/07 £000s
Balance as at 1 April	(1,259)	(1,904)
New Grants Received	(746)	(486)
Released to Offset Depreciation	101	225
<b>Balance as at 31 March</b>	<b>(1,904)</b>	<b>(2,165)</b>

#### 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 2007 was £71,210, a reduction of £19,437 from the balance of £90,647 at 31 March 2006.

## ANNUAL STATEMENT OF ACCOUNTS 2006/2007

### NOTES TO THE CORE FINANCIAL STATEMENTS

#### 29. CAPITAL FINANCING ACCOUNT

	2005/06		2006/07	
	£000s	£000s	£000s	£000s
Balance BFwd 1 April		25,944		26,187
<b>Amounts set aside:</b>				
Minimum Revenue Provision (less Depreciation)	(738)		(1,080)	
Reserved Capital Receipts	0		0	
Transfer HRA Deprn Provision to MRR	(2,202)		(2,204)	
		(2,940)		(3,284)
<b>Capital Financing:</b>				
Usable Capital Receipts Applied	1,073		978	
Capital Contributions Applied	0		128	
Usage of Major Repairs Allowance	1,892		2,013	
Capital Expenditure Financed from Revenue	823		612	
		3,788		3,731
Serviced Debt Redeemed		41		34
Amortisation of Deferred Charges & Infrastructure		(747)		(986)
Amortisation of Govt.Grants/Contributions Deferred		101		225
Net Movement in Year		243		(280)
<b>Balance CFwd 31 March</b>		26,187		25,907

#### 30. FIXED ASSET RESTATEMENT ACCOUNT

	2005/06	2006/07
	£000s	£000s
Balance BFwd 1 April	194,727	158,971
Revaluations & Restatements	(34,792)	5,062
Impairment Revaluations arising from price decreases	0	0
Disposal of Assets	(964)	(1,324)
Net Movement in Year	(35,756)	3,738
<b>Balance CFwd 31 March</b>	158,971	162,709

# ANNUAL STATEMENT OF ACCOUNTS 2006/2007

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 31. USABLE CAPITAL RESERVES

	2005/06		2006/07	
	£000s	£000s	£000s	£000s
<b>Usable Capital Receipts:</b>				
Balance at 1 April	2,133		2,198	
Usable Capital Receipts generated in year	1,642		1,400	
Capital Receipts Applied	(1,073)		(978)	
Contribution to Housing Pooled Capital Receipts	(504)		(734)	
<b>Balance at 31 March</b>		2,198		1,886
<b>Unapplied Capital Contributions:</b>				
Balance at 1 April	384		31	
Contributions received in year	406		149	
Contributions Applied	(759)		(31)	
<b>Balance at 31 March</b>		31		149
<b>Capital Expenditure Reserve:</b>				
Balance at 1 April	12		66	
Contributions received in year	54		549	
Contributions Applied	0		(612)	
<b>Balance at 31 March</b>		66		3
<b>Sub Total General Usable Capital Reserves</b>		2,295		2,038
<b>Major Repairs Reserve:</b>				
Balance at 1 April	12		32	
Contributions received in year	2,220		1,981	
Contributions Applied	(2,200)		(2,013)	
<b>Sub Total Major Repairs Reserve</b>		32		0
<b>Total Usable Capital Reserves</b>		<b>2,327</b>		<b>2,038</b>

# ANNUAL STATEMENT OF ACCOUNTS 2006/2007

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 32. REVENUE RESERVES

	BFwd 01/04/06 £000s	Receipts 2006/07 £000s	Pyts 2006/07 £000s	Mvt 2006/07 £000s	CFwd 31/03/07 £000s
IT Equipment Replacement Fund	225	119	(48)	71	296
Netherfield Regeneration Reserve	8	29	0	29	37
Community & Crime Reserve	23	37	0	37	60
Disabled Adaptations Reserve	50	9	(5)	4	54
Leasing Reserve	91	7	0	7	98
Risk Management Fund	10	0	0	0	10
Graves in Perpetuity	7	0	0	0	7
Housing Benefits Reserve Fund	100	25	0	25	125
Insurance Fund	560	145	(65)	80	640
Building Control Reserve	183	0	0	0	183
Carbon Footprint Reserve	0	20	0	20	20
<b>Total</b>	<b>1,257</b>	<b>391</b>	<b>(118)</b>	<b>273</b>	<b>1,530</b>

**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.

**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.

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

## ANNUAL STATEMENT OF ACCOUNTS 2006/2007

### NOTES TO THE CORE FINANCIAL STATEMENTS

#### 33. GENERAL PROVISIONS

	BFwd 01/04/06 £000s	Receipts 2006/07 £000s	Pyts 2006/07 £000s	Net Mv't 2006/07 £000s	CFwd 31/03/07 £000s
Pension Contributions for Early Retirement	25	0	(25)	(25)	0
Honeywood Gardens Compensation	17	0	0	0	17
Carlton Forum Gas Provision	77	0	0	0	77
Mortuary Charges	23	0	0	0	23
Newton Road Sewer	130	11	(141)	(130)	0
Direct Services Damaged & Redundant Stock	7	2	0	3	10
Concessionary Fares Provision	0	73	0	73	73
<b>Total</b>	<b>279</b>	<b>86</b>	<b>(166)</b>	<b>(79)</b>	<b>200</b>

**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.

**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.

**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.

**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.

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

**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 Balance Sheet.

#### 34. CONTINGENT LIABILITIES

There are no significant contingent liabilities outstanding.

## **ANNUAL STATEMENT OF ACCOUNTS 2006/2007**

### **NOTES TO THE CORE FINANCIAL STATEMENTS**

#### **35. INSURANCE**

At 31 March 2007, the Authority had two 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 five outstanding claims. Cover was provided by Independent from March 1992 to March 1998.

During 2006/07, 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 2007 was £640,000. 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 grant of £140,000 has been received by Rushcliffe Borough Council, of which £26,420 has been attributed to Gedling Borough Council in 2006/07 to match the expenditure incurred on Gedling's behalf.

# ANNUAL STATEMENT OF ACCOUNTS 2006/2007

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 37. NOTES TO THE CASHFLOW STATEMENT

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

2005/06			2006/07	
£000s	£000s		£000s	£000s
	754	<b>Deficit / (Surplus) for Year</b>		11
		<b>Non Cash Transactions</b>		
(2,306)		Depreciation	(3,582)	
101		Government Grants Deferred Amortisation	225	
0		Government Grants - assets unlikely to depreciate	96	
(747)		Deferred Charges financed from capital resources	(986)	
62		Contributions (to) / from provisions	79	
(2,519)		Charges made for retirement benefits (FRS17)	(1,467)	
1,523		Pension Fund and retirement benefits payable	1,560	
	(3,886)			(4,075)
		<b>Accrual Adjustments</b>		
(98)		Increase/(Decrease) in Stocks	21	
(7)		Increase/(Decrease) in Works in Progress	7	
489		Increase/(Decrease) in Revenue Debtors	592	
(1,655)		(Increase)/Decrease in Revenue Creditors	1,022	
	(1,271)			1,642
	165	<b>Net Cost of Servicing of Finance</b>		291
	(41)	<b>Serviced Debt Principal</b>		(34)
	(4,279)	<b>Net Cashflow from Revenue Activities</b>		(2,165)

#### (b) Analysis of Debt

	1 April 2006 £000s	Cash Flow £000s	Non Cash Flow £000s	31 March 2007 £000s
Cash in Hand/(Overdrawn)	268	(588)	0	(320)
Short Term Investments / (Borrowing)	6,050	2,610	0	8,660
Long Term Borrowing (PWLB)	(6,000)	(4,000)	0	(10,000)
Debt serviced by Other Local Authorities	(459)	34	0	(425)
Capital element of Finance Leases	(2)	1	0	(1)
<b>Total Net Debt</b>	<b>(143)</b>	<b>(1,943)</b>	<b>0</b>	<b>(2,086)</b>

Net Debt excludes Long Term Investments

# ANNUAL STATEMENT OF ACCOUNTS 2006/2007

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

2005/06			2006/07	
£000s	£000s		£000s	£000s
(184)		Increase / (Decrease) in Cash in the period	<b>(588)</b>	
4,050		Cash Outflow from incr. Short Term Inv.	<b>2,610</b>	
(6,000)		Cash Inflow from incr. Long Term Borr. (net)	<b>(4,000)</b>	
41		Cash Outflow from repayment of Serviced Debt	<b>34</b>	
4		Cash Outflow from payment of Fin. Lease Prin.	<b>1</b>	
		<b>Change in Net Debt resulting from Cash Flows</b>		
				<b>(1,943)</b>
		<b>Net Debt at 1 April</b>		
				<b>(143)</b>
		<b>Net Debt at 31 March</b>		
				<b>(2,086)</b>

**(d) Analysis of Movements in Financing and Liquid Resources**

2005/06 Movement £000s		01/04/06 £000s	31/03/07 £000s	2006/07 Movement £000s
<b>FINANCING:</b>				
(6,000)	PWLB	<b>6,000</b>	<b>10,000</b>	<b>(4,000)</b>
41	Debt Serviced by Other LAs	<b>459</b>	<b>425</b>	<b>34</b>
<b>(5,959)</b>	<b>Total Long Term Borrowing</b>	<b>6,459</b>	<b>10,425</b>	<b>(3,966)</b>
4	Capital element of Finance Leases	<b>2</b>	<b>1</b>	<b>1</b>
<b>4</b>	<b>Total Finance Leases</b>	<b>2</b>	<b>1</b>	<b>1</b>
<b>Total Financing</b>				
<b>(5,955)</b>		<b>6,461</b>	<b>10,426</b>	<b>(3,965)</b>
<b>LIQUID RESOURCES:</b>				
<b>Short Term Investments:</b>				
4,050	Short Term Deposits	<b>6,050</b>	<b>8,660</b>	<b>2,610</b>
<b>4,050</b>	<b>Total Liquid Resources</b>	<b>6,050</b>	<b>8,660</b>	<b>2,610</b>

# ANNUAL STATEMENT OF ACCOUNTS 2006/2007

## NOTES TO THE CORE FINANCIAL STATEMENTS

### (e) Analysis of Other Government Grants for Revenue Services

2005/06 £000s		2006/07 £000s
30	Housing Subsidies (HRA)	0
(1,912)	Housing Subsidy Major Repairs Allowance	(1,981)
(20)	Housing Defects (HRA Properties)	0
(329)	Housing Defects (Reinstatements)	(325)
(39)	Home Office (Crime Reduction)	(344)
(240)	Planning Delivery Grant	(422)
(18)	Homelessness Directorate	(51)
(35)	Recycling	(46)
0	Contaminated Land	(1)
(185)	Local Authority Business Growth Incentive Scheme	(755)
0	Performance Reward Grant	(51)
<b>(2,748)</b>	<b>Total Other Revenue Grants Paid by Central Government</b>	<b>(3,976)</b>

It should be noted that in addition to Revenue Grants, the sum of £0.652m was paid by Central Government in 2006/07 in respect of Capital Expenditure (£0.499m in 2005/06).

**ANNUAL STATEMENT OF ACCOUNTS 2006/2007**

**NOTES TO THE CORE FINANCIAL STATEMENTS**

38. The Statement of Accounts was issued and authorised by M.S.Kimberley CPFA, Head of Corporate Services, on 25 June 2007.

# **Supplementary Financial Statements**

**ANNUAL STATEMENT OF ACCOUNTS 2006/2007**

**HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE ACCOUNT**

<b>2005/06 ACTUAL £000s</b>		<b>2006/07 ACTUAL £000s</b>
	<b>INCOME:</b>	
(8,057)	Dwelling Rents (Gross)	(8,317)
(248)	Non Dwelling Rents (Gross)	(261)
(540)	Charges for Services & Facilities	(591)
(455)	Supporting People	(459)
	<b>EXCHEQUER SUBSIDIES</b>	
(1,912)	Major Repairs Allowance	(1,981)
(20)	Housing Defects Act 1984	0
<b>(11,232)</b>	<b>TOTAL INCOME</b>	<b>(11,609)</b>
	<b>LESS EXPENDITURE:</b>	
1,317	Housing General Management	1,175
733	Housing Special Services	850
31	Homeless Accommodation	33
2,113	Housing Repairs	2,002
16	Rents, Rates & Other Taxes	52
570	Supporting People	536
0	LSVT	68
3,857	Repayment of Negative Housing Subsidy	3,987
2,202	Capital Financing - Depr'n (Dwellings)	2,186
18	Capital Financing - Depr'n (Other)	18
56	Bad Debt Prov'n/ Other Prov'ns & Write Offs	50
32	Contribution to General Fund (Benefits)	0
<b>10,945</b>	<b>TOTAL EXPENDITURE</b>	<b>10,957</b>
	<b>NET COST OF SERVICES TO AUTHORITY I&amp;E A/C</b>	
<b>(287)</b>		<b>(652)</b>
0	Non Distributed Costs	(88)
159	HRA Share of Corporate & Democratic Core	203
<b>(128)</b>	<b>NET COST OF HRA SERVICES</b>	<b>(537)</b>
(281)	Interest & Investment Income	(287)
91	Pensions Interest & Return on Assets	68
<b>(318)</b>	<b>NET OPERATING EXPENDITURE</b>	<b>(756)</b>

## ANNUAL STATEMENT OF ACCOUNTS 2006/2007

### 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 the General Fund Balance. The Statement takes the outturn on the HRA Income & Expenditure Account and reconciles it to 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.

2005/06		2006/07
£000s		£000s
(318)	(Surplus)/Deficit for the year on the HRA Income & Expenditure Account	(756)
242	Net additional amount required by statute and non-statutory proper practice to be debited or credited to the HRA Balance for the year	286
(76)	<b>(Increase)/Decrease in HRA Balance for the Year</b>	(470)
(804)	HRA Balance Brought Forward at 1 April	(880)
(880)	<b>HRA Fund Balance Carried Forward at 31 March</b>	(1,350)

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

2005/06		2006/07
£000s		£000s
	<b>Amounts included in the HRA Income &amp; Expenditure Account, but excluded when determining the Movement on the HRA Balance for the year</b>	
(307)	Transfer to/(from) Major Repairs Reserve	(223)
(283)	Net charges made for Retirement Benefits in accordance with FRS17	(198)
(590)		(421)
	<b>Amounts not included in the HRA Income &amp; Expenditure Account but included in the Movement on the HRA Balance for the year</b>	
650	Capital Expenditure charged in-year to the HRA Balance (CERA)	490
167	Employer's contributions payable to the Nottinghamshire County Council Pension Fund and retirement benefits payable direct to pensioners	197
15	Net Transfer to Earmarked Reserves	20
832		707
242	<b>Net additional amount required to be credited to the HRA Balance for the year</b>	286

# ANNUAL STATEMENT OF ACCOUNTS 2006/2007

## 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	
<b>2006/07</b>					
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
	<b>187</b>	<b>619</b>	<b>1,125</b>	<b>1,508</b>	<b>3,439</b>
<b>2005/06</b>					
Houses	182	583	648	152	1,565
Flats	10	0	349	1,170	1,529
Bungalows	0	33	132	84	249
Extra Care Units	0	0	0	106	106
Homeless Accommodation	0	10	0	0	10
	<b>192</b>	<b>626</b>	<b>1,129</b>	<b>1,512</b>	<b>3,459</b>
<b>Movement in Year</b>					
Houses	(5)	(7)	(4)	(3)	(19)
Flats	0	0	0	(1)	(1)
Bungalows	0	0	0	0	0
Extra Care Units	0	0	0	0	0
Homeless Accommodation	0	0	0	0	0
	<b>(5)</b>	<b>(7)</b>	<b>(4)</b>	<b>(4)</b>	<b>(20)</b>

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

	2005/06 £	2006/07 £
Current Tenants' Arrears	165,791	<b>182,682</b>
Former Tenants' Arrears	162,852	<b>193,412</b>
<b>Total</b>	<b>328,643</b>	<b>376,094</b>
Amounts relating to the HRA, written off during the year	0	<b>13,171</b>
Total Arrears as a percentage of the total gross amount due	3.34%	<b>3.66%</b>
Provision for Bad Debts	237,132	<b>274,381</b>

## ANNUAL STATEMENT OF ACCOUNTS 2006/2007

### NOTES TO THE HOUSING REVENUE ACCOUNT

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

48 Week basis  
52 Week basis

2005/06	2006/07
£	£
49.45	<b>52.22</b>
45.72	<b>48.20</b>

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 Assets £000s
	Housing Dwell'gs £000s	Shops £000s	Garages £000s	Intang. Assets £000s	Sub Total £000s	Land £000s	
Balance at 1 April	155,385	594	643	28	<b>156,650</b>	2,540	<b>159,190</b>
<b>Balance at 31 March</b>	160,235	650	787	35	<b>161,707</b>	1,979	<b>163,686</b>

As at 31 March 2007, the vacant possession value of dwellings within the Housing Revenue Account was £320.5m, compared to the balance sheet value of £160.2m 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**

2005/06 £000s	2006/07 £000s
12	<b>32</b>
2,220	<b>2,204</b>
(308)	<b>(223)</b>
(1,892)	<b>(2,013)</b>
32	<b>0</b>

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 2006/2007

### NOTES TO THE HOUSING REVENUE ACCOUNT

**8. Summary of HRA Capital Expenditure:**

	2005/06 £000s	2006/07 £000s
<b>Total HRA Capital Expenditure</b>	3,542	4,267
<b>Financed By:</b>		
Revenue Contributions (CERA)	650	490
Grants and Contributions	0	1
Major Repairs Reserve	1,892	2,013
Prudential Borrowing	1,000	1,000
Usable Capital Receipts	0	763
<b>Total Financing</b>	3,542	4,267

**9. HRA Capital Receipts from Disposal of Fixed Assets:**

	2005/06 £000s	2006/07 £000s
Right to Buy Sales	1,385	1,316
Land Sales	9	8
<b>Total HRA Capital Receipts</b>	1,394	1,324

**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:**

	31/03/06 £000s	31/03/07 £000s
<b>Operational Assets:</b>		
Dwellings	2,201	2,186
Garages	19	18
	2,220	2,204
<b>Non Operational:</b>		
Housing Land	0	0
<b>Total Depreciation Charges</b>	2,220	2,204

## ANNUAL STATEMENT OF ACCOUNTS 2006/2007

### NOTES TO THE HOUSING REVENUE ACCOUNT

#### 12. Impairment:

No impairment charges were made to the Housing Revenue Account during 2006/07.

#### 13. Deferred Charges:

During 2006/07 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

2005/06 £000s	2006/07 £000s
4,090	<b>4,497</b>
1,912	<b>1,981</b>
117	<b>139</b>
16	<b>8</b>
0	<b>108</b>
(7)	<b>(6)</b>
(8,043)	<b>(8,733)</b>
<b>(1,915)</b>	<b>(2,006)</b>

##### 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 2006/07 the contribution from the Pension Reserve was £1,564.

# ANNUAL STATEMENT OF ACCOUNTS 2006/2007

## COLLECTION FUND REVENUE ACCOUNT

2005/06			2006/07		
£000s	£000s	£000s	£000s	£000s	£000s
			<b>INCOME</b>		
			<b>Council Tax Income Account:</b>		
	(56,948)			(59,809)	
				(2)	
0				1,557	
1,199				59	
245				5,395	
4,959				5,931	
5,657					
	12,060			12,940	
	(44,888)			(46,869)	
	(5,657)			(5,931)	
		(50,545)			(52,800)
			<b>Net Council Tax Income</b>		
			<b>NNDR Income Account:</b>		
	(17,934)			(18,873)	
				938	
691				84	
7				(286)	
(303)				394	
352				389	
398				3	
2				0	
1				24	
23				113	
96				2	
0				0	
1				(55)	
(49)					
	1,219			1,606	
	(16,715)			(17,267)	
99				99	
35				56	
	134			155	
		(16,581)			(17,112)
			<b>Net NNDR Income</b>		

It should be noted that the Property Charge for Council Tax is shown net of adjustments made to the debit during year. Similarly, the sum due for NNDR is net of adjustments made to the debit, increased and decreased assessments, and transitional relief and restriction. This is because the new Revenues systems net these items off in the charges recorded. The comparatives for 2005/06 have been adjusted accordingly.

**ANNUAL STATEMENT OF ACCOUNTS 2006/2007**  
**COLLECTION FUND REVENUE ACCOUNT (Continued)**

2005/06			2006/07		
£000s	£000s	£000s	£000s	£000s	£000s
			<b>Miscellaneous Collection Fund Income:</b>		
			<b>Appropriations:</b>		
(17)			(602)		
(2)			(74)		
(1)			(34)		
	(20)			(710)	
	(2)			(78)	
		(22)			(788)
		(67,148)	<b>TOTAL INCOME FOR YEAR</b>		
			<b>EXPENDITURE</b>		
			<b>Precepts: (See Note 3)</b>		
38,885			41,020		
4,744			5,016		
2,184			2,308		
4,795			4,976		
264			276		
	50,872			53,596	
	16,367			16,962	
734			92		
(46)			17		
	688			109	
		67,927	<b>TOTAL EXPENDITURE FOR YEAR</b>		
		779	<b>Net Deficit / (Surplus) for Current Year</b>		
		548	Add Balance BFwd from Previous Year		
		1,327	<b>Balance CFwd (Surplus) / Deficit</b>		
					(70,700)
					70,667
					(33)
					1,327
					1,294

# ANNUAL STATEMENT OF ACCOUNTS 2006/2007

## NOTES TO THE COLLECTION FUND ACCOUNTS

1. <b>NNDR</b>	2005/06	2006/07
(a) Non Domestic Rateable Value at 31 March	46,842,343	46,885,767
(b) Multiplier	42.2p	43.3p

2. <b>COUNCIL TAX</b>	2005/06 Number	2006/07 Number
Chargeable Dwellings in each Band (Band D equivalent):		
Band A*	13	9
Band A	7,742	7,846
Band B	9,745	9,833
Band C	7,584	7,686
Band D	5,812	5,787
Band E	3,849	3,867
Band F	1,624	1,623
Band G	1,155	1,159
Band H	123	121
<b>Council Tax Base</b>	<b>37,647</b>	<b>37,931</b>

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\*.

3. <b>SIGNIFICANT PRECEPTS &amp; DEMANDS ON THE FUND</b>	2005/06 £000s	2006/07 £000s
Nottinghamshire County Council Precept	38,885	41,020
Nottinghamshire Police Authority Precept	4,744	5,016
Combined Fire Authority	2,184	2,308
Gedling Borough Council Demand (Including Parish element)	5,059	5,252
	<b>50,872</b>	<b>53,596</b>

#### 4. **ACCOUNTING FOR THE COLLECTION FUND BALANCE**

The opening balance on the Collection Fund for 2006/07 was a deficit of £1.327m. At the end of the year the deficit had fallen slightly to £1.294m. 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 2006/07 Statement of Accounts as follows (the basis of calculation used is the precept paid to each authority during the relevant year).

<b>Balance Sheet Debtors:</b>	2005/06 £000s	2006/07 £000s
Nottinghamshire County Council	1,016	1,017
Nottinghamshire Police Authority	124	124
Combined Fire Authority	57	57
	<b>1,197</b>	<b>1,198</b>
<b>Deficit attributable to Gedling BC</b> (shown alongside the General Fund balance)	<b>130</b>	<b>96</b>
<b>Total</b>	<b>1,327</b>	<b>1,294</b>

In the Statement of Total Recognised Gains & Losses (STRGL), the Council has inserted a new line for the attributable movement on the Collection Fund, to record the movement of £34,000 in its own share of the deficit from £130,000 to £96,000.

**ANNUAL STATEMENT OF ACCOUNTS 2006/2007**

This is the Official Audited Version, published 30 September 2007  
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