Annual Statement of Accounts 2010/11



GEDLING
BOROUGH COUNCIL

Serving people, improving lives

COR 760-11

ANNUAL STATEMENT OF ACCOUNTS 2010/11

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Please note that the rationale for the order of the financial statements in the Statement of Accounts is that it shows in sequence the changes in the Council's financial resources over the year (Movement in Reserves Statement), the gains and losses that contributed to these changes in resources (Comprehensive Income and Expenditure Statement), how the resources available to the authority are held in the form of assets and liabilities (Balance Sheet), and how the movement in resources has been reflected in cashflows (Cash Flow Statement).

ANNUAL STATEMENT OF ACCOUNTS 2010/11

EXPLANATORY FOREWORD

INTRODUCTION

The Accounting Statements for the year 2010/11 are set out in the following pages. The Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which defines proper accounting practices and principles required to give a 'true and fair' view of the financial position and transactions of a local authority. The Council's accounts are subject to audit by the District Auditor, and the certificates are shown on pages 77 to 80.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

2010/11 is the first year of adoption of International Financial Reporting Standards (IFRS) in local authority accounting. Compliance with the Code addresses all the requirements of IFRS as they relate to local government.

The financial statements comprise:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement
- Notes to the Accounts and Accounting Policies
- Balance Sheet at the Beginning of earliest comparative period (required when there is a prior period adjustment and in first year of IFRS adoption)
- Collection Fund Account and Notes

The purpose of each statement and the relationship between them is described on the face of each statement.

The transition to the IFRS-based Code of Practice has been accounted for in accordance with IFRS 1 - First Time Adoption of IFRS. Accounting policy changes arising out of the adoption of the IFRS-based Code have been accounted for retrospectively, and comparative figures have been restated, unless the Code requires an alternative treatment. In accordance with the Code, the Accounts include an opening Balance Sheet as at 1 April 2009. IFRS 1 requires an authority to explain how the transition from the previous accounts, prepared in accordance with UK Generally Accepted Accounting Practices (GAAP), to IFRSs has affected its reported financial position, financial performance and cash flows. A full set of transition notes explaining the impact is included on pages 25 to 30.

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. They explain the principles, bases, conventions, rules and practices applied by an authority to the presentation of assets, liabilities, gains, losses and changes in reserves. Except where specified in the Code or in specific legislative requirements, it is for the authority to select policies that are the most appropriate to its particular circumstances. As stated above, the implementation of IFRSs has resulted in a number of accounting policy changes in 2010/11.

FINANCIAL OVERVIEW

The financial outturn for 2010/11 fell broadly in line with quarterly monitoring, and shows that the Council has maintained its reputation for robust financial management. A detailed outturn report was submitted to Cabinet on 2 June 2011 and can be accessed via the Council's website at www.gedling.gov.uk

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a) **General Fund Revenue Account**

Net General Fund Revenue Expenditure on services for 2010/11 totalled £14.236m, representing an underspend of £0.455m. The outturn position results in a contribution to General Fund Balances of £0.576m compared with a revised estimate of £0.120m. The underspent revenue outturn position together with the receipt of an exceptional item of income in respect of VAT recovered (see note below), the receipt of non-specific grants and the reclassification of earmarked reserves (see note below), accounts for a movement on the General Fund Balance of £1.783m shown in these accounts, leaving a year-end balance of £5.293m. 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, £0.179m has been earmarked to finance revenue budgets carried forward from 2010/11 to 2011/12. The level of balances currently held do exceed the level required and therefore the Council's current Medium Term Financial Plan assumes that balances held will reduce over the next 3 years.

Significant points to note in the General Fund Revenue Outturn include:

- Exceptional Income – VAT Reclaim

  Following a review of the Council's leisure income in the light of the "Fleming" VAT case, claims were made to HM Revenues and Customs (HMRC) for the recovery of output tax previously paid. The case involved the three-year cap for back adjustments of VAT, which according to the Fleming judgement was introduced by HMRC without the appropriate transitional arrangements. The claims related to cultural and sporting activities, dating back to pre 1990, and together with simple interest and net of fees payable to the Council's advisors, the sum of £840,000 has benefited the General Fund balance.

  Legal action is currently being taken in the courts in respect of claims for compound interest on Fleming claims. The Council's advisors have lodged appeals in respect of the above settlements, however the process is likely to be long and there is no guarantee of further success.

- Employee Expenses

  Savings on employee expenses of £142,800 have been achieved against the budgeted position, mainly due to positive vacancy management with each post being individually assessed and approved before being advertised.

- VAT Partial Exemption

  In 2009/10 it was identified that the Council was at risk of breaching the 5% limit above which input tax in respect of the delivery of VAT Exempt services becomes unrecoverable and repayable to HMRC. This position arose due to a significant reduction in the total input tax reclaimed by the Council, because of Large Scale Voluntary Transfer (LSVT) of Housing Stock and slippage in the capital programme, upon which the 5% limit is calculated. A provision of £73,400 was made in the accounts. However, following a detailed review of the calculations, HMRC have confirmed that the limit has not been breached and the Council is no longer considered to be at risk. The provision has therefore been released back to the service revenue accounts in 2010/11.

- Income

  The economic climate continued to put pressure on the Council's income budgets although there are signs that income levels have begun to stabilise with no major overall variance against estimates for 2010/11 being experienced.

- Earmarked Reserves and Provisions

  Earmarked reserves and provision requirements have been reviewed during 2010/11 and the position as at 31 March 2011 is summarised below:

a) A provision of £23,500 for Land Charges Personal Searches restitutionary claims has been created from the receipt of a government grant

b) The provision of £73,400 for unrecoverable VAT has been released back to the revenue accounts following confirmation that the partial exemption limit for 2009/10 had not been breached (see above).

c) Responsibility for administering Concessionary Fares has transferred to Nottinghamshire County Council at 1 April 2011. It is anticipated there may be some final liabilities to settle upon transfer and so £50,000 has been retained in the Concessionary Fares reserve, with £127,700 released to General Fund Balances.

d) The Risk Management and Insurance Reserves have been reviewed and changed to reflect the Council's risk profile resulting in a net transfer to General Fund Balances of £209,400

e) The Housing Benefits Reserve has been increased to a total of £316,000 reflecting the increased risks as caseloads continue to rise. This reserve now also reflects the risks of increasing homelessness expenditure arising from increasing caseloads.

The actual position on Earmarked Reserves at 31 March 2011 is £2.036m compared to the estimated position of £1.651m, an increase of £385,000.

The economic climate continues to be challenging for the Council, as it does for the wider economy, and ongoing consideration will be given to the adequacy of reserves.

b) **Capital Expenditure and Financing**

Total capital investment during 2010/11 totalled £2.734m and this was financed by the use of capital receipts, borrowing, government grants and other contributions as set out at note 38 on page 67. The main elements of the capital programme were private sector housing improvement grant and the purchase of replacement vehicles and equipment.

The Council continues to take advice from its Treasury Advisors with regard to the timing of borrowing and, due to favourable interest rates, £3m was borrowed during 2010/11 taking the council's total external debt to £9.812m at 31 March 2011. The Council minimises its net cash surpluses as a response to uncertainties in the investment market.

In addition to borrowing, Disabled Facilities grant and East Midlands Regional Housing Board funding was received from the Government and applied to capital expenditure in respect of private sector renovations. However, the council will continue to be dependent on capital receipts realised from the sale of assets, and on contributions from other agencies, to fund its capital schemes.

c) **Balance Sheet**

The position on the balance sheet shows a significant increase in Net Worth moving from negative net worth of (£4.543m) at 31 March 2010 to positive net worth of £12.355m at 31 March 2011. This movement in Net Worth of £16.898m is mainly due to:

- technical actuarial valuation requirements of the Pension Fund under IAS19 – Employment Benefits;
- Increase in revenue reserves due to the budget underspend:
- Increase in revenue reserves due to VAT recovered from HM Customs and Excise (see note above)
- Net reductions on asset values

The reduction in the Pension Deficit of £20.694m is due to the specific technical calculations required under IAS19 which measure the net present value of future assets and liabilities based on actuarial assumptions. This technical valuation bears no resemblance to the cash position on the fund which remains healthy. Full details of the pension valuations and assumptions are included in note 41 to the financial statements, on pages 67 to 72. The total pension liability of £16.840m 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.

Significant asset valuation movements include:

- the impairment of Car Parks totalling £3.373m to reflect income levels following a reduction in prices.
- The decommissioning of public conveniences net reduction in value £181,000
- The disposal of Killisick Court valued at £250,000 to a Registered Social Landlord for social housing purposes in return for tenant nomination rights instead of a monetary value.

There have been no significant impairments during 2010/11 as a result of the external economic climate.

Due to the requirements of local authority accounting, changes in pension fund valuations and asset valuations do not have an impact at taxpayer level.

d) **Housing Revenue Account/Large Scale Voluntary Transfer**

Following the completion of the Large Scale Voluntary Transfer of housing stock to Gedling Homes in 2008/09 the Housing Revenue Account was closed on 31 March 2010 following receipt of consent from the Secretary of State for Communities and Local Government. The closing Housing Revenue Account balance of £1.441m was transferred to the General Fund on 31 March 2010. Therefore, the presentation of the Housing Revenue Account and Notes is no longer required.

REVENUE TAX COLLECTION

The Collection Fund accounts are set out on pages 73-75. During the year 98.5% of the Council Tax due was collected, and 98.5% of the National Non Domestic Rate due was collected on behalf of the Government.

The Collection Fund Revenue Account shows a deficit of £0.407m, which is within acceptable tolerances given that approximately £80m worth of Local Taxation is accounted for in this fund. The deficit has been disaggregated on the balance sheet in accordance with accounting requirements. Gedling Borough Council acts as an agent in respect of to Council Tax, and only the proportion of the deficit calculated as attributable to Gedling Borough Council is shown on the Collection Fund Adjustment Account, amounting to £37,000. The proportions attributable to Nottinghamshire County Council, Nottinghamshire Police Authority and The Combined Fire Authority are included in the overall Collection Fund debtors with these parties, together with appropriate shares of arrears, bad debt provisions and prepayments.

THE ECONOMY

The Council's current sound financial position, combined with the Medium Term Financial Plan and projections for reserves and balances, means that the Council is well placed to deal with the ongoing uncertainty in the UK and global economy and the impact of a significantly reduced Government Revenue Support Grant Settlement from 2011/12 onwards. However, the Council will continue to monitor the external environment and develop strategies to counter threats from the wider economy. Despite ongoing pressures and squeezes on costs, income streams and funding, effective planning has resulted in the Council's 2011/12 budget having no significant reductions in service, no requirements for redundancies and no Council Tax increase. The overall financial and operational management arrangements remain robust and I consider that the Council remains well placed to continue to provide services at current levels in the future.

MS KIMBERLEY, CPFA
Head of Corporate Services, June 2011

ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, which those Regulations require to be prepared in accordance with the proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

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

2. Accruals of Income and Expenditure

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

Where income and expenditure has been recognised but cash has not been paid or received, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance is written down and a charge made to revenue for the income that might not be settled.

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. Cash and Cash Equivalents

Cash is represented by cash in hand at the bank, cash in transit and imprest amounts. Cash equivalents are represented by deposits held in Business Reserve accounts that are repayable at call without penalty. They are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

All deposits held for fixed periods, however short, are classed as short-term investments, since they are not readily convertible to cash as they cannot be broken without the payment of penalties.

4. Exceptional Items

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

5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

6. **Charges to Revenue for Non Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible fixed assets attributable to the service

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

7. **Employee Benefits**

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserve Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

Employees of the Authority 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 worked for the Authority.

<u>The Local Government Pensions Scheme</u>

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Nottinghamshire County Council pension fund attributable to the Authority are included in the Balance Sheet on actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate that reflects the time value of money and the characteristics of the liability.
- The assets of Nottinghamshire County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
    - Quoted securities – current bid price
    - Unquoted securities – professional estimate
    - Unitised securities – current bid price
    - Property – market value
- The change in net pensions liability is analysed into seven components:
    - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
    - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
    - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
    - Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
    - Gains or losses on settlements and curtailments – the results of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
    - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
    - Contributions paid to the Nottinghamshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

8. **Events after the Balance Sheet Date**

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

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

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

9. **Financial Instruments**

Financial Liabilities

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

For all of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase of early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has not undertaken any repurchase of early settlement of borrowing during 2010/11.

Financial Assets

Financial assets are classified in two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.

- Available for sale financial assets – assets that have a quoted market price and/or do not have fixed or determinable payments. There were no available for sale financial assets held during 2010/11.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has provided car loans to employees at less than market rates (soft loans). In normal circumstances soft loans would be recognised and measured in the accounts at fair value, in accordance with the Code as disclosed in notes 14 to 15 to the financial statements on pages 42 to 47. However, car loans to employees have been considered in detail and it has been concluded that the sum outstanding of £105,000 is immaterial and the rates offered are only marginally preferential to those on offer in the market. Accordingly, no additional calculations for fair value have been undertaken and car loans continue to be recognised at the value of the sums loaned less repayments made.

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

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

10. **Government Grants and Contributions**

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non Specific Grant Income (non ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted the Capital Adjustment Account once they have been applied to fund capital expenditure.

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non ring-fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

11. **Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the authority as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resource being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised)

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible assets held by the Authority meets the criterion and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

12. **Inventories**

Inventories included in the Balance Sheet are valued at last price paid.

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

13. **Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms length. Properties are not depreciated but are revalued annually according to the market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

14. **Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. The Authority did not have any finance lease arrangements during 2010/11.

Where a lease covers both land and buildings, the land and buildings element are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. The Authority did not have any arrangements of this type during 2010/11.

The Authority as Lessee:

Finance Leases

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair measured at the lease's inception (or the present value of the minimum lease payments, if lower). The Authority operates a de minimus level of £5,000 in recognising and valuing assets acquired under finance lease. The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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

The Authority does not currently have any finance leases as lessee.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

The Authority as Lessor:

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal) matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received) and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

The Authority does not currently have any finance leases as lessor.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is credited to the appropriate service revenue account in the Net Cost of Services in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease

15. **Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

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

Cost Head	**Basis of Charge**
• Administrative Buildings	Area Occupied
• Financial Services/Legal and Democratic Services	Actual time spent by staff/usage statistics
• Personnel	Proportionate to number of payslips generated

Cost Head	Basis of Charge
• Strategic Planning/Service Department Admin	Actual time spent by staff
• Information Technology	Systems operated, equipment utilised and time spent on Programming and Development
• Safety Officer	Actual time spent by staff
• Banking Services/Central Print Room/Central Postage/One Stop Shop/Reception	Usage statistics

16. **Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. The Authority operates a de minimus level of £5,000 in recognising and valuing assets.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The authority does not capitalise borrowing costs incurred whilst assets are under construction.

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement. The Council does not currently have any donated assets.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

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

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

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

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

<u>Impairment</u>

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

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

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

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

<u>Depreciation</u>

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- Buildings – straight line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – straight-line allocation over useful life of the asset as advised by a suitably qualified officer
- Infrastructure – straight line allocation over 10 years.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals, which following the transfer of housing stock to Gedling Homes will now only relate to repayment of right to buy discounts and mortgage repayments, is repayable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment, or set aside to reduce the Authority’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in Movement in Reserve Statement.

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

17. **Provisions, Contingent Liabilities and Contingent Assets**

Provisions

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

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

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

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

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Reserves

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

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

18. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

Examples of Revenue Expenditure Funded from Capital under Statute include:

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

19. VAT

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the 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").

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 Local Authority Code.

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.

CERTIFICATION

This Statement of Accounts is that upon which the Auditor should enter his certificate and opinion, and has been prepared in accordance with the Accounts and Audit Regulations 2003 (as amended). It presents a True and Fair view of the financial position of the Authority as at 31 March 2011 and its income and expenditure for the year then ended.

Signed:

MS Kimberley CPFA
Head of Corporate Services
27 September 2011

This Statement was approved by the Audit Committee at its meeting on 27 September 2011, in accordance with the authority given by the delegation arrangements under section 3 of the Council's Constitution.

Signed:

Councillor M Lawrence
Vice Chair of the Audit Committee
27 September 2011

Financial Statements

MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement in-year on the different reserves held by the authority (see the Balance Sheet on pages 22 to 23), analysed into "Usable" Reserves (ie. those that can be applied to fund expenditure or reduce local taxation), and other "Unusable" Reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing an authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES) on page 21. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting and purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves, undertaken by the council.

2010/11 Statement	**General Fund Balance**	**Earmarked Gen. Fund Reserves**	**Housing Revenue Account**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Total Usable Reserves**	**Total Unusable Reserves**	**TOTAL RESERVES**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Balance at 1 April 2010 per Restated Balance Sheet	**3,510**	**2,440**	**0**	**316**	**226**	**6,492**	**(11,035)**	**(4,543)**
Surp/(Deficit) on the Prov'n of Servs.(accounting basis)	2,585	0	0	0	0	**2,585**	0	**2,585**
Other Comprehensive Income and Expenditure	0	0	0	0	0	**0**	14,313	**14,313**
Total Comprehensive Income and Expenditure	2,585	0	0	0	0	**2,585**	14,313	**16,898**
Adjs between accg. basis and funding basis under regulations (see note 7)	(1,206)	0	0	(108)	(5)	**(1,319)**	1,319	**0**
Net increase/(decrease) before transfers to Earmarked Reserves	1,379	0	0	(108)	(5)	**1,266**	15,632	**16,898**
Transfers (to)/from Earmarked Reserves (note 8)	404	(404)	0	0	0	**0**	0	**0**
Increase or (Decrease) in the year 2010/11	**1,783**	**(404)**	**0**	**(108)**	**(5)**	**1,266**	**15,632**	**16,898**
Balance at 31 March 2011 per Balance Sheet	**5,293**	**2,036**	**0**	**208**	**221**	**7,758**	**4,597**	**12,355**

2009/10 Comparatives	**General Fund Balance**	**Earmarked Gen. Fund Reserves**	**Housing Revenue Account**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Total Usable Reserves**	**Total Unusable Reserves**	**TOTAL RESERVES**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Balance at 1 April 2009 per Restated Balance Sheet	**2,713**	**1,926**	**1,536**	**1,098**	**55**	**7,328**	**5,154**	**12,482**
Surp/(Deficit) on the Prov'n of Servs.(accounting basis)	(3,157)	0		0	0	**(3,157)**	0	**(3,157)**
Other Comprehensive Income and Expenditure	0	0		0	0	**0**	(13,868)	**(13,868)**
Total Comprehensive Income and Expenditure	(3,157)	0	0	0	0	**(3,157)**	(13,868)	**(17,025)**
Adjs between accg. basis and funding basis under regulations (see note 7)	2,932	0	0	(782)	171	**2,321**	(2,321)	**0**
Net increase/(decrease) before transfers to Earmarked Reserves	(225)	0	0	(782)	171	**(836)**	(16,189)	**(17,025)**
Transfers (to)/from Earmarked Reserves (note 8)	1,022	514	(1,536)	0	0	**0**	**0**	**0**
Increase or (Decrease) in the year 2009/10	**797**	**514**	**(1,536)**	**(782)**	**171**	**(836)**	**(16,189)**	**(17,025)**
Balance at 31 March 2010 per Restated Balance Sheet	**3,510**	**2,440**	**0**	**316**	**226**	**6,492**	**(11,035)**	**(4,543)**

ANNUAL STATEMENT OF ACCOUNTS 2010/11

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amounts to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations, which may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement on page 20.

2009/10 Restated				2010/11		
Gross Exp	Total Inc.	Net Exp.		Gross Exp	Total Inc.	Net Exp.
£000s	£000s	£000s		£000s	£000s	£000s
			Net Cost of Services:			
11,367	(9,764)	1,603	Central Services to the Public	12,084	(10,423)	**1,661**
16,659	(5,845)	10,814	Cultural, Environmental, Regulatory & Planning Services	16,634	(5,680)	**10,954**
1,869	(831)	1,038	Highways & Transport Services	3,166	(702)	**2,464**
23,049	(22,187)	862	GF Housing Servs.(Incl Rent Allws)	25,160	(24,155)	**1,005**
2,069	(200)	1,869	Corporate & Democratic Core	2,123	(73)	**2,050**
14	0	14	Non Distributed Costs	46	0	**46**
0	0	0	Exceptional item - Pension Past Service Gain (see note 41)	(5,816)	0	**(5,816)**
55,027	(38,827)	16,200	**Cost of Services**	**53,397**	**(41,033)**	**12,364**
			Other Operating Expenditure:			
300	0	300	Payment of Precepts to Parishes	304	0	**304**
16	0	16	Drainage Board Levy	16	0	**16**
28	0	28	Payments of Housing capital receipts to Govt Pool	1	0	**1**
0	(35)	(35)	(Gain)/Loss on disposal of non-current assets	597	(424)	**173**
344	(35)	309		**918**	**(424)**	**494**
			Financing and Investment I&E:			
304	(1)	303	Interest Payable on Debt	364	0	**364**
3,496	(2,028)	1,468	Pensions interest cost & expected return on pension assets	3,894	(2,995)	**899**
11	(183)	(172)	Interest Receivable and similar income	0	(128)	**(128)**
448	(211)	237	Income & Expenditure re.Investment properties & changes in their fair value	19	(243)	**(224)**
4,259	(2,423)	1,836		**4,277**	**(3,366)**	**911**
			(Surpl)/Def of Discontinued Ops.			
154	0	154	Deficit on final year of HRA	0	0	**0**
			Exceptional Items			
0	0	0	Fleming Claims	154	(994)	**(840)**
			Taxation and Non Specific Grants:			
0	(5,702)	(5,702)	Council Tax Income	0	(5,871)	**(5,871)**
0	(7,399)	(7,399)	Non Domestic Rates	0	(8,080)	**(8,080)**
0	(1,907)	(1,907)	Non Ring-fenced Government Grants	0	(1,253)	**(1,253)**
0	(334)	(334)	Capital grants and contributions	0	(310)	**(310)**
0	(15,342)	(15,342)		**0**	**(15,514)**	**(15,514)**
59,784	**(56,627)**	**3,157**	**(Surpl)/Def on Provision of Services**	**58,746**	**(61,331)**	**(2,585)**
		(2,135)	(Surpl)Def on revaluation of non current assets (PPE)			**2,099**
		16,003	Actuarial (gains)/losses on Pension assets and liabilities			**(16,412)**
		13,868	**Other Comprehensive Income and Expenditure**			**(14,313)**
		17,025	**Total Comprehensive Income and Expenditure**			**(16,898)**

ANNUAL STATEMENT OF ACCOUNTS 2010/11

BALANCE SHEET

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

Restated 1 April 2009		Restated 31 March 2010			31 March 2011	
£000s	£000s	£000s	£000s		£000s	£000s
				Property, Plant & Equipment: (Note 10)		
18,461		20,162		Land & Buildings	**16,363**	
3,900		3,475		Vehicles, Plant & Equipment	**2,921**	
96		59		Infrastructure	**93**	
3,156		2,803		Community Assets	**2,787**	
331		357		Assets Under Construction	**347**	
250		250		Surplus Assets NOT held for sale	**0**	
	26,194		27,106			**22,511**
	9,166		8,580	**Investment Property** (note 11)		**8,612**
	260		235	**Intangible Assets** (note 12)		**249**
	0		0	**Assets held for Sale** (note 13)		**0**
	0		0	**Long Term Investments**		**1,515**
	149		140	**Long Term Debtors**		**153**
	35,769		36,061	**LONG TERM ASSETS**		**33,040**
4,301		4		Short Term Investments	**3,556**	
116		111		Inventories (Incl Works in Progress)	**140**	
4,106		3,953		Short Term Debtors (note 18)	**4,366**	
1,269		3,737		Cash and Cash Equivs. (note 19)	**1,766**	
	9,792		7,805	**CURRENT ASSETS**		**9,828**
(1)		(1)		Short Term Borrowing (under 1yr)	**(1)**	
(3,535)		(2,324)		Short Term Creditors (note 20)	**(2,298)**	
(36)		(30)		Provisions under 1 yr (note 21)	**(25)**	
	(3,572)		(2,355)	**CURRENT LIABILITIES**		**(2,324)**
(465)		(174)		Provisions over 1 yr (note 21)	**(123)**	
(6,811)		(6,811)		Long term Borrowing (PWLB)	**(9,812)**	
(20,992)		(37,534)		Net Pensions Liability (note 41)	**(16,840)**	
(350)		(310)		Deferred Liabilities	**(268)**	
(889)		(1,225)		Capital Grants Received in Advance	**(1,146)**	
	(29,507)		(46,054)	**LONG TERM LIABILITIES**		**(28,189)**
	12,482		**(4,543)**	**NET ASSETS**		**12,355**

BALANCE SHEET (continued)

Restated 1 April 2009 £000s	Restated 1 April 2009 £000s	Restated 31 March 2010 £000s	Restated 31 March 2010 £000s		31 March 2011 £000s	31 March 2011 £000s
	12,482		**(4,543)**	**NET ASSETS FROM ABOVE**		**12,355**
				Usable Reserves (MiRS p 20)		
2,713		3,510		General Fund	**5,293**	
1,926		2,440		Earmarked Reserves (note 8)	**2,036**	
1,536		0		Housing Revenue Account	**0**	
1,098		316		Capital Receipts Reserve	**208**	
55		226		Capital Grants & Contribs Unapplied	**221**	
	7,328		6,492			**7,758**
				Unusable Reserves (note 23)		
1,462		3,560		Revaluation Reserve	**1,354**	
(20,992)		(37,534)		Pensions Reserve	**(16,840)**	
24,898		23,118		Capital Adjustment Account	**20,273**	
24		18		Deferred Capital Receipts	**14**	
(75)		(44)		Collection Fund Adj Account	**(37)**	
(163)		(153)		Short-term Accumulating Compensated Absences Account	**(167)**	
	5,154		(11,035)			**4,597**
	12,482		**(4,543)**	**TOTAL RESERVES**		**12,355**

CASHFLOW STATEMENT

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

Restated 2009/10		**2010/11**
£000s		**£000s**
(3,157)	**Net Surplus / (Deficit) on the Provision of Services per the Comprehensive Income and Expenditure Statement**	**2,585**
3,318	Total of adjustments to net Surplus/(Deficit) on Provision of Services for non-cash movements	(1,276)
(43)	Total of adjustments to the net Surplus/(Deficit) on Provision of Services for items that are investing and financing activities	(414)
118	**Net Cashflow from Operating Activities** (see note 24)	**895**
3,172	Investing activities (see note 25)	**(5,698)**
(822)	Financing Activities (see note 26)	**2,832**
2,468	**Net Increase / (Decrease in Cash & Cash Equivalents)**	**(1,971)**
1,269	Cash and Cash Equivalents at the beginning of the reporting period	**3,737**
3,737	**Cash and Cash Equivalents at the End of the Reporting Period**	**1,766**

Analysis of Cash and Cash Equivalents at Balance Sheet dates:	**31 March 2009**	**31 March 2010**	**31 March 2011**
	£000s	**£000s**	**£000s**
Bank Account balances	59	219	**(284)**
Cash in Transit	0	3	**26**
Imprest accounts	10	10	**14**
Cash equivalents (Business Reserve accounts)	1,200	3,505	**2,010**
Total Cash and Cash Equivalents per Balance Sheet	**1,269**	**3,737**	**1,766**

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

An explanation of the differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements is set out in the following tables and notes that accompany the tables.

Reconciliation of Net Worth Reported Under Previous GAAP to Net Worth Under IFRS at the Date of Transition to IFRS (1 April 2009):

	Previous GAAP 1/4/09	Effect of Transition to IFRS					IFRS 1/4/09
		Absences	Grants Capital	Grants Revenue	Assets	Cash Equivs.	
Note Reference:		(1)	(2)	(3)	(4)	(5)	
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Property, Plant & Equipment	35,360				(9,166)		26,194
Investment Property	0				9,166		9,166
Intangible Assets (Software)	260						260
Long Term Debtors	149						149
Total Long Term Assets	**35,769**	**0**	**0**	**0**	**0**	**0**	**35,769**
Non-Prop'ty Invm't (exc cash equiv)	5,501					(1,200)	4,301
Inventories (Incl Works in Progress)	116						116
Short Term Debtors	4,106						4,106
Cash and Cash Equivalents	70					1,199	1,269
CURRENT ASSETS	**9,793**	**0**	**0**	**0**	**0**	**(1)**	**9,792**
Cash Overdrawn	(1)					1	0
Short Term Borrowing (under 1yr)	(1)						(1)
Short Term Creditors	(4,404)	(163)	888	144			(3,535)
Provisions (under 1 yr)	(36)						(36)
CURRENT LIABILITIES	**(4,442)**	**(163)**	**888**	**144**	**0**	**1**	**(3,572)**
Provisions	(465)						(465)
Long term Borrowing (PWLB)	(6,811)						(6,811)
Net Pensions Liability	(20,992)						(20,992)
Deferred Liabilities	(350)						(350)
Capital Grants Receipts in Advance	0		(889)				(889)
Govt Grants & Contribs Deferred	(1,926)		1,926				0
Capital Grants & Contribs Unappl'd	(56)		56				0
LONG TERM LIABILITIES	**(30,600)**	**0**	**1,093**	**0**	**0**	**0**	**(29,507)**
NET ASSETS	**10,520**	**(163)**	**1,981**	**144**	**0**	**0**	**12,482**

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Reconciliation of Net Worth Reported Under Previous GAAP to Net Worth Under IFRS at the Date of Transition to IFRS (1 April 2009):

	Previous GAAP 1/4/09	Effect of Transition to IFRS					IFRS 1/4/09
		Absences (1)	Grants Capital (2)	Grants Revenue (3)	Assets (4)	Cash Equivs. (5)	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
NET ASSETS FROM ABOVE	**10,520**	**(163)**	**1,981**	**144**	**0**	**0**	**12,482**
General Fund	2,713						2,713
Earmarked reserves	1,782			144			1,926
Housing Revenue Account	1,536						1,536
Capital Receipts Reserve	1,098						1,098
Capital Grants & Contribs Unappl'd	0		55				55
TOTAL USABLE RESERVES	**7,129**	**0**	**55**	**144**	**0**	**0**	**7,328**
Revaluation Reserve	1,731				(269)		1,462
Pensions Reserve	(20,992)						(20,992)
Capital Adjustment Account	22,703		1,926		269		24,898
Accumulated Absences Account	0	(163)					(163)
Other - Unusable Reserves	(51)						(51)
TOTAL UNUSABLE RESERVES	**3,391**	**(163)**	**1,926**	**0**	**0**	**0**	**5,154**
TOTAL RESERVES	**10,520**	**(163)**	**1,981**	**144**	**0**	**0**	**12,482**

ANNUAL STATEMENT OF ACCOUNTS 2010/11

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Reconciliation of Net Worth Reported Under Previous GAAP to Net Worth Under IFRS at the End of the Latest Period Presented in the Most Recent Financial Statements Under Previous GAAP (31 March 2010):

	Previous	Effect of Transition to IFRS					IFRS
	GAAP	Absences	Grants	Grants	Assets	Cash	
	31/3/10		Capital	Revenue		Equivs.	31/3/10
Note Reference:		(1)	(2)	(3)	(4)	(5)	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Property, Plant & Equipment	35,689				(8,583)		27,106
Investment Property	0				8,580		8,580
Intangible Assets (Software)	235						235
Long Term Debtors	140						140
Total Long Term Assets	**36,064**	**0**	**0**	**0**	**(3)**	**0**	**36,061**
Non-Prop'ty Invm't (excl cash equiv)	3,509					(3,505)	4
Inventories (Incl Works in Progress)	111						111
Short Term Debtors	3,953						3,953
Cash and Cash Equivalents	233					3,504	3,737
CURRENT ASSETS	**7,806**	**0**	**0**	**0**	**0**	**(1)**	**7,805**
Cash Overdrawn	(1)					1	0
Short Term Borrowing (under 1yr)	(1)						(1)
Short Term Creditors	(3,706)	(153)	1,248	287			(2,324)
Provisions (under 1 yr)	(30)						(30)
CURRENT LIABILITIES	**(3,738)**	**(153)**	**1,248**	**287**	**0**	**1**	**(2,355)**
Provisions	(174)						(174)
Long term Borrowing (PWLB)	(6,811)						(6,811)
Net Pensions Liability	(37,534)						(37,534)
Deferred Liabilities	(310)						(310)
Capital Grants Receipts in Advance	0		(1,225)				(1,225)
Govt Grants & Contribs Deferred	(1,688)		1,688				0
Capital Grants & Contribs Unappl'd	(203)		203				0
LONG TERM LIABILITIES	**(46,720)**	**0**	**666**	**0**	**0**	**0**	**(46,054)**
NET ASSETS	**(6,588)**	**(153)**	**1,914**	**287**	**(3)**	**0**	**(4,543)**
General Fund	3,510						3,510
Earmarked reserves	2,153			287			2,440
Housing Revenue Account	0						0
Capital Receipts Reserve	316						316
Capital Grants & Contribs Unappl'd	0		226				226
TOTAL USABLE RESERVES	**5,979**	**0**	**226**	**287**	**0**	**0**	**6,492**
Revaluation Reserve	3,829				(269)		3,560
Pensions Reserve	(37,534)						(37,534)
Capital Adjustment Account	21,164		1,688		266		23,118
Accumulated Absences Account	0	(153)					(153)
Other - Unusable Reserves	(26)						(26)
TOTAL UNUSABLE RESERVES	**(12,567)**	**(153)**	**1,688**	**0**	**(3)**	**0**	**(11,035)**
TOTAL RESERVES	**(6,588)**	**(153)**	**1,914**	**287**	**(3)**	**0**	**(4,543)**

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Reconciliation to Total Comprehensive Income & Expenditure Under IFRS for the Latest Period in the Most Recent Annual Financial Statements (Year Ended 31 March 2010):

	Net Expenditure					
	Previous	Effect of Transition to IFRS				IFRS
	GAAP 31/3/10	Absences	Capital Grant	Revenue Grants	Assets	31/3/10
Note Reference:		(1)	(2)	(3)	(4)	
	£000s	£000s	£000s	£000s	£000s	£000s
Net Cost of Services:						
Central Services to the Public	1,604	(1)		0	0	**1,603**
Cultural, Environmental, Regulatory & Planning Services	10,819	(11)	234	(87)	(141)	**10,814**
Highways & Transport Services	1,035				3	**1,038**
GF Housing Servs.(Incl Rent Allws)	873	2		(13)		**862**
Corporate & Democratic Core	1,745	0	124	0		**1,869**
Non Distributed Costs	107				(93)	**14**
Cost of Services	**16,183**	**(10)**	**358**	**(100)**	**(231)**	**16,200**
Other Operating Expenditure	309					**309**
Financing and Investment I&E	1,599				237	**1,836**
(Surpl)/Def of Discontinued Ops.	154					**154**
Taxation and Non Specific Grants	(15,008)		(334)			**(15,342)**
(Surpl)/Def on Provision of Services	**3,237**	**(10)**	**24**	**(100)**	**6**	**3,157**
(Surpl)Def on revaluation of non current assets (Property, Plant & Equipment)	(2,132)				(3)	**(2,135)**
Actuarial (gains)/losses on Pension assets and liabilities	16,003					**16,003**
Other Comprehensive Income and Expenditure	**13,871**	**0**	**0**	**0**	**(3)**	**13,868**
Total Comprehensive Income and Expenditure	**17,108**	**(10)**	**24**	**(100)**	**3**	**17,025**

Notes to the Transition Statements

1. **Short-Term Accumulating Compensated Absences:**

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Notes to the Transition Statements (Continued)

Accruing for short-term compensated absences has resulted in decreases in net assets in the balance sheet as at 1 April 2009 and as at 31 March 2010 of £163,000 and £153,000 respectively; being increases in accruals, with corresponding decreases in the year end balance on the Accumulated Absences Account (an unusable reserve). The impact on the Comprehensive Income and Expenditure Statement is a decrease in expenditure of £10,000 in 2009/10, reflecting the movement in the accrual.

2. Capital Grants:

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

(i) The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening balance 1 April 2009 Balance Sheet. This has resulted in the balance on the Capital Adjustment Account in the IFRS accounts being £1,926,000 and £1,688,000 higher than shown under the 1 April 2009 and 31 March 2010 previous GAAP based accounts respectively.

(ii) Portions of Government Grants Deferred were previously recognised as income in 2009/10 (£358,000); these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

(iii) The IFRS Code requires capital grants and contributions to be accounted for through the Comprehensive Income and Expenditure Account once any conditions have been met. This is a change in accounting policy and capital grants and contributions totalling £334,000 have been recognised in Taxation and Non-Specific Grant Income in the comparative figures. The restatements in respect of this are as follows:

During 2009/10 £135,000 in capital grants were received but not used. Previously, no income was recognised in respect of this grant, which was shown in the Grants Unapplied Account within the Liabilities section of the Balance Sheet. The grant has now been recognised in full against Taxation and non-specific grant income, and transferred to the Capital Grants Unapplied (Reserves).

During 2009/10 £120,000 in capital grants were received and applied to finance capital projects. Previously, no income was recognised in respect of this grant, which was transferred to the Government Grants Deferred Account. The grant has been recognised in full against Taxation and non-specific grants income and transferred to the Capital Adjustment Account.

Capital Section 106 Developer Contributions without conditions on use totalling £79,000 were previously held on the balance sheet as Receipts in Advance (creditors). Following the change in policy these have been recognised in the Income and Expenditure Account and transferred to Capital Grants Unapplied (Reserves).

There is no change to the General Fund Balance, as capital grant income is transferred out of the General Fund under both the previous and current accounting policies.

(iv) The IFRS Code requires that where grant conditions are outstanding the grant should be held in the balance sheet as Capital Grants Receipts in Advance in Long Term Liabilities.

Grant conditions have been reviewed and this has resulted in the balance on the Capital Grants Receipts in Advance in the IFRS Accounts being £889,000 and £1,225,000 higher than shown under the 1 April 2009 and 31 March 2010 previous GAAP based accounts. £888,000 was transferred from Short Term Creditors and £1,000 from Capital Grants Unapplied (Liabilities) at 1 April 2009 and a further £281,000 transferred from Short Term Creditors and £56,000 from Capital Grants Unapplied (Liabilities) at 31 March 2010.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Notes to the Transition Statements (Continued)

v. Under the previous accounting arrangements Capital Grants Unapplied were included in the liabilities section of the balance sheet. The IFRS code now requires income to be recognised in the Comprehensive Income and Expenditure Account when conditions have been satisfied and any grants that have not been applied in financing to be held in Capital Grants Unapplied (Reserves) in the usable reserves section of the balance sheet. This has resulted in the balance on Capital Grants Unapplied (Liabilities) being cleared to zero at 1 April 2009 and 31 March 2010 and the balance on Capital Grants Unapplied (Reserves) being £55,000 and £226,000 for 1 April 2009 and 31 March 2010 respectively being created from the accumulation of transactions detailed in (iii) above and the residual balances transferred from Capital Grants Unapplied (Liabilities) section.

3. Revenue Grants

The IFRS Code requires revenue grants and contributions to be accounted for through the Comprehensive Income and Expenditure Account once any conditions have been met. Grant conditions have been reviewed and this has resulted in the balance on Short Term Creditors being reduced and Earmarked Reserves being increased by £144,000 and £287,000 at 1 April 2009 and 31 March 2010 respectively.

Income of £143,000 has been recognised in the Comprehensive Income and Expenditure Statement 2009/10 in respect of grants for which conditions have been met and transferred to Earmarked Reserves.

A further adjustment has been made to the Comprehensive Income and Expenditure Statement 2009/10 in respect of the reversal of a recognised grant of £43,000 for which conditions had been satisfied during 2008/09.

4. Long Term Assets

Investment Assets

Investments Assets were included in the Non-Operational Assets Category under the previous GAAP based accounts but have their own category on the face of the balance sheet under IFRS. This has resulted in amounts of £9,166,000 and £8,583,000 being transferred from Property, Plant and Equipment to Investment Assets in the IFRS Accounts at 1 April 2009 and 31 March 2010 respectively.

Under IFRS unrealised revaluation gains for Investment Assets are not held in the Revaluation Reserve but are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This has resulted in revaluation reserve balance of £269,000 held at 1 April 2009 and 31 March 2010 in respect of Investment Assets being transferred to the Capital Adjustment Account.

During 2009/10 revaluation losses on Investment Assets totalling £443,000 and net rental income of £206,000 were charged to the Net Cost of Services within the Income and Expenditure Account. Under IFRS operating expenses and income and movements in the fair value of Investment Assets are recognised in the Financing and Investment Income and Expenditure Section. This has resulted in revaluation losses totalling £443,000 and net operating income of £206,000 being transferred from Net Cost of Services to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Account.

Other minor adjustments relate to depreciation charges required for an asset reclassified from Non-Operational Assets to Property Plant and Equipment and the adjustment of 2009/10 revaluation of Investment Assets which were previously charged to the Revaluation Reserve under the SORP.

5. Cash and Cash Equivalents

Investments in Business deposit account repayable at Call, and therefore readily convertible to known amounts of cash with insignificant risk of change in value, have been reclassified from Short Term Investments to Cash and Cash Equivalents. This is a change in accounting policy which has resulted in amounts of £1.200m and £3.505m being transferred from Short Term Investments to Cash and Cash Equivalents in the IFRS accounts at 1 April 2009 and 31 March 2010 respectively.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Please refer to the full Statement of Accounting Polices, which may be found on pages 6 to 17.

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

The 2011/12 Code requires Heritage Assets to be accounted for in accordance with FRS30. The 2011/12 Codes set out the disclosure requirements for the 2010/11 financial statements in respect of this standard that has been issued but not yet adopted. It requires that, where material, disclosures are made of the heritage assets to be recognised in this new class, their carrying amount, expected revaluations upon reclassification and expected changes in depreciation and impairment. Gedling Borough Council has not held any material heritage assets during 2010/11 therefore no further disclosures are required.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out on pages 6 to 17, the authority may have to make certain judgements about complex transactions or those involving uncertainty about future events. No such critical judgements are deemed to have been necessary for 2010/11.

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

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

The estimated items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of causing a material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements in relation to the discount rate used, the rate at which salaries are projected to increase, changes in the retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £1.45m. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. See note 41 on pages 67 to 72 for further details.
Property Plant and Equipment (carried at depreciated historic cost)	Depreciation and amortisation is provided so as to write down the assets to their residual values over their estimated useful lives. The selection of these residual values and useful lives requires the exercise of management judgements considering anticipated usage levels in service provision and levels of repairs and maintenance. A review of balance sheet values is undertaken each year end to assess if any of the assets have not been used at the estimated rates and if any impairment charges are required.	If the useful lives of assets are reduced, depreciation increases and the carrying amount of the asset falls. If assets lives were 10% lower than estimated the annual depreciation charge would be increased by approximately £130,000. However, as the asset values are reviewed on an annual basis this level of incorrect estimation is unlikely. See note 10 on pages 39 to 41 for further details.

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

Item	**Uncertainties**	**Effect if Actual Results Differ from Assumptions**
Provisions	The Authority has made provisions of £50,000 for Transferred Housing Stock Repairs and £50,000 for Transferred Housing Stock Environmental Warranties Excesses. These provide an amount to cover for an estimated number of future claims. It is possible the actual number of claims may exceed the management estimate.	See Note 21 on page 49 for further details.
Arrears	An estimate of the impairment of sundry debtors is based upon the age and type of each debt. The percentage impairments applied reflect an assessment of the recoverability of each debt based on past experience and a view of the impact of the prevailing economic climate. The provision for impairment at 31 March 2011 is £936,800.	If collection rates were to deteriorate, a 10% increase on the impairment percentage would require an additional £180,000 to be set aside as an allowance.

This list does not include assets and liabilities that are carried at Fair Value based on a recently observed market price.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the nature and amount of material items should be set out in a note. Examples cited by the Code include disposal of items of property, plant and equipment, disposals of investments, and reversals of provisions.

	2009/10	**2010/11**
	£000s	**£000s**
Fleming claims for recovery of output tax previously paid	0	**(840)**
Reversal of provision for irrecoverable VAT (partial exemption)	73	**(73)**
Total	73	**(913)**

Following a review of the council's leisure income in the light of the "Fleming" VAT case, claims were made to HMRC for the recovery of output tax previously paid. The case involved the three-year cap for back adjustments of VAT, which according to the Fleming judgement was introduced by HMRC without the appropriate transitional arrangements. The claims related to cultural and sporting activities, dating back to pre 1990, and together with simple interest, and net of fees paid to the council's advisers, the net sum of £840,000 has benefited the General Fund Balance.

6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was issued and authorised for issue by Mark Kimberley CPFA, Head of Corporate Services, on 30 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice, to the resources that are specified by statutory provision as being available to the authority to meet future capital and revenue expenditure.

2010/11	Usable Reserves			Total	Mov't on
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Mov't on Usable Reserves	Unusable Reserves
	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Revaluation Reserve (note 23)					
Revaluation of non-current assets	**2,099**	**0**	**0**	**2,099**	**(2,099)**
Adjustments primarily involving the Capital Adjustment Account (note 23)					
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:					
Charges for deprn. & impairment of non-current assets	**1,912**	**0**	**0**	**1,912**	**(1,912)**
Revaluation losses on Property Plant and Equipment	**1,259**	**0**	**0**	**1,259**	**(1,259)**
Movement in market value of investment properties	**(32)**	**0**	**0**	**(32)**	**32**
Amortisation of intangible assets	**103**	**0**	**0**	**103**	**(103)**
Capital grants & contributions applied	**(174)**	**0**	**0**	**(174)**	**174**
Revenue Expenditure Funded from Capital Under Statute	**349**	**0**	**0**	**349**	**(349)**
Carrying Amounts debited as part of the gain or loss on disposals of non-current assets	**590**	**0**	**0**	**590**	**(590)**
Insertion of items NOT debited or credited to the Comprehensive Income & Expenditure Statement:					
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	**(378)**	**0**	**0**	**(378)**	**378**
Capital expenditure charged against General Fund Balance	**(10)**	**0**	**0**	**(10)**	**10**
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied, credited to the Comprehensive Income & Expenditure Statement	**(137)**	**0**	**137**	**0**	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account	**0**	**0**	**(142)**	**(142)**	**142**
Sub-total of items adjusted	**5,581**	**0**	**(5)**	**5,576**	**(5,576)**

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2010/11 (Continued)	Usable Reserves			Total	Mov't on
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Mov't on Usable Reserves	Unusable Reserves
	£000s	£000s	£000s	£000s	£000s
Sub-total of adjustments from prev. page	5,581	0	(5)	5,576	(5,576)
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(384)	384	0	0	0
Transfer of capital grant repayments in excess of £10,000 credited to Income and Expenditure Statement	(30)	30	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure		(525)	0	(525)	525
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	1	(1)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	4	0	4	(4)
Adjustments primarily involving the Pensions Reserve (note 23)					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(4,659)	0	0	(4,659)	4,659
Employers pension contributions and direct payments to pensioners payable in the year	(1,722)	0	0	(1,722)	1,722
Adjustments primarily involving the Collection Fund Adjustment A/C (note 23)					
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement differs to the council tax income calculated for the year in accordance with statutory requirements	(7)	0	0	(7)	7
Adjustments primarily involving the Accumulated Absences Account (note 23)					
Amount by which officer remuneration credited to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	14	0	0	14	(14)
Total Net adjs between Accounting basis and Funding basis under regulation (per Movement in Reserves Statement on p20)	(1,206)	(108)	(5)	(1,319)	1,319

NOTES TO THE FINANCIAL STATEMENTS

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice, to the resources that are specified by statutory provision as being available to the authority to meet future capital and revenue expenditure.

	Usable Reserves			Total	Mov't on
Comparative Figures for 2009/10	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Mov't on Usable Reserves	Unusable Reserves
	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Revaluation Reserve (note 23)					
Revaluation of non-current assets	(2,135)	0	0	(2,135)	2,135
Adjustments primarily involving the Capital Adjustment Account (note 23)					
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:					
Charges for deprn. & impairment of non-current assets	2,033	0	0	2,033	(2,033)
Revaluation losses on Property Plant and Equipment	371	0	0	371	(371)
Movement in market value of investment properties	443	0	0	443	(443)
Amortisation of intangible assets	100	0	0	100	(100)
Capital grants & contributions applied	(120)	0	0	(120)	120
REFCUS	273	0	0	273	(273)
Amounts of non-current assets written off on disposal or sale	0	0	0	0	0
Insertion of items NOT debited or credited to the Comprehensive Income & Expenditure Statement:					
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	(417)	0	0	(417)	417
Capital expenditure charged against General Fund Balance	(20)	0	0	(20)	20
Adjustments primarily involving the Capital Grants Unapplied Account					
Capital grants and contributions unapplied, credited to the Comprehensive Income & Expenditure Statement	(214)	0	214	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(43)	(43)	43
Sub-total of items adjusted	314	0	171	485	(485)

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

Comparative Figures for 2009/10 (Continued)	**Usable Reserves** General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	**Total** Mov't on Usable Reserves	**Mov't on** Unusable Reserves
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Sub-total of adjustments from prev. page	314	0	171	485	(485)
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(32)	32	0	0	0
Transfer of capital grant repayments in excess of £10,000 credited to Income and Expenditure Statement	(11)	11	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	(803)	0	(803)	803
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	28	(28)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	6	0	6	(6)
Adjustments primarily involving the Pensions Reserve (note 23)					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	4,367	0	0	4,367	(4,367)
Employers pension contributions and direct payments to pensioners payable in the year	(1,693)	0	0	(1,693)	1,693
Adjustments primarily involving the Collection Fund Adjustment A/C (note 23)					
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement differs to the council tax income calculated for the year in accordance with statutory requirements	(31)	0	0	(31)	31
Adjustments primarily involving the Accumulated Absences Account (note 23)					
Amount by which officer remuneration credited to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(10)	0	0	(10)	10
Total Net adjs between Accounting basis and Funding basis under regulation (per Movement in Reserves Statement on p20)	2,932	(782)	171	2,321	(2,321)

8. TRANSFERS TO/FROM EARMARKED RESERVES

Contributions to Earmarked Reserves provide financing for future expenditure plans, and contributions posted back from such reserves helped to meet General Fund expenditure during 2009/10 and 2010/11.

	Balance 31 Mar 2009	Transfers out during 2009/10	Transfers in during 2009/10	Balance 31 Mar 2010	Transfers out during 2010/11	Transfers in during 2010/11	Balance 31 Mar 11 2011
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Concessionary Fares	0	(27)	267	**240**	(190)	0	**50**
Arnold Master Plan	0	0	286	**286**	(33)	0	**253**
IT Equipment Replacement Reserve	292	(207)	94	**179**	(67)	92	**204**
Community and Crime	65	(22)	71	**114**	(35)	14	**93**
Disabled Adaptations	54	(17)	0	**37**	(6)	0	**31**
Leasing Reserve	46	(26)	0	**20**	(1)	0	**19**
Risk Management	49	(1)	0	**48**	(10)	112	**150**
Housing and Housing Benefits Reserve	193	(52)	0	**141**	0	175	**316**
Insurance Fund	753	(58)	43	**738**	(385)	22	**375**
Building Control	83	(44)	0	**39**	(31)	0	**8**
Efficiency & Innovation	100	0	50	**150**	(29)	15	**136**
Asset Management	50	(8)	0	**42**	0	0	**42**
Local Development Review Reserve	84	0	22	**106**	(18)	0	**88**
S106 Revenue Reserve	84	0	21	**105**	(4)	11	**112**
Other Grants Reserve	73	0	122	**195**	(221)	185	**159**
Total Earmarked Reserves per Balance Sheet	**1,926**	**(462)**	**976**	**2,440**	**(1,030)**	**626**	**2,036**

Concessionary Fares - to provide for final liabilities following transfer of the scheme to Nottinghamshire County Council.

Arnold Master Plan - to provide for costs associated with the development and improvement of Arnold town centre.

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

Community and Crime Reserve - to fund future community and crime initiatives. Small reserves for pubs and shops, garages, and graves in perpetuity are included within the Community Crime fund.

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.

Housing and Housing Benefit Reserve - to provide for potential the future risk of rising caseload for homelessness, and to cover unpredictable increases in the volume or category of hosing benefit claimants.

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

8. TRANSFERS TO/FROM EARMARKED RESERVES (Continued)

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.

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

Asset Management Reserve - to provide for higher value repairs and replacements to existing buildings and land

Local Development Review Framework - to cover the costs of any future inspection by the Planning Inspectorate.

Section 106 Reserve - holds contributions from Developers, where conditions have been satisfied, but where appropriate projects have yet to be undertaken.

Other Grants Reserve - holds various grants and contributions received, which may only be used for the specific purposes for which they were received.

9. ANALYSIS OF CAPITAL GRANTS AND CONTRIBUTIONS

	2009/10	2010/11
	£000s	£000s
Department for Communities and Local Government:		
Local Area Agreement Performance Reward Grant	(131)	**(44)**
Council Tax Grant	0	**(6)**
Department for Children, Schools and Families:		
Playbuilder Grant	(17)	**(56)**
Department for Environment and Rural Affairs:		
Performance & Efficiency Grant	(83)	**(31)**
Home Office:	(20)	**0**
CCTV Grant		
Other Grants and Contributions:		
Developers' Section 106 Contributions	(79)	**(17)**
Lottery - Ballcourt Grant	(4)	**0**
National Improvement & Efficiency Partnership (NIEP)	0	**(156)**
Total Capital Grants & Contributions per CIES on page 21	(334)	**(310)**

10. PROPERTY, PLANT & EQUIPMENT

Movements in 2010/11	Land & Bldgs. £000s	Vehicles Plant & Equipm't £000s	Infra-Struct. Assets £000s	Comm'y Assets £000s	Surplus Assets £000s	Assets Under Constrn. £000s	Total £000s
Cost or Valuation:							
As at 1 April 2010	20,592	8,011	393	4,943	250	357	**34,546**
Additions	224	626	60	355	0	0	**1,265**
Revaln incr/(decr) recognised in the Revaluation Reserve	(2,105)	0	0	0	0	0	**(2,105)**
Revaln incr/(decr) recognised in the Surplus/Deficit on Provision of Services	(1,259)	0	0	0	0	0	**(1,259)**
Derecognition-Disposals	0	(202)	0	0	(250)	0	**(452)**
Derecognition-Other	(214)	0	0	0	0	0	**(214)**
Assets reclassified (to)/from held for Sale	(147)	0	0	0	0	0	**(147)**
Other movements in cost or valuation	(3)	0	0	10	0	(10)	**(3)**
As at 31 March 2011	**17,088**	**8,435**	**453**	**5,308**	**0**	**347**	**31,631**
Accumulated Depreciation and Impairment:							
As at 1 April 2010	(430)	(4,536)	(334)	(2,140)	0	0	**(7,440)**
Depreciation Charge	(337)	(1,168)	(26)	(381)	0	0	**(1,912)**
Depreciation written out to the Revaluation Reserve	6	0	0	0	0	0	**6**
Impairment losses/(reversals) recognised in the Surplus/Deficit on Provision of Services	0	0	0	0	0	0	**0**
Derecognition-Disposals	0	190	0	0	0	0	**190**
Derecognition-Other	33	0	0	0	0	0	**33**
Other movements in depreciation and impairment	3	0	0	0	0	0	**3**
As at 31 March 2011	**(725)**	**(5,514)**	**(360)**	**(2,521)**	**0**	**0**	**(9,120)**
Net Book Value 31/3/10	20,162	3,475	59	2,803	250	357	27,106
Net Book Value 31/3/11	**16,363**	**2,921**	**93**	**2,787**	**0**	**347**	**22,511**

10. PROPERTY, PLANT & EQUIPMENT (Continued)

Comparative Movements in 2009/10	**Other Land & Bldgs. £000s**	**Vehicles Plant & Equipm't £000s**	**Infra-Struct. Assets £000s**	**Comm'y Assets £000s**	**Surplus Assets £000s**	**Assets Under Constrn. £000s**	**Total £000s**
Cost or Valuation:							
As at 1 April 2009	19,006	7,191	393	4,902	250	331	**32,073**
Additions	127	846	0	23	0	44	**1,040**
Revaln incr/(decr) recognised in the Revaluation Reserve	1,897	0	0	0	0	0	**1,897**
Revaln incr/(decr) recognised in the Surplus/Deficit on Provision of Services	(583)	0	0	0	0	0	**(583)**
Derecognition-Disposals	0	(26)	0	0	0	0	**(26)**
Derecognition-Others	0	0	0	0	0	0	**0**
Assets reclassified (to)/from held for Sale	0	0	0	0	0	0	**0**
Other movements in cost or valuation	143	0	0	18	0	(18)	**143**
As at 31 March 2010	**20,590**	**8,011**	**393**	**4,943**	**250**	**357**	**34,544**
Accumulated Depreciation and Impairment:							
As at 1 April 2009	(545)	(3,291)	(297)	(1,746)	0	0	**(5,879)**
Depreciation Charge	(331)	(1,271)	(37)	(394)	0	0	**(2,033)**
Depreciation written out to the Revaluation Reserve	236	0	0	0	0	0	**236**
Impairment losses/(reversals) recognised in the Surplus/Deficit on Provision of Services	212	0	0	0	0	0	**212**
Derecognition-Disposals	0	26	0	0	0	0	**26**
Derecognition-Other	0	0	0	0	0	0	**0**
Other movements in depreciation and impairment	0	0	0	0	0	0	**0**
As at 31 March 2010	**(428)**	**(4,536)**	**(334)**	**(2,140)**	**0**	**0**	**(7,438)**
Net Book Value 31/3/09	18,461	3,900	96	3,156	250	331	26,194
Net Book Value 31/3/10	**20,162**	**3,475**	**59**	**2,803**	**250**	**357**	**27,106**

10. PROPERTY, PLANT & EQUIPMENT (Continued)

Depreciation

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

Land and Buildings	25 to 50 years
Vehicles, Plant and Equipment	5 to 15 years
Infrastructure	10 to 25 years

Revaluation

The authority carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations are completed by K. Cafferkey MRICS, Rushcliffe Borough Council's Property Estates Surveyor, a chartered surveyor.

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of Vehicles, Plant and Equipment were based on current prices where there was an active second hand market, or on the latest list prices adjusted for the condition of the asset.

11. INVESTMENT PROPERTIES

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

	2009/10	2010/11
	£000s	£000s
Rental from Investment Property	(211)	(210)
Direct operating expenses arising from Investment Property	5	19
Net (Gain)/Loss	(206)	**(191)**

There are no restrictions on the authority's ability to realise the value inherent in its investment property, or on the authority's contractual obligations to purchase, construct or develop investment property, or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2009/10	2010/11
	£000s	£000s
Balance at the start of the year	**9,166**	**8,580**
Additions (purchase, construction & subsequent expenditure)	0	0
Disposals	0	0
Net gain/(loss) from fair value adjustments	(443)	32
Transfers (to)/from Property, Plant and Equipment	(143)	0
Balance at the end of the year per Balance Sheet	8,580	**8,612**

12. INTANGIBLE ASSETS

The authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite life, based on assessments of the period that the software is expected to be of use to the authority.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £103,000 charged to revenue in 2010/11 was charged to IT and then absorbed as an overhead across all the service headings in Cost of Services.

In view of the above, it is not possible to quantify exactly how much of the amortisation of intangible assets has been attributed to each service heading.

	2009/10	2010/11
	£000s	£000s
Gross carrying amount	498	**572**
Accumulated amortisation	(238)	**(337)**
Net carrying amount at start of year	260	**235**
Additions - purchases	75	**117**
Amortisation for the year	(100)	**(103)**
Net carrying amount at end of year per Balance Sheet	235	**249**
Represented by:		
Gross carrying amount	573	**689**
Accumulated amortisation	(338)	**(440)**
Total	235	**249**

13. ASSETS HELD FOR SALE

	2009/10	2010/11
	£000s	£000s
Balance outstanding at start of year	0	**0**
Assets newly classified for sale:		
Property, Plant and Equipment	0	**147**
Assets sold	0	**(147)**
Balance outstanding at end of year per Balance Sheet	0	**0**

14. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset in one entity, and a financial liability on another. Most straightforward financial assets (debtors, bank deposits, investments etc.) and liabilities (creditors, borrowings etc.) are covered, together with more complex ones not used by this authority (eg. debt instruments with embedded swaps, and options). The IFRS Code's accounting requirements derive from IAS39 (recognition and measurement, previously FRS26), IAS32 (presentation, previously FRS 25), and IFRS7 (disclosure, previously FRS29).

14. FINANCIAL INSTRUMENTS (Continued)

Initial Recognition

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

Initial Measurement

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

The Code requires extensive disclosures in relation to financial instruments, the purpose being to enable users to evaluate the significance of financial instruments for the authority's financial position and performance, and to assess the nature and extent of the risks arising from financial instruments to which the authority was exposed and how the authority manages those risks.

The Code accepts that the level of detail included in the disclosures will depend on the extent of the authority's involvement in financial instruments, both in terms of the amounts involved and the complexity of the instruments. Gedling Borough Council is party only to straightforward instruments and accordingly the majority of the disclosure is given as a narrative, as permitted by the Code. A table showing the summary position is also given for clarity.

Soft Loans

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

The only "soft loans" identified by Gedling Borough Council in 2010/11 were car loans to employees. These have been considered in detail, and it is the Council's view that though the sum outstanding of £105,000 is approaching materiality level, the rate payable in 2010/11 of 3.1% was only marginally preferential to commercial rates of around 3.4%, and accordingly no calculations for fair value have been undertaken, and car loans continue to be recognised in the balance sheet at the value of the sums loaned, less repayments made.

14. FINANCIAL INSTRUMENTS (Continued)

Subsequent Measurement

Although all financial instruments are initially measured on the basis of fair value, subsequent measurement depends on the classification of an instrument. IAS39 defines two classes of financial liabilities and four classes of financial assets, although in practice the vast majority of financial liabilities held by local authorities will be in the "amortised cost" category, and financial assets will be either "loans and receivables" or "available for sale". It will often not be necessary to undertake a formal effective interest rate (EIR) calculation, either because the instrument is a short duration receivable (debtor) or payable (creditor) which is required to be measured at the original invoice amount, or because it is clear that the nominal interest rate equals the EIR, as is the case with most fixed rate instruments.

Most loan debts and investments will feature transaction costs which should be applied to the initial carrying amount, however where these are judged immaterial, for example the 0.035% charge made by PWLB, the transaction costs may be charged immediately to the Income and Expenditure Account. This is the treatment adopted by Gedling Borough Council.

Premiums and Discounts

The accounting treatment for premiums and discounts arising on the early repayment of debt is largely dictated by the principle that financial instruments are derecognised when the contracts that establish them come to an end. Premiums and discounts may arise from the extinguishment of a financial liability. The amounts of such premiums payable or discounts receivable are thus required to be cleared to the Comprehensive Income and Expenditure Statement on extinguishment of the liability.

However, it has been recognised by the Government that this accounting treatment does not necessarily result in a charge which is equitable on Council Taxpayers in terms of gains and losses. Provisions have therefore been introduced to allow authorities to spread the impact of premiums and discounts on Council Tax over future financial years.

No premiums or discounts were received by the Council during 2010/11.

Gedling Borough Council's Financial Instruments:

(a) Category of Liabilities:

Amortised Costs:

(i) **Long Term Borrowing** - Debt outstanding at 31 March 2011 was £9.812m. The fair value of this debt has been calculated by PWLB as £9.802m, however, since the whole of the Council's debt is held with the Public Works Loans Board (PWLB), for which there is no comparable lender, the "fair" value is deemed to be the sum that would fall due for payment, given the prevailing early repayment discount rates, on 31 March 2011. See the Balance Sheet on pages 22 to 23.

(ii) **Creditors** - Operational creditors are financial instruments of short duration, with no formal effective interest rate, and are required to be valued at their original amounts, ie. the carrying amount is a reasonable approximation of fair value. Short-term creditors outstanding on the Balance Sheet at 31 March 2011 total £2.298m (see note 20).

(iii) **Overdrawn cash balances** - The fair value of overdrawn cash balances is deemed to be the carrying value. Cash balances overdrawn at 31 March 2011 totalled £285,532, however these are combined on the Balance Sheet as part of the overall cash and cash equivalents balance if £1.766m.

Fair Value through Profit and Loss:

No Liabilities Held for Trading are used by the Council.

14. FINANCIAL INSTRUMENTS (Continued)

(b) Category of Assets:

Loans and Receivables-

(i) **Long Term Debtors** - As already discussed, the only soft loans identified by Gedling Borough Council are car loans to employees. The sum outstanding at 31 March 2011 was £105,000, which is not material, and the current rates offered are marginally preferential at best, and in many cases equivalent to market rates.

(ii) **Long Term Investment** - Investments with maturities of over 12 months held at 31 March 2011 amounted to £1.515m, including accrued interest, and consisted of a fixed term deposit with an approved counterparty. The rate was fixed at inception, with interest paid on maturity. No formal calculation of EIR is deemed necessary, and the carrying amount is a reasonable approximation of the fair value.

(iii) **Short Term Investment** - Investments held at 31 March 2011 amounted to £3.556mm, including accrued interest, and consisted of fixed term deposits with approved counterparties. The rates were fixed at inception, with interest paid on maturity. No formal calculation of EIR is deemed necessary, and the carrying amount is a reasonable approximation of the fair value.

(iv) **Debtors -** Operational debtors are financial instruments of short duration, with no formal effective interest rate, and are required to be valued at their original amount, ie. the carrying amount is a reasonable approximation of fair value. Debtors outstanding at 31 March 2011, which are classed as financial instruments, totalled £2.321m net of impairment provisions for doubtful debts.

(v) **Cash and Cash Equivalents** - The fair value of cash balances in hand is deemed to be the carrying value. The overall balance of cash and cash equivalents at 31 March 2011 was £1.766m (see note 19).

Available-for-Sale

No equity shareholdings or quoted investments are held by the Council.

Fair Value through Profit and Loss

No assets are held for trading by the Council.

Held to Maturity

The Code prohibits the use of this category.

Summary

In summary, no adjustments requiring neutralising entries have been identified, therefore no reconciling transactions are required on the Statement of Movement in Reserves, or accordingly in the Financial Instruments Adjustment Account. The table below summarises the council's exposure to Financial Instruments:

Summary of Financial Instruments	**Long Term**		**Short Term**	
	2009/10 £000s	**2010/11 £000s**	**2009/10 £000s**	**2010/11 £000s**
Liabilities at Amortised Cost:				
Borrowing	(6,812)	**(9,812)**	0	**0**
Creditors	0	**0**	(2,324)	**(2,298)**
Assets at Amortised Cost:				
Long Term Investments (over 12 months)	0	**1,515**	0	**0**
Short Term Investments (up to 12 months)	0	**0**	4	**3,556**
Debtors	80	**105**	2,133	**2,321**
Cash and Cash Equivalents	0	**0**	3,737	**1,766**

15. THE NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

The council's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

Credit Risk

Credit risk arises from deposits with banks and financial institutions. The council's Treasury Management Policy is to lend only to counterparties with long term credit ratings of AA- or better, and any deviation from this must be specifically approved by the Head of Corporate Services and reported to Full Council at the earliest opportunity. Credit ratings are received from the council's treasury advisers on a weekly basis, with any changes in between being notified by ratings alerts. Accordingly, changes to the approved counterparty list can be made promptly in order to minimise the councils exposure to risk.

The Council also operates an investment limit of £5m per Counterparty. Any investment in excess of this limit is subject to the specific approval of the Head of Corporate Services. The Council did not experience any non-performance from any of its counterparties in respect of its temporary investments or cash equivalents during 2010/11.

Liquidity Risk

As the authority has access to borrowings from PWLB, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority may have to replace significant proportions of its borrowings at unfavourable interest rates. The Prudential Code requires an indicator specifying the maximum proportions of debt maturing at different times, and performance in this respect is reported to the Head of Corporate Services on a daily basis. The PWLB maturity profile as at 31 March is as follows:

PWLB Maturity Analysis	**2009/10**	**2010/11**
	£000s	**£000s**
Short Term Borrowing		
Repayable within 1 year:		
Principal	0	**0**
Interest accruals	(1)	**(1)**
Short Term Borrowing per Balance Sheet	(1)	**(1)**
Long Term Borrowing		
Repayable in 1 to 2 years	0	**0**
Repayable in 2 to 5 years	0	**(3,000)**
Repayable in 5 to 10 years	0	**0**
Repayable in over 10 years	(6,811)	**(6,812)**
Long Term Borrowing per Balance Sheet	(6,811)	**(9,812)**

It is a requirement that requires that the long-term and current parts of individual instruments be separated. Even when separated, the assets and liabilities remain financial instrument balances and should be carried in the Balance Sheet as investments or borrowings, rather than as debtors or creditors.

15. THE NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Market Risk

The authority is exposed to some degree of risk on its exposure to interest rate movements on its borrowings and investments, and movements in interest rates can have a complex impact. The Treasury Management Strategy set each year specifies the maximum proportions of variable rate borrowings and investments that may be outstanding at any one time, and performance in this respect is reported to the Head of Corporate Services daily. In addition, regular advice is taken from the Council's treasury advisers with regard to the timing of significant borrowings and investments.

Price Risk

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

Foreign Exchange Risk

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

16. INVENTORIES (STOCKS AND WORK IN PROGRESS)

	Direct Services		Leisure		Wk in Progress		Total	
	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance outstanding at the start of the year	88	**75**	22	**28**	6	**8**	116	**111**
Purchases	444	**530**	200	**172**	29	**7**	673	**709**
Recognised as an expense in the year	(450)	**(489)**	(191)	**(171)**	(27)	**(13)**	(668)	**(673)**
Written off balances	(7)	**(6)**	(3)	**(1)**			(10)	**(7)**
Balance outstanding at the end of the year per Balance Sheet	75	**110**	28	**28**	8	**2**	111	**140**

17. CONSTRUCTION CONTRACTS

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

18. DEBTORS

	2008/09	2009/10	2010/11
	£000s	£000s	£000s
Central Government Departments	989	2,015	**1,510**
Other Local Authorities	1,596	464	**1,001**
Other Entities and Individuals	1,521	1,474	**1,855**
Net Debtors per Balance Sheet	4,106	3,953	**4,366**

Debtors in the table above are shown net of impairment provisions for doubtful debts.

19. CASH AND CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments, rather than for investment or other purposes. There are no strict criteria relating to the nature and maturity of cash equivalents, but at Gedling, all bank Business Reserves are deemed to be such instruments, given the fact that they are repayable at call without penalty. Any of the council's deposits having a fixed term, however short, is classed as a short-term investment since significant penalties will be incurred if it is broken.

The balance of cash and cash equivalents is made up as follows:	31/03/10	31/03/11
	£000s	£000s
Cash balance at Bank at 31 March	220	**(284)**
Cash in Transit	2	**26**
Imprest Accounts	10	**14**
	232	**(244)**
Business Reserve Accounts	3,505	**2,010**
Total Cash and Cash Equivalents per Balance Sheet	3,737	**1,766**

20. CREDITORS AND RECEIPTS IN ADVANCE

Creditors are defined as liabilities arising from the contractual obligation to pay cash in the future for goods or services or other benefits that have been received or supplied, and have been invoiced or formally agreed with the supplier.

If the council receives consideration that does not yet meet the required conditions for revenue recognition, ie. goods have not been received, or a service has not been undertaken, a receipt in advance must be recognised.

	2008/09	2009/10	2010/11
	£000s	£000s	£000s
Central Government Departments	(725)	(677)	**(1)**
Other Local Authorities	(1,012)	(456)	**(497)**
Other Entities and Individuals	(1,798)	(1,191)	**(1,800)**
Total Short Term Creditors per Balance Sheet	(3,535)	(2,324)	**(2,298)**

21. PROVISIONS

	Transf'd Stock Env. Warranties £000s	Transf'd Stock Repairs £000s	Unrecov. VAT £000s	Other Provisions £000s	Total Provisions £000s
<u>**Over one year:**</u>					
Balance at 1 April 2010	**(50)**	**(50)**	**(74)**	**0**	**(174)**
Additional Provisions made in 2010/11	0	0	0	(23)	**(23)**
Used in 2010/11	0	0	0	0	**0**
Reversed in 2010/11	0	0	74	0	**74**
Balance at 31 March 2011 per Balance Sheet	**(50)**	**(50)**	**0**	**(23)**	**(123)**
<u>**Under one year:**</u>					
Balance at 1 April 2010	**0**	**0**	**0**	**30**	**(30)**
Additional Provisions made in 2010/11	0	0	0	0	**0**
Used in 2010/11	0	0	0	6	**5**
Reversed in 2010/11	0	0	0	0	**0**
Balance at 31 March 2011 per Balance Sheet	**0**	**0**	**0**	**36**	**(25)**

Transferred Stock Environmental Warranties - to provide for the payment of excesses under the Environmental Warranty provided to Gedling Homes under the LSVT arrangement. An excess of £25,000 makes it likely that the Council will be required to meet certain expenses over the life of the policy.

Transferred Stock Repairs - to provide for work required under warranties on the transferred properties referred to above.

Unrecoverable VAT - provision was made in 2009/10 for the possible repayment of exempt input tax to HMRC should the de-minimis partial exemption limit be breached. In the event, this did not happen and the provision was accordingly reversed to the revenue accounts during 2010/11.

Other Provisions - these are not considered to be individually significant.

22. USABLE RESERVES

Movements in the authority's Usable Reserves are detailed in the Movement in Reserves Statement on page 20, and in note 7 on pages 33 to 36.

23. UNUSABLE RESERVES

	31/03/10	31/03/11
	£000s	£000s
Revaluation Reserve	3,560	**1,354**
Capital Adjustment Account	23,118	**20,273**
Deferred Capital Receipts Reserve	18	**14**
Pensions Reserve	(37,534)	**(16,840)**
Collection Fund Adjustment Account	(44)	**(37)**
Accumulated Absences Account	(153)	**(167)**
Total Unusable Reserves	(11,035)	**4,597**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are revalued downwards or impaired and the gains are lost, used in the provision of services and the gains are consumed through depreciation, or disposed of and the gains are realised.

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

	2009/10	2010/11
	£000s	£000s
Balance at 1st April	1,462	**3,560**
Upward revaluation of assets	2,158	**14**
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(23)	**(2,113)**
Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services	2,135	**(2,099)**
Difference between fair value depreciation and historic cost depreciation	(37)	**(36)**
Accumulated gains on assets sold or scrapped	0	**(71)**
Amount written off to the Capital Adjustment Account	(37)	**(107)**
Balance at 31st March	3,560	**1,354**

Capital Adjustment Account

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

23. UNUSABLE RESERVES (Continued)

The Capital Adjustment Account contains accumulated gains and losses on Investment Properties, and if relevant, gains recognised on donated assets that have yet to be consumed by the authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 on pages 33 to 36 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2009/10	2010/11
	£000s	£000s
Balance at 1st April	24,898	**23,118**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(2,033)	**(1,912)**
Revaluation losses on Property, Plant and Equipment	(371)	**(1,259)**
Amortisation of Intangible Assets	(100)	**(103)**
Revenue Expenditure funded from Capital under Statute (REFCUS)	(272)	**(349)**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	**(590)**
	(2,776)	**(4,213)**
Adjusting amount written out of the Revaluation Reserve	36	**107**
Net written out amount of non-current assets consumed in the year	(2,740)	**(4,106)**
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	803	**525**
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	120	**174**
Applications of grants to capital financing from the Capital Grants Unapplied Account	43	**142**
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	417	**378**
Capital expenditure charged against the General Fund and HRA balances	20	**10**
	1,403	**1,229**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(443)	**32**
Balance at 31st March	23,118	**20,273**

Pensions Reserve

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

23. UNUSABLE RESERVES (Continued)

	2009/10	2010/11
	£000s	£000s
Balance at 1 April	(20,992)	**(37,534)**
Actuarial gains or losses on pensions assets and liabilities	(16,003)	**16,412**
Reversal of items relating to benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,232)	**2,560**
Employer's pension contributions and direct payments to pensioners payable in the year	1,693	**1,722**
Balance at 31 March	(37,534)	**(16,840)**

Deferred Capital Receipts Reserve

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

	2009/10	2010/11
	£000s	£000s
Balance at 1 April	24	**18**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	**0**
Transfer to the Capital Receipts Reserve on the receipt of cash	(6)	**(4)**
Balance at 31 March	18	**14**

Collection Fund Adjustment Account

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

	2009/10	2010/11
	£000s	£000s
Balance at 1 April	(75)	**(44)**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Account is different from council tax income calculated for the year in accordance with statutory arrangements	31	**7**
Balance at 31 March	(44)	**(37)**

23. UNUSABLE RESERVES (Continued)

Accumulated Absences Account

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

	2009/10	2010/11
	£000s	£000s
Balance at 1 April	(163)	**(153)**
Settlement or cancellation of accrual made at the end of the preceding year	163	**153**
Amounts accrued at the end of the current year	(153)	**(167)**
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	10	**(14)**
Balance at 31 March	(153)	**(167)**

NOTES TO THE FINANCIAL STATEMENTS

24. CASHFLOW STATEMENT - OPERATING ACTIVITIES

	2009/10	2010/11
	£000s	£000s
Net Surplus / (Deficit) on the Provision of Services per CIES on p21	(3,157)	**2,585**
Adjustments to the net surplus / (deficit) on the Provision of Services for non-cash movements:		
Depreciation	2,032	**1,912**
Impairment and downward revaluations	372	**1,259**
Amortisation	100	**103**
Increase / (Decrease) in revenue creditors	(585)	**(187)**
(Increase) / Decrease in revenue debtors	1,031	**(245)**
(Increase) / Decrease in stocks and works in progress	5	**(30)**
Pension liability	539	**(4,282)**
Carrying amount of non current assets sold	0	**590**
Increase / (Decrease) in Collection Fund Adjustment Account	(31)	**(7)**
Other non-cash items charged to net surplus/(deficit) on provision of services	(145)	**(389)**
	3,318	**(1,276)**
Adjustments to the net surplus / (deficit) on the Provision of Services for items that are investing and financing activities:		
Proceeds from sale of property, plant and equipment, investment property and intangible assets	(43)	**(414)**
Net Cashflow from Operating Activities per Cashflow Statement p24	118	**895**

Cash flows for operating activities include the following items:	2009/10	2010/11
	£000s	£000s
Interest Received	(279)	**(121)**
Interest Paid	277	**369**

25. CASHFLOW STATEMENT - INVESTING ACTIVITIES

	2009/10	2010/11
	£000s	£000s
Purchase of property, plant and equipment, investment property and intangible assets	(1,628)	**(1,243)**
Purchase of short-term and long-term investments	0	**(5,000)**
Proceeds from sale of property, plant and equipment, investment property and intangible assets	48	**161**
Proceeds from short-term and long-term investments	4,200	**0**
Capital grants	383	**23**
Capital contributions	169	**361**
Net Cashflows from Investing Activities per Cashflow p24	3,172	**(5,698)**

26. CASHFLOW STATEMENT - FINANCING ACTIVITIES

	2009/10	2010/11
	£000s	£000s
Cash receipts of short and long-term borrowing	0	**3,000**
Other receipts from financing activities	6	**65**
Movement on Council Tax debtors with Preceptors	446	**(286)**
Movement on Non-Domestic Rate debtor with Central Government	(1,234)	**178**
Other payments for financing activities	(40)	**(125)**
Net Cashflows from Financing Activities per Cashflow p24	(822)	**2,832**

27. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by Cabinet on the basis of budget reports analysed across portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular, no charges are made in relation to capital expenditure, whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement. A further example is the cost of retirement benefits, which is based on cashflows (payments of employer's pension contributions, rather than the current service cost of benefits accrued in the year. The income and expenditure of the authority's portfolios, which represent the segments reported to management, are as follows. Comparative figures for 2009/10 are also shown.

2010/11 Statement	**Leader**	**Safe & Sustainable Neigh'hoods**	**Customer & Member Services**	**Developm't & Enterprise**	**Direct Services**	**Strategic Planning**	**Leisure & Well-being**	**Finance**	**Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Fees, charges and other service income	(102)	(374)	(285)	(1,127)	(1,515)	(43)	(3,726)	(3,631)	**(10,803)**
Government grants	(4)	(884)	(130)	(34)	(65)	0	(28)	(31,204)	**(32,349)**
Total Income	**(106)**	**(1,258)**	**(415)**	**(1,161)**	**(1,580)**	**(43)**	**(3,754)**	**(34,835)**	**(43,152)**
Employee expenses	1,108	995	1,522	844	2,758	481	3,955	1,741	**13,404**
Other service expenses	699	2,067	1,167	537	3,964	90	3,451	32,009	**43,984**
Support service recharges	566	562	(1,886)	344	(229)	(61)	768	(64)	**0**
Total Expenditure	**2,373**	**3,624**	**803**	**1,725**	**6,493**	**510**	**8,174**	**33,686**	**57,388**
Net Expenditure	**2,267**	**2,366**	**388**	**564**	**4,913**	**467**	**4,420**	**(1,149)**	**14,236**

2009/10 Comparatives	**Leader**	**Safe & Sustainable Neigh'hoods**	**Customer & Member Services**	**Developm't & Enterprise**	**Direct Services**	**Strategic Planning**	**Leisure & Well-being**	**Finance**	**Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Fees, charges and other service income	(95)	(420)	(386)	(875)	(1,346)	(44)	(3,708)	(2,729)	**(9,603)**
Government grants	(7)	(1,040)	(101)	0	0	(142)	(37)	(28,725)	**(30,052)**
Total Income	**(102)**	**(1,460)**	**(487)**	**(875)**	**(1,346)**	**(186)**	**(3,745)**	**(31,454)**	**(39,655)**
Employee expenses	1,013	900	1,274	731	2,495	460	3,702	2,900	**13,475**
Other service expenses	686	2,251	1,020	505	2,949	130	4,063	29,813	**41,417**
Support service recharges	413	555	(1,535)	309	(454)	(42)	775	(21)	**0**
Total Expenditure	**2,112**	**3,706**	**759**	**1,545**	**4,990**	**548**	**8,540**	**32,692**	**54,892**
Net Expenditure	**2,010**	**2,246**	**272**	**670**	**3,644**	**362**	**4,795**	**1,238**	**15,237**

27. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (Continued)

<u>Reconciliation of Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement</u>

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

	2009/10		2010/11	
	£000s	£000s	£000s	£000s
Net Expenditure in the Portfolio Analysis		15,237		**14,236**
Amounts in the Comprehensive Income and Expenditure Statement but not reported to Management in the Portfolio Analysis:		3,497		**164**
Amounts included in the Portfolio Analysis but not included in the Comprehensive Income and Expenditure Statement:		(2,534)		**(2,036)**
Cost of Services in the Comprehensive Income and Expenditure Statement (see page 21)		16,200		**12,364**

27. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (Continued)

Reconciliation to Subjective Analysis

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

2010/11 Statement	**Service Analysis**	**Amounts not reported to management**	**Amounts in Analysis but not included in I&E**	**Net Cost of Services**	**Corporate Amounts**	**Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Fees, charges & other service income	(10,803)	0	0	**(10,803)**	0	**(10,803)**
Interest & other Investment Income	0	0	128	**128**	(128)	**0**
Income from Council Tax	0	0	0	**0**	(5,871)	**(5,871)**
Non Domestic Rates from Pool	0	0	0	**0**	(8,080)	**(8,080)**
Government Grants & Contributions	(32,349)	0	0	**(32,349)**	(1,563)	**(33,912)**
Pensions Return on Assets (IAS 19)	0	0	0	**0**	(2,995)	**(2,995)**
Exceptional Income - Fleming VAT Case (net)	0	0	50	**50**	(840)	**(790)**
Investment Property income and gains on fair value	0	0	211	**211**	(243)	**(32)**
Total Income	**(43,152)**	**0**	**389**	**(42,763)**	**(19,720)**	**(62,483)**
Employee expenses	13,404	(3,445)	(1,722)	**8,237**	0	**8,237**
Other service expenses	43,984	(14)	(335)	**43,635**	0	**43,635**
Depreciation, amortisaton and impairment	0	3,623	0	**3,623**	0	**3,623**
Interest payments	0	0	(364)	**(364)**	364	**0**
Pensions Interest Costs (IAS19)	0	0	0	**0**	3,894	**3,894**
Precepts and Levies	0	0	(17)	**(17)**	320	**303**
Payments to Housing Capital Receipts Pool	0	0	(1)	**(1)**	1	**0**
Net (Gain)/Loss on disposal of fixed assets	0	0	33	**33**	173	**206**
Investments Property expenditure and losses on fair value	0	0	(19)	**(19)**	19	**0**
Total Expenditure	**57,388**	**164**	**(2,425)**	**55,127**	**4,771**	**59,898**
(Surplus) or Deficit on the Provision of Services (page 21)	**14,236**	**164**	**(2,036)**	**12,364**	**(14,949)**	**(2,585)**

27. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (Continued)

Reconciliation to Subjective Analysis

2009/10 Comparatives	**Service Analysis**	**Amounts not reported to management**	**Amounts in Analysis but not included in I&E**	**Net Cost of Services**	**Corporate Amounts**	**Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Fees, charges & other service income	(9,603)	0	0	**(9,603)**	0	**(9,603)**
Interest & other Investment Income	0	0	184	**184**	(184)	**0**
Income from Council Tax	0	0	0	**0**	(5,702)	**(5,702)**
Non Domestic Rates from Pool	0	0	0	**0**	(7,399)	**(7,399)**
Government Grants & Contributions	(30,052)	0	0	**(30,052)**	(2,241)	**(32,293)**
Pensions Return on Assets (IAS 19)	0	0	0	**0**	(2,028)	**(2,028)**
Investment Property income and gains on fair value	0	0	211	**211**	(211)	**0**
Total Income	**(39,655)**	**0**	**395**	**(39,260)**	**(17,765)**	**(57,025)**
Employee expenses	13,475	754	(1,693)	**12,536**	0	**12,536**
Other service expenses	41,417	0	(889)	**40,528**	16	**40,544**
Depreciation, amortisaton and impairment	0	2,743	0	**2,743**	0	**2,743**
Interest payments	0	0	(315)	**(315)**	315	**0**
Pensions Interest Costs (IAS19)	0	0	0	**0**	3,496	**3,496**
Precepts and Levies	0	0	0	**0**	300	**300**
Payments to Housing Capital Receipts Pool	0	0	(28)	**(28)**	28	**0**
Net (Gain)/Loss on disposal of fixed assets	0	0	0	**0**	(35)	**(35)**
Investments Property expenditure and losses on fair value	0	0	(4)	**(4)**	448	**444**
Deficit on final year of the Housing Revenue Account	0	0	0	**0**	154	**154**
Total Expenditure	**54,892**	**3,497**	**(2,929)**	**55,460**	**4,722**	**60,182**
(Surplus) or Deficit on the Provision of Services (page 21)	**15,237**	**3,497**	**(2,534)**	**16,200**	**(13,043)**	**3,157**

28. ACQUIRED AND DISCONTINUED OPERATIONS

The Council had no acquired or discontinued operations during 2010/11.

29. TRADING OPERATIONS

Trading units operate in a commercial environment, generating income from other parts of the council, or from other organisations. Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. The only such operation undertaken by the council is Building Control.

	2008/09	2009/10	2010/11
	£000s	£000s	£000s
Turnover	(410)	(314)	**(325)**
Expenditure	492	367	**363**
(Surplus)/Deficit	82	53	**38**

The trading objective of the Building Control Service is full cost recovery through charging, with neither a gain nor a surplus over a three year period.

30. AGENCY SERVICES

The council has no formal agency arrangements in place. Payroll services were provided in both 2010/11 and 2009/10 for Gedling Council for Voluntary Service, and for Rushcliffe Borough Council under a Service Level Agreement. Rushcliffe Borough Council provided Debtors and Estates Services for Gedling Borough Council during the same period. No management fees are applicable under these arrangements, and no surpluses or deficits are generated,

31. POOLED BUDGETS

Pooled Funds are not legal entities. The partners in a pool will nominate one partner to be the "host" to the pool. The 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 budget is required for a proper understanding of its accounts.

South Nottinghamshire Community Safety Partnership

The South Nottinghamshire Community Safety Partnership (SNCSP) is a joint working arrangement between Broxtowe, Gedling and Rushcliffe Borough Councils and other agencies including Nottinghamshire Police designed to address crime and disorder issues across the three council areas.

As fellow members of the SNCSP, Gedling and Rushcliffe Borough Councils agreed in 2009/10 to transfer their external crime and disorder funding to Broxtowe Borough Council as “host” authority to administer. This covers both revenue and capital funding and is intended to promote more effective financial management of these funds. The spending plans associated with these funds are approved and monitored by the SNCSP Strategic Group.

Total revenue expenditure attributable to Gedling Borough Council amounted to £132,384 in 2010/11 and was funded by grants of £118,591 and £13,793 from the Home Office and Nottinghamshire County Council respectively. Total capital expenditure attributable to Gedling Borough Council amounted to £15,949 in 2010/11 and was funded by grants of £15,949 from the Home Office.

All transactions relating to SNCSP are recorded in Broxtowe Borough Council's accounts.

31. POOLED BUDGETS (Continued)

Choice Based Lettings

“Choice Based Lettings” is a partnership project between Broxtowe, Gedling and Rushcliffe Borough Councils that allows applicants for social housing to apply for available vacancies which are advertised widely. Rushcliffe Borough Council was appointed as the “host” authority for the implementation of this scheme and received a grant from the Department for Communities and Local Government (DCLG) and contributions from the other two authorities towards the total cost accordingly. Following discussion between the three authorities, it was agreed that Broxtowe Borough Council would become the “host” authority for the ongoing management of the scheme, and formal approval was received from the DCLG on 11 November 2008.

Total expenditure on this scheme amounted to £135,739 in 2010/11. Total capital expenditure was £91,516 and was financed by grants from the East Midlands Improvement and Efficiency Partnership (£50,000) and DCLG (£41,516). Total revenue expenditure was £44,223 of which £8,208 was met by Government Grant and the remainder by a revenue contribution of £12,005 from each participating authority, including Gedling Borough Council.

All transactions relating to Choice Based Lettings are recorded in Broxtowe Borough Council's accounts.

First Lets

"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. The "pooled" budget comprises Government Grant and contributions from participant authorities. Total expenditure on the First Lets partnership in 2010/11 amounted to £31,612, of which £2,152 was met by Government grant. Net expenditure of £9,868 was attributable to Gedling Borough Council, and this was met by a revenue contribution.

32. MEMBERS' ALLOWANCES

Payments to members are made under the Local Authorities (Members Allowances) (England) Regulations 2003, which provide for the circumstances in which allowances are payable to members, and to the maximum amounts payable in respect of certain allowances. The regulations include a requirement for authorities to make public their scheme for members' allowances, and to disclose annually the amounts paid under such a scheme. The council fulfils this requirement by the placement of a suitable advertisement in the local newspaper. Under the council's scheme, a Basic allowance is paid to each member, together with relevant Special Responsibility allowances. There is also provision for the payment of car allowances, plus public transport, conference and subsistence expenses.

The authority paid the following amounts to members of the council during the year.

	2009/10	2010/11
	£000s	£000s
Allowances:		
Basic	184	**182**
Special Responsibility	109	**109**
Expenses:		
Car mileage and public transport	7	**5**
Conferences and subsistence	2	**1**
	302	**297**

33. OFFICERS' REMUNERATION

Regulation 4 of the Accounts and Audit (Amendment No.2) (England) Regulations 2009 introduced disclosure requirements for the remuneration of senior staff in Local Authorities, in order to provide greater transparency and accountability to local taxpayers in respect of the total remuneration package for the senior team charged with the stewardship of the Council.

Remuneration is defined as amounts payable to or receivable by a person, and includes salary, expenses, and the estimated monetary value of non-cash benefits, ie. "benefits in kind". Remuneration excludes employer's pension contributions. Salary represents the amount received under a contract of employment for services rendered. Senior staff are defined as those in receipt of a salary of £50,000 or more.

The authority's employees receiving more than £50,000 "remuneration" for the year (excluding employer's pension contributions) are analysed, by band, below:

Number of Employees in each Remuneration Band: (excluding employer pension contributions)	**2009/10 Number**	**2010/11 Number**
£50,000 to £54,999	0	**0**
£55,000 to £59,999	1	**0**
£60,000 to £64,999	4	**5**
£65,000 to £69,999	2	**1**
£70,000 to £74,999	0	**1**
£75,000 to £79,999	0	**0**
£80,000 to £84,999	0	**0**
£85,000 to £89,999	1	**1**
£90,000 to £94,999	0	**0**
£95,000 to 99,999	1	**0**
100,000 to 104,999	0	**1**
Total number of employees whose remuneration exceeds £50,000	9	**9**

There is also a requirement to disclose by job title the individual remuneration for senior employees whose basic salary is £50,000 or more, but less than £150,000. Any staff in receipt of salaries of £150,000 or more are required to be identified by name, however this does not apply at Gedling Borough Council. For these officers it is also a requirement that employer pension contributions be disclosed.

33. OFFICERS' REMUNERATION (Continued)

Individual Posts in receipt of a basic salary exceeding £50,000:	Salary, Fees & All'wces	Exps All'wces	Benefits in Kind	Comp'n for loss of Office	Total exc Pension Contribs	Employer Pension Contribs	Total
	£	£	£	£	£	£	£
Chief Executive (to 31 December 2010)							
2010/11	**100,301**	**0**	**634**	**56,551**	**157,486**	**12,980**	**170,466**
2009/10	98,334	0	795	0	99,129	17,307	116,436
Deputy Chief Executive (Chief Executive from 1 January 2011)							
2010/11	**87,752**	**493**	**1,228**	**0**	**89,473**	**15,444**	**104,917**
2009/10	85,752	394	1,233	0	87,379	15,092	102,471
Head of Corporate Services							
2010/11	**69,224**	**144**	**1,094**	**0**	**70,462**	**12,183**	**82,645**
2009/10	67,686	0	1,265	0	68,951	11,913	80,864
Head of Democratic & Community Services							
2010/11	**67,686**	**176**	**1,104**	**0**	**68,966**	**11,913**	**80,879**
2009/10	67,689	240	1,207	0	69,136	11,913	81,049
Head of Leisure Services							
2010/11	**61,533**	**385**	**1,128**	**0**	**63,046**	**10,830**	**73,876**
2009/10	61,555	455	1,454	0	63,464	10,830	74,294
Head of Direct Services							
2010/11	**61,533**	**439**	**1,119**	**0**	**63,091**	**10,830**	**73,921**
2009/10	61,533	316	1,219	0	63,068	10,830	73,898
Head of Customer Services & Organisational Development							
2010/11	**61,533**	**300**	**1,126**	**0**	**62,959**	**10,830**	**73,789**
2009/10	61,533	253	1,210	0	62,996	10,830	73,826
Head of Planning & Environment							
2010/11	**61,533**	**160**	**1,100**	**0**	**62,793**	**10,830**	**73,623**
2009/10	61,533	173	1,197	0	62,903	10,830	73,733
Head of Strategy & Performance							
2010/11	**61,533**	**337**	**1,130**	**0**	**63,000**	**10,830**	**73,830**
2009/10	58,455	191	1,200	0	59,846	10,288	70,134

34. 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.

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

	2009/10	2010/11
	£	£
Audit Services carried out by the appointed auditor	89,000	**96,365**
Statutory Inspections	8,320	**0**
Grant Certification	34,024	**25,928**
LSVT	12,500	**0**
National Fraud Initiative	1,150	**1,150**
IFRS Rebate	0	**(6,306)**
Total Audit Fees	144,994	**117,137**

No charge was made in 2010/11 in respect of inspection work following the demise of the Comprehensive Area Assessment regime.

The audit services fee of £98,000 agreed with the Audit Commission was reduced by a cost reduction rebate of £1,635, making a net charge of £96,365.

35. GRANT INCOME

The authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement (CIES):

	2009/10 £000s	2010/11 £000s
Credited to Taxation and Non-Specific Grant Income:		
Revenue Support Grant	(1,708)	**(1,173)**
Local Authority Business Growth Incentive (LABGI)	(45)	**0**
Local Area Agreement Performance Reward	(131)	**(44)**
Area Based Grant	(23)	**(36)**
Non Ring-fenced Grants shown on CIES p21	(1,907)	**(1,253)**
Capital Grants and Contributions shown on CIES p21	(334)	**(310)**
Total Non Ring-fenced Grants included in CIES on p21	(2,241)	**(1,563)**
Credited to Services:		
Safer and Stronger Communities and Anti Social Behaviour	(144)	**(31)**
Land Charges	0	**(34)**
Homelessness	(101)	**(56)**
Leisure Centres - Free Swimming	(37)	**(6)**
Business Rates	(9)	**(11)**
Concessionary Fares	(314)	**(323)**
Housing and Council Tax Benefits	(28,403)	**(30,800)**
Planning Delivery Grant	(136)	**0**
Grants for Revenue Expenditure funded from Capital	(894)	**(1,003)**
Other	(14)	**(4)**
Total Grants credited to Services	(30,052)	**(32,268)**
Total Grants	(32,293)	**(33,831)**

The authority has received a number of grants and contributions that have yet to be recognised as income, since they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at year-end are as follows:

	2009/10 £000s	2010/11 £000s
Capital Grants Received in Advance		
Travellers' sites grant	(646)	**(646)**
Playbuilder grants	(56)	**0**
Council Tax grant	(7)	**0**
Other grants and contributions	(516)	**(500)**
Total Capital Grants Received in Advance	(1,225)	**(1,146)**

36. RELATED PARTIES

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

Central Government

Central government has effective control over the general operations of the authority, being responsible for providing the statutory framework within which the authority operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the authority has with other parties (eg. council tax bills, housing benefits etc.) Grants received from government departments are set out in note 35 on page 64. Grants received in advance at 31 March 2011 are also shown in note 35 on page 64.

Members

Elected members of the council have direct control over the council's financial and operating policies and as such are required to be identified as related parties. The total of members allowances paid in 2010/11 is shown in note 32 on page 60. The aggregation option for individual transactions has been taken on the basis that the council is satisfied that all the transactions entered into have been concluded in accordance with its procedures for preventing undue influence.

Officers

Officers on the Council's senior management team (SMT) have the potential to significantly influence the policies of the authority, however this is limited by the authority's scheme of delegation. During 2010/11 no interests were declared by members of SMT.

Other Public Bodies

The council has pooled budget arrangements with Rushcliffe and Broxtowe Borough Councils. Details of these are given at note 31 on pages 59 to 60.

The council's procedure for obtaining information in respect of related parties

Letters were sent to all members and senior management of the council, explaining the requirements of IAS19, and seeking declarations to assist compliance with the standard. The information provided has been used in the preparation of the disclosures below. Details of outstanding debtors and creditors in respect of related parties are included within notes 18 and 20 on pages 48 and 49 respectively. The council also maintains a register of members' interests, together with a record of interests declared at Cabinet Council meetings.

Most transactions with related parties are disclosed elsewhere in the Statement of Accounts, as indicated above, however material transactions not otherwise disclosed are set out in the table below. Material transactions are defined as those over £10,000.

	Receipts £000s	Payments £000s
Citizens' Advice Bureau	0	42
Gedling CVS	0	53
Gedling Homes	(248)	0
Mapperley Golf Club	(61)	0
Nottingham Groundwork Trust	0	13
Nottingham Playhouse	0	13
Nottinghamshire Rural Community Council	0	30
Other Local Authorities	(841)	3,947
Parish Council grant aid	0	256
Richard Herrod Bowls Club	(84)	0

37. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets used by the authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2009/10	2010/11
	£000s	£000s
Opening Capital Financing Requirement (CFR)	9,305	**9,283**
Additions:		
Property, Plant & Equipment (see note 10)	1,040	**1,265**
Investment properties (see note 11)	0	**0**
Intangible assets (see note 12)	75	**117**
Revenue expenditure funded from capital under statute (REFCUS)	1,167	**1,352**
Total Capital Investment	2,282	**2,734**
Financing:		
Capital receipts	(803)	**(525)**
Government Grants	(1,037)	**(1,240)**
Other Contributions	(20)	**(79)**
Direct revenue contributions	(20)	**(10)**
Minimum Revenue Provision (including voluntary contribution)	(424)	**(384)**
Total Sources of Finance	(2,304)	**(2,238)**
Closing Capital Financing Requirement (CFR)	9,283	**9,779**
Explanation of movements in the year:		
Increase in underlying need to borrow - Supported by Government financial assistance	0	**0**
Increase in underlying need to borrow - Not supported by Government financial assistance	(22)	**496**
Increase/(Decrease) in Capital Financing Requirement (CFR)	(22)	**496**

38. LEASES

(i) Disclosures by Gedling BC as Lessee

Prior to the introduction of the Prudential Code, it was the Council's policy to acquire vehicles, plant and equipment via operating leases. However, since 2007/08 alternative sources of finance have been used, therefore the capital value of assets acquired under operating leases was therefore nil for both 2009/10 and 2010/11.

Operating lease rental payments charged to the Income and Expenditure Account in respect of existing leased assets amounted to £10,423 in 2010/11 (£23,887 in 2009/10). All operating lease rentals are in respect of vehicles, plant and equipment.

(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 receivable under existing leases amounted to £167,534 in 2010/11 (£151,670 in 2009/10). 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, and none of the leases granted are non-cancellable, therefore no further disclosures are required.

39. IMPAIRMENT LOSSES

During 2010/11, the Authority has recognised an impairment loss of £3.373m in relation to its car parks. The car parks became income generating during 2009/10 and were valued on the projected income levels. Following a review of usage levels and consideration of customer feedback the tariffs were amended during 2010/11 resulting in a reduction in projected income which has been reflected in a reduced valuation of the car parks. The impairment loss of £3.373m has been charged in part to the Revaluation Reserve, totalling £2.113m to write out previous unrealised gains, and the remaining £1.260m has been charged to the Highways and Transport line in the Comprehensive Income and Expenditure Statement.

40. TERMINATION BENEFITS

The authority terminated the contracts of a small number of employees in 2010/11, incurring total liabilities of £67,930. Of this total, £56,551 was paid to the Chief Executive and £4,673 to staff made redundant on the withdrawal of the crèche facility at the council's leisure centres. In addition, £6,706 was paid as compensation to two further staff.

41. POST-EMPLOYMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME

(i) Participation in the Pension Scheme:

As part of the terms and conditions of employment for its officers, the council makes contributions towards the cost of post employment (retirement) benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme administered by Nottinghamshire County Council, which is a funded defined benefit final salary scheme with index linked benefits. The authority and employees both pay contributions into a fund at a rate intended to balance the pensions liabilities with investment assets. The LGPS is contracted out of the State Second Pension scheme.

In addition, the authority has made arrangements for the payment of added years benefits to certain retired employees, outside the provisions of the scheme. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made, however there are no investment assets built up to meet these pension liabilities. Cash therefore has to be generated to meet actual pensions payments as they eventually fall due.

(ii) Explanation of terms:

Movements on pensions assets and liabilities are analysed into the following constituents:

Current service cost - the increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Past service cost - the increase in the present value of scheme liabilities related to employee service in prior periods, resulting from the improvement of benefits in the current period, for example, the grant of early retirement with added years of service.

Interest cost - the expected increase during the year in the present value of liabilities because the benefits are one year nearer to settlement.

Expected rate of return on assets - the average rate of return expected on the actual assets held in the pension scheme.

Actuarial gains and losses - changes that arise because events have not coincided with actuarial assumptions made at the last scheme valuation, or the assumptions have changed.

Contributions by scheme participants - the increase in scheme liabilities and assets due to payments into the scheme by employees.

41. POST EMPLOYMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME (continued)

Contributions by employer - the increase in scheme assets due to payments into the scheme by the employer to reduce scheme liabilities.

Settlements and curtailments - changes in liabilities relating respectively to actions that relieve the employer of primary responsibility for a pension obligation, eg. LSVT, or events that reduce the future service of employees.

Benefits paid - payments to discharge liabilities directly to pensioners.

(iii) Transactions relating to post-employment benefits:

Pensions are accounted for in accordance with IAS19. The cost of retirement benefits are recognised in the Cost of Services in the Comprehensive Income and Expenditure Statement (page 21) when they are earned by employees, rather than when they are eventually paid as pensions. However, the charge the council is required to make against Council Tax is based on the cash payable in the year, therefore the real cost of post employment (retirement) benefits is reversed out of the General Fund via the Movement in Reserves Statement (page 20). The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement:

	2009/10 £000s	2010/11 £000s
Comprehensive Income and Expenditure Statement:		
Cost of Services:		
Current Service Cost	750	**2,311**
Past Service Cost	14	**46**
Past Service (Gain)/Loss	0	**(5,816)**
Financing & Investment Income & Expenditure:		
Interest Cost	3,496	**3,894**
Expected Return on Assets	(2,028)	**(2,995)**
Total Post Employment benefits charged to the Surplus or Deficit on the Provision of Services	2,232	**(2,560)**
Actuarial (gains) and losses (see Comprehensive Income and Expenditure Statement on page 21)	16,003	**(16,412)**
Total Post Employment benefits charged to the Comprehensive Income and Expenditure Statement	18,235	**(18,972)**
Movement in Reserves Statement:		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code (see note 7)	(18,235)	**18,972**
Actual amount charged against the General Fund Balance for pensions in the year:		
Employer's contributions payable to the scheme	1,551	**1,550**
Discretionary payments (added years, pension strain etc)	142	**172**
	1,693	**1,722**

The cumulative amounts of actuarial gains and losses from 1 April 2005 recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 total a net gain of £2,291,000.

41. POST EMPLOYMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME (continued)

(iv) Assets and Liabilities in relation to Post-Employment benefits:

Reconciliation of the Present Value of the Scheme Liabilities:	2009/10 £000s	2010/11 £000s
Opening Defined Benefit Obligation	52,655	**79,862**
Current service cost	750	**2,311**
Interest Cost	3,496	**3,894**
Actuarial Losses and (Gains)	24,654	**(14,287)**
Estimated Benefits Paid (net of transfers in)	(2,141)	**(2,792)**
Past Service Cost	14	**46**
Past Service Gain	0	**(5,816)**
Contributions by Scheme Participants	565	**567**
Unfunded Pension Payments	(131)	**(129)**
Closing Defined Benefit Obligation	79,862	**63,656**

Reconciliation of the Fair Value of the Scheme Assets:	2009/10 £000s	2010/11 £000s
Opening Fair Value of Scheme Assets	31,664	**42,328**
Expected Return on Scheme Assets	2,028	**2,995**
Actuarial Gains and (Losses)	8,651	**2,125**
Contributions by Employer including Unfunded Benefits	1,693	**1,722**
Contributions by Scheme Participants	565	**567**
Estimated Benefits paid including Unfunded Benefits	(2,273)	**(2,921)**
Closing Fair Value of Scheme Assets	42,328	**46,816**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £3,495,000 (adjusted figure of £10,672,000 in 2009/10).

In the UK budget statement on 22 June 2010, the Chancellor announced that with effect from 1 April 2011, public service pensions would be up-rated in line with the Consumer Prices Index (CPI), rather than the Retail Prices Index (RPI). This has the effect of reducing Gedling Borough Council's liabilities in the Nottinghamshire County Council Pension Fund by £5,816,000, and this has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact on the General Fund.

41. POST EMPLOYMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME (continued)

Scheme History:	2006/07 £000s	2007/08 £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s
LGPS Funded Scheme	60,417	63,085	50,872	77,849	**62,036**
Discretionary Unfunded Benefits	1,609	1,982	1,784	2,013	**1,620**
Present value of liabilities	62,026	65,067	52,656	79,862	**63,656**
Fair Value of Assets-LGPS Funded Scheme	(43,039)	(41,690)	(31,664)	(42,328)	**(46,816)**
Net Deficit	18,987	23,377	20,992	37,534	**16,840**
LGPS Funded Scheme	17,378	21,395	19,208	35,521	**15,220**
Discretionary Unfunded Benefits	1,609	1,982	1,784	2,013	**1,620**
Total	18,987	23,377	20,992	37,534	**16,840**

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits.

The net pension liability of £16.840m has a substantial impact on the net worth of the authority, as recorded in the Balance Sheet, reducing it by 58%. However, statutory arrangements for funding the deficit means that the financial position of the authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie. before payments fall due), as assessed by the actuary, therefore finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The actuary's estimate of the total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 amount to £1.604m. Service cost is estimated to be £1.828m, interest costs £3.491m, and return on assets to be £3.161m. Expected contributions for discretionary benefits are £132,500, as per the council's own budget for 2011/12.

(v) Basis for estimating Assets and Liabilities:

Liabilities have been assessed an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the LGPS and the Discretionary Benefit liabilities have been assessed by Barnett Waddingham Ltd. Actuaries, an independent firm of actuaries. No differentiation has been made between the two schemes in terms of assumptions. Estimates for the pension fund are based on the latest full valuation of the scheme at 31 March 2010.

The principal assumptions used by the actuary are as follows:

Analysis of Assets by asset class	2008/09 £000s	2009/10 £000s	2010/11 £000s
Equities	18,777	28,783	**34,175**
Gilts	4,623	3,810	**3,277**
Other Bonds	1,963	2,540	**1,873**
Property	5,035	6,349	**5,618**
Cash	1,266	846	**1,873**
Total assets allocated to Gedling Borough Council	31,664	42,328	**46,816**

41. POST EMPLOYMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME (continued)

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period, ie. as at 1 April 2010 for the year to 31 March 2011. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

Expected rate by asset class:	1 Apl 09 £000s	1 Apl 10 £000s	1 Apl 11 £000s
Equities	6.9%	7.4%	**7.3%**
Gilts	4.0%	4.5%	**4.4%**
Other Bonds	6.5%	5.5%	**5.5%**
Property	6.4%	6.9%	**6.8%**
Cash	3.0%	3.0%	**3.0%**

Mortality assumptions:

Assumed life expectations from the age of 65 are as follows:		31 Mar 09 Years	31 Mar 10 Years	31 Mar 11 Years
Retiring today-	Male	20.3	20.3	**18.5**
	Female	23.9	23.9	**22.6**
Retiring in 20 years-	Male	21.2	21.2	**20.5**
	Female	24.9	24.9	**24.5**

Financial Assumptions

The financial assumptions used for IAS19 purposes are as follows:

	31 March 2009		31 March 2010		31 March 2011	
	% pa	Real	% pa	Real	% pa	Real
Retail Price Index increase	3.0	-	3.9	-	**3.5**	**-**
Consumer Price Index increase	n/a	n/a	n/a	n/a	**2.7**	**-0.8**
Salary Increase	4.5	1.5	5.4	1.5	**5.0**	**1.5**
Pension Increase	3.0	-	3.9	-	**2.7**	**-0.8**
Discount rate for liabilities	6.7	3.6	5.5	1.5	**5.5**	**1.9**

These assumptions are set with reference to market conditions at 31 March 2011. The discount rate is the yield on the iBoxx AA rated over 15 year corporate bond index as at this date, which has been chosen to meet the requirements of IAS19. The RPI index assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date published by the Bank of England. This measure has historically overestimated future increases in the RPI and therefore the actuary has made a deduction of 0.25% to get the RPI assumption of 3.5%. As future pension increases are expected to be based on CPI rather than RPI, the actuary has made a further assumption that CPI will be 0.8% below RPI, to 2.7%.

Salary increases are assumed to be 1.5% above RPI in addition to a promotional scale, but the actuary has also assumed a pay-freeze for all members earning above £21,000 per annum until 31 March 2012.

41. POST EMPLOYMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME (continued)

(vi) History of experience Gains and Losses:

Disclosure information provided by the actuary is as follows:

	2006/07 £000s	2007/08 £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s
Defined Benefit Obligation	(62,026)	(65,067)	(52,656)	(79,862)	**(63,656)**
Scheme Assets	43,039	41,690	31,664	42,328	**46,816**
Surplus/ Deficit	(18,987)	(23,377)	(20,992)	(37,534)	**(16,840)**
Experience Adjustment on Scheme Assets	915	(4,558)	(10,447)	8,651	**2,125**
Adjustment as % of assets	2%	11%	33%	20.1%	**4.5%**
Experience Adjustment on Scheme Liabilities	-	3,093	-	97	**328**
Adjustment as % of liabilities	-	5%	-	0.1%	**0.5%**
Cumulative actuarial gain/(loss)	2,983	(662)	1,887	(14,116)	**2,291**

42. CONTINGENT LIABILITIES

No significant contingent liabilities have been identified at the Balance Sheet date.

43. CONTINGENT ASSETS

VAT - Fleming Claims

In conjunction with its advisors, the Council submitted three claims for the refund of VAT and appropriate interest following the House of Lords decision in the Fleming case. After deduction of professional fees, these claims have benefited the General Fund balance by £840,000 in 2010/11.

To date, HMRC have rejected claims for compound interest, and have only paid simple interest on the sums refunded. Should current legal action be successful, the council may benefit from a significant additional payment of interest.

Preserved Right to Buy Receipts -

As a result of the Large Scale Voluntary Transfer of its housing stock in November 2008, the Council has an agreement with Gedling Homes relating to future sales under Preserved Right to Buy regulations. The Council will receive the net proceeds from sales to existing tenants, after an agreed deduction for conveyancing and valuation costs, and for rent foregone by Gedling Homes, adjusted by the January retail price index, until November 2018.

ANNUAL STATEMENT OF ACCOUNTS 2010/11

COLLECTION FUND STATEMENT

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

2009/10			2010/11	
£000s	£000s		£000s	£000s
		INCOME:		
(52,223)		Sum due from Council Taxpayers	**(52,574)**	
(7,359)		Sum due from Council Tax Benefits	**(7,694)**	
	(59,582)	**Council Tax Income**		**(60,268)**
	(20,508)	Income collectable from NNDR Payers		**(18,940)**
		Contributions from General Fund in respect of previous years' Council Tax deficit:		
(8)		Gedling Borough Council	**0**	
(75)		Other Preceptors	**0**	
	(83)			**0**
	0	Other Collection Fund Income		**0**
	(80,173)	**TOTAL INCOME FOR THE YEAR**		**(79,208)**
		EXPENDITURE:		
	59,025	Precepts (Note 2)		**60,045**
		Contributions to General Fund in respect of previous years' Council Tax surplus		
0		Gedling Borough Council	**19**	
0		Other Preceptors	**183**	
	0			**202**
		National Non Domestic Rate:		
20,346		Gross GBC Contribution to NNDR Pool	**18,897**	
(105)		Less Cost of Collection Allowance	**(103)**	
	20,241			**18,794**
		Bad and Doubtful Debts:		
(711)		Written Off	**(376)**	
1,294		Contributions to Provisions for Bad Debts	**463**	
	583			**87**
	79,849	**TOTAL EXPENDITURE FOR THE YEAR**		**79,128**
	(324)	**Net Deficit / (Surplus) for Current Year**		**(80)**
	811	Add Balance BFwd from Previous Year		**487**
	487	**Balance CFwd (Surplus) / Deficit (Note 3)**		**407**

Please note that the balance at 31 March 2010 differs to that shown on p71 of the 2009/10 Accounts. This is to ensure that only the balance relating to Council Tax is shown, and not the position net of small balances wholly attributable to Gedling Borough Council and now included with earmarked reserves.

ANNUAL STATEMENT OF ACCOUNTS 2010/11

NOTES TO THE COLLECTION FUND ACCOUNTS

1. COUNCIL TAX BASE

Chargeable Dwellings in each Band at Band D equivalent and after allowing for discounts, disregards, exemptions etc.

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*.

	2009/10 Number	2010/11 Number
Band A*	13	**13**
Band A	7,794	**7,803**
Band B	9,702	**9,833**
Band C	7,627	**7,696**
Band D	5,776	**5,801**
Band E	3,866	**3,932**
Band F	1,654	**1,697**
Band G	1,180	**1,193**
Band H	121	**122**
Council Tax Base	37,733	**38,090**

2. SIGNIFICANT PRECEPTS & DEMANDS ON THE FUND

	2009/10 £000s	2010/11 £000s
Nottinghamshire County Council Precept	45,023	**45,448**
Nottinghamshire Police Authority Precept	5,766	**6,099**
Combined Fire Authority	2,556	**2,655**
Gedling Borough Council Demand (Including Parish element)	5,680	**5,843**
Total	59,025	**60,045**

3. ACCOUNTING FOR THE COLLECTION FUND BALANCE

The opening balance on the Collection Fund was a deficit of £0.487m. By 31 March 2011, this deficit had fallen to £0.407m.

In accordance with the Code, only the share of the Collection Fund deficit attributable to Gedling Borough Council is shown in its own Balance Sheet. The shares attributable to the major preceptors are included in Other Local Authority debtors in respect of Nottinghamshire County Council, and as General Debtors in respect of the Police and Fire Authorities.

	2009/10 £000s	2010/11 £000s
Balance Sheet Debtors:		
Nottinghamshire County Council (Local Authority Debtors)	370	**310**
Nottinghamshire Police Authority (General Debtors)	51	**42**
Combined Fire Authority (General Debtors)	22	**18**
	443	**370**
Council Tax Deficit attributable to Gedling BC	44	**37**
TOTAL	487	**407**

A billing authority acts as an agent, collecting Council Tax on behalf of the major preceptors, as well as itself. Council Tax transactions and balances therefore need to be allocated between the billing authority and the major preceptors.

NOTES TO THE COLLECTION FUND ACCOUNTS (Continued)

4. COLLECTION FUND ADJUSTMENT ACCOUNT

The introduction of agency accounting for Council Tax has necessitated the establishment of the Collection Fund Adjustment Account. The difference between the Council Tax income included in the Comprehensive Income and Expenditure Statement on page 21, and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account, and included as a reconciling item on the Movement in Reserves Statement on page 20.

	2009/10 £000s	2010/11 £000s
Balance Brought Forward	(75)	**(44)**
Difference between Council Tax income shown in the Comprehensive Income and Expenditure Statement and that required by regulation	31	**7**
Balance Carried Forward	(44)	**(37)**

5. NNDR

	2009/10	2010/11
(a) Non Domestic Rateable Value at 31 March	48,374,806	**52,313,621**
(b) Multiplier for General businesses	48.5p	**41.4p**
(c) Multiplier for Small businesses	48.1p	**40.7p**

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

Arrears:

Uncertainties

An estimate of the impairment of NNDR and Council Tax debtors is based upon the age and type of each debt. The percentage impairments applied reflect an assessment of the recoverability of each debt based on past experience and a view of the impact of the prevailing economic climate. The provision for impairment at 31 March 2011 is £1,095,000.

Effect if Actual Results Differ from Assumptions

If collection rates were to deteriorate, a 10% increase on the impairment percentage would require an additional £246,000 to be set aside as an allowance. However, collection rates have not varied by more than 0.7% in any of the past five years, and in three of those years the rates have actually improved.

Audit Statements

ANNUAL STATEMENT OF ACCOUNTS 2010/11

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

Opinion on the Authority accounting statements

I have audited the accounting statements of Gedling Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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

Respective responsibilities of the Head of Corporate Services and auditor

As explained more fully in the Statement of Responsibilities, 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. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Gedling Borough Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and

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

Opinion on other matters

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

ANNUAL STATEMENT OF ACCOUNTS 2010/11

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

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

Authority's responsibilities

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

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

ANNUAL STATEMENT OF ACCOUNTS 2010/11

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Gedling Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Delay in certification of completion of the audit

The audit cannot be formally concluded and an audit certificate issued until I have completed my consideration of matters brought to my attention by local authority electors. I am satisfied that these matters do not have a material effect on the financial statements or a significant impact on my value for money conclusion.

John Cornett
Officer of the Audit Commission

Rivermead House, 7 Lewis Court, Grove Park, Enderby, Leicestershire, LE19 1SU
28 September 2011

Accompanying Statements

ANNUAL STATEMENT OF ACCOUNTS 2010/11

ANNUAL GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY - Gedling Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Gedling Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Gedling Borough Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for risk management.

Gedling Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code can be obtained by contacting the Manager of Audit & Risk Services at Gedling Borough Council, Arnot Hill Park, Arnold, Nottingham NG5 6LU. This statement explains how Gedling Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement of internal control.

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and priority's the risks to the achievement of Gedling Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Gedling Borough Council for the year ended 31 March 2011 and up to the date of approval of the annual report and statement of accounts.

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

- The Sustainable Community Strategy
- The Local Development Framework
- Annual Budget & Performance Plan
- The Capital Strategy
- The Financial Strategy
- The Treasury Management Strategy
- The Housing Strategy

These high level plans are further supported by departmental service plans and operational plans. The Authority's Constitution provides clear guidance on how the Authority operates, how decisions are made and the procedures and protocols to ensure that decisions and activities are efficient, transparent and accountable to local citizens. Some of these processes are required by law, whilst others are determined by the Council for itself. All of these documents are within the Council's Publication Scheme and available on the Council's website at www.gedling.gov.uk or can be inspected at the Council's Civic Centre, Arnot Hill Park, Arnold, Nottinghamshire.

ANNUAL GOVERNANCE STATEMENT

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

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

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

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

- The financial management of the authority and the reporting of financial management through Standing Orders, Financial Regulations, a scheme of delegation and supporting procedure notes and manuals including a comprehensive budgeting and budget monitoring system, and a robust medium term financial planning process which are all subject to internal audit review,

- The Council has continued upon its ambitious programme, the Gedling Transformation Programme (GTP), to review its services and activities in the pursuit of greater effectiveness and efficiency. Phase two, Fast Forward, has been launched using Lean techniques to further re-engineer processes in the pursuit of efficiency and excellence in service delivery,

- The performance management of the authority and the reporting of performance management through a quarterly reporting system to Cabinet and Council,

- Formal project management guidelines,

- Adherence to good employment practices.

REVIEW OF EFFECTIVENESS - Gedling Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Council's approach includes an annual review of the Council's Corporate Governance process 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 Officers 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 service plans for 2011-12.

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

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

The Cabinet members have both collective and individual responsibility for ensuring that decisions of the Council delegated to them are in compliance with the Authority's overall governance arrangements, including the review of financial management reports. For non-executive functions, this responsibility rests with Personnel and Resources Committee. In 2004/05 an Audit 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. With effect from 18th May 2011, these two committee's have been combined with the roles now part of an expanded Audit Committee.

Covalent, a new electronic performance management system, was introduced in April 2009. Implementation of the Covalent system has achieved improvements in the performance data gathering process and enhanced the Council's performance reporting. The Council's Cabinet, Senior Management Team and Personnel and Resources Committee receive 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. In November 2009, the Council's Scrutiny Committee arrangements were further enhanced with the implementation of an Overarching Scrutiny Committee to provide strategic direction to the separate Policy and Performance Scrutiny Committee's. The committees 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.

The Council continues to operate a robust standards function through an established Standards Committee, with defined roles and responsibilities for promoting and maintaining high standards of conduct by the Council's members and co-opted members.

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

The internal audit statement and senior management assurance statements were further evidenced by external evaluators such as the Use of Resources and Managing Performance assessments, the Audit Commission's annual audit and inspection letter and other inspectorate reports such as the Planning Inspectorate.

In December 2010, CIPFA published a statement on the Role of the Head of Internal Audit outlining 5 principles of best practice and the governance arrangements required to ensure adherence. The statement does not have the status of a CIPFA code or replace the sector specific guidance, codes or professional standards. The Head of Internal Audit role at Gedling Borough Council is considered to be consistent with the statements five principles.

The Council has reviewed its partnership arrangements and identified and evaluated its key partnerships as part of its Risk Management process. Key governance requirements that all partnership arrangements will be required to meet have been developed, to ensure that all members of any partnership are responsible for ensuring they meet the highest standards of governance.

The Council is required to identify and explain whether financial management arrangements conform to the governance requirements set out in the CIPFA Statement on the role of the Chief Financial Officer in Local Government (2010). The Statement requires that the Chief Financial Officer (CFO) reports directly to the Chief Executive and is a member of the Leadership Team with a status at least equivalent to other members.

Previously, the CFO reported directly to the Deputy Chief Executive, requiring the Council to explain this deviation from required best practice. Following reorganisation of the Senior Management Team in December 2010, the CFO does now report directly to the newly appointed Chief Executive.

SIGNIFICANT GOVERNANCE ISSUES: During the 2010-11 financial year the following issues were identified via the Authority's risk management, governance and internal control processes as being relevant to the preparation of the Annual Governance Statement:

- **Data Security** – whilst the Authority has not experienced any significant data breaches, a Data Security Working Group (DSWG) has been established with the key objective of undertaking a thorough review of data security arrangements to provide assurance to members and officers that procedures are adequate and effective.

  During 2008-09, Internal Audit undertook a baseline assessment against the security standard ISO27002. An action plan was formulated to address the issues raised and has been progressed through the work of the DSWG, resulting in the Authority receiving accepted status for connection to the Government Connect initiative. This provides the Authority with a secure interface with other public sector organisations achieving accepted status.

The Council is subject to an annual review of its procedures to maintain its accepted status. Following its recent annual inspection, Gedling Borough Council continues to maintain its accepted status to the Government Connect initiative.

A majority of draft policies and procedures have been developed, however, these will require formal approval and subsequent end user training to ensure effective implementation and adherence.

EMERGING GOVERNANCE ISSUES: The following issue is not highlighted as a current control or risk concern, but included to highlight the Council's awareness of emerging issues through its proactive and holistic approach to governance.

- **External Economy** - in addition to the issue highlighted above, the Authority remains susceptible to, but vigilant for, the external risks posed by the economic climate and the uncertain political climate. Despite ongoing pressures and squeezes on costs, income streams and funding, effective planning has resulted in the Council's 2011-12 budget having no significant reductions in service, no requirement for redundancies and no Council Tax increase.

  The Council's current sound financial position, combined with the Medium Term Financial Plan, means that the Council is well placed to deal with the ongoing uncertainty in the UK and global economy. However, the Council will continue to monitor the external environment and develop strategies to counter threats from the wider economy.

All of the above risk and 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 2011-12 have been developed.

We have been advised of the implications of the result of the review and of the effectiveness of the system of internal control. We will monitor the implementation of our action plans to address identified issues and ensure improvements are effectively implemented.

Signature of the Chief Executive:	Date:
	27 June 2011
JT Robinson	
Signature of Leading Member (up to 18th May 2011):	Date:
Roland Spencer	**27 June 2011**
Signature of Leading Member (from 18th May 2011):	Date:
John Clarke	**27 June 2011**

ANNUAL STATEMENT OF ACCOUNTS 2010/11

This is the Audited Version, published on 30 September 2011 by the
Financial Services Section of Corporate Services.

If you have any queries, or you require this document in an alternative format, please contact the Council's Communications Section on 0115 901 3801, and we will endeavour to make alternative arrangements.