



**GEDLING**  

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**BOROUGH COUNCIL**

**ANNUAL STATEMENT OF ACCOUNTS**

**2008/09**

# ANNUAL STATEMENT OF ACCOUNTS 2008/09

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# ANNUAL STATEMENT OF ACCOUNTS 2008/09

## EXPLANATORY FOREWORD

**INTRODUCTION** - The Accounting Statements for the year 2008/09 are set out in the following pages. In accordance with the Statement of Recommended Practice (SORP) 2008, it comprises the core financial statements, notes to the core statements, and supplementary financial statements (Collection Fund and Housing Revenue Account). The Council's accounts are subject to audit by the District Auditor, and the certificates are shown on pages 21 to 24.

**ACCOUNTING POLICIES** – the purpose of the Statement of Accounting Policies is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. 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 SORP or in specific legislative requirements, it is for the authority to select policies that are the most appropriate to its particular circumstances, therefore in 2008/09 certain additional references are required in respect of the Large Scale Voluntary Transfer (LSVT) completed on 3 November 2008.

**THE ECONOMY** – during 2008/09 the global economy entered a period of unparalleled turbulence. The financial crisis, which originated in the USA with the collapse of Lehman Brothers, spread rapidly throughout the world. In October 2008 the Icelandic government took control of its banking sector, leaving many local authorities, together with countless other investors, facing a battle to recover their investments. Gedling had long operated a policy of investing only in UK and Irish institutions, and then only those with the very highest credit quality, and was able to emerge unscathed from the Icelandic crisis.

The accounts show that despite falls in rates the authority achieved investment income of some £0.7m in support of the General Fund, assisted by several investments timed in accordance with advice from its Treasury Advisors. However, as a “net investor” in the money markets, the much reduced investment rates will continue to place significant pressures on the Council's finances.

The credit crunch has also taken its toll on various council services, for example Land Charges and Leisure income, but there has been a corresponding surge in demand for Housing Benefits, leading to a “double whammy” of reduced income and increased service demands. The Council has adopted a flexible approach with regard to service provision, seeking to direct resources to areas of maximum demand. The charging policy for some services has also been reviewed, resulting in a decision to limit increases in charges in some areas, for example the Leisure Fitness Scheme, but also a decision to introduce car-parking charges during 2009/10.

**FINANCIAL OVERVIEW** - The financial outturn for 2008/09 fell broadly in line with quarterly monitoring, and shows that the Council has maintained its reputation for robust financial management.

Significant points to note are:

- During 2008/09 the economic downturn and the crisis in the financial services sector placed significant pressure on the Council's budget. Cost pressures in terms of increased running costs e.g. fuel costs, and reduced income from fees and charges emerged at an early stage in the quarterly monitoring process, as reported to Cabinet in August 2008. Council approved a supplementary estimate of £498,000, which was deliverable from the existing level of General Fund reserve balances, in accordance with the limits determined in the Council's Financial Strategy
- Income from Land Charges also continued to decline due to the economic climate, and this led to a reduction of £140,000 in the fees and charged received in 2008/09, when compared with the original budget for the year.
- Leisure Centre income continued to show signs of customer resistance, but the number of Leisure Fitness Scheme (DNA) members now appears to be stabilising. However, the outturn for 2008/09 showed further erosion of income, and this may have an ongoing impact in the medium term representing a continuing challenge.

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- Planning income significantly declined during the final quarter of 2008/09, resulting in a reduction of £52,000 against the approved budget.
- Savings on employee expenses of £379,000 were achieved after accounting for carry forward requests of £43,000. A vacancy provision of £162,000 was set for 2008/09 and this target was exceeded by almost £217,000. This was mainly due to the immediate implementation of positive vacancy management, following the decision to freeze posts during the 2009/10 budget process. These reductions over the medium term, which will be extended by a further £100,000 in 2009/10, are required to mitigate the impact of the decline in the economic climate.

Overall however, the Council has again produced a robust financial outturn in line with its medium term financial plan projections. The council's financial performance remains strong, as evidenced by the early action to control costs and the continued award of a Level Three in the 2007/08 Use of Resources Judgement. The Council is particularly pleased with the achievement of a Level Four, the highest score, for its financial reporting.

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.

**LSVT** – The Council resolved on 23 April 2008 to transfer its housing stock to a registered social landlord. This transfer took place on 3 November 2008, when the Council's stock transferred to Gedling Homes, and will facilitate considerable additional investment, which in turn will provide significant benefits for tenants. The Council received no capital receipt for its housing stock due to the amount of improvement works required, however, the payment by CLG of Overhanging Debt Grant allowed £3.985m of outstanding PWLB debt to be redeemed. This will generate savings of approximately £150,000 per annum, which will be used to offset some of the additional costs that will fall on the General Fund as a result of the reallocation of overheads after LSVT.

As part of the LSVT process, the council entered into a VAT Shelter arrangement. This permits the recovery of VAT by Gedling Homes, which as a Housing Association would not otherwise be able to do so, up to £12m. Further information regarding the VAT Shelter can be found in the notes to the accounts. Under the terms of the LSVT agreement the Council will also benefit from up to £2.7m of Public Realms Works over the next five years. These works will be carried out by Gedling Homes and paid for under the VAT Shelter. The Council did not share directly in the VAT Shelter arrangement, but the Public Realms Works will provide considerable community benefits at no monetary cost to taxpayers.

**REVENUE EXPENDITURE** – Net General Fund Expenditure on services for 2008/09 totalled £15.290m. The Council originally budgeted to take £1.017 from General Fund balances in 2008/09. These accounts show that the sum of only £0.776m was used, leaving a year-end balance of £2.713m. 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, £0.331m has been earmarked to finance revenue budgets carried forward from 2008/09 to 2009/10.

**HOUSING REVENUE ACCOUNT** - Housing is the only Council service where a separate account has to be kept by law. In addition, control is exercised on the items that can be charged or credited to the Account. The balance on the Housing Revenue Account at 31 March 2009 was £1.536m.

In spite of the LSVT, certain costs will continue to be chargeable against the HRA balance during 2009/10, for example final audit costs. However, a direction has been obtained from CLG to close the HRA on 31 March 2010 at which point any balance remaining will transfer to the General Fund. A further direction has been obtained allowing the retained properties to be transferred to the General Fund with effect from 3 November 2008.

**PENSIONS** – The pensions liability of £20.992m 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.

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During 2008/09 the Council transferred its housing stock under a LSVT and accordingly a settlement of £0.9m was made on the Pension Fund in respect of staff previously employed by the Council and transferring to Gedling Homes. This settlement relates to the Pension Fund deficit, for which Gedling Homes are now liable.

The disclosures required in respect of pensions under FRS17 have been subject to change in 2008/09 and the accounts have been prepared in order to comply with these changes.

**BALANCE SHEET** – As a result of the decision to transfer the Council's housing stock during the year there has been a significant reduction in the value of assets on the Council's balance sheet, representing the transfer of £165.9m Council dwellings and associated land. In addition to this the external economic climate has had an impact on the Council's remaining fixed assets, which have been impaired, reducing their value by £7.9m. Due to the requirements of local authority accounting neither of these change has an impact at taxpayer level, however, the net worth of the authority is significantly less in than previous years.

**REVENUE TAX COLLECTION** - The Collection Fund accounts are set out on pages 72 to 73. During the year 98.1% of the Council Tax due was collected, and 98.3%% of the National Non Domestic Rate due was collected on behalf of the Government.

The Collection Fund Revenue Account shows a deficit of £0.799m, which is within acceptable tolerances given that in excess of £77m worth of Local Taxation is accounted for in this fund. In accordance with the SORP, the deficit has been disaggregated on the balance sheet, with only the proportion relating to Gedling Borough Council and its Parishes being shown as a deficit revenue balance of £66,000. The proportions attributable to Nottinghamshire County Council, Nottinghamshire Police Authority and The Combined Fire Authority are shown as debtors, in the sums of £620,000, £78,000 and £35,000 respectively.

**CAPITAL EXPENDITURE AND FINANCING** - The Authority's capital spending of £4.924m is set out on page 46, together with how it has been financed.

At 1 April 2008, the Council had outstanding PWLB debt of £12.5m. Following the LSVT on 3 November 2008, Overhanging Debt Grant from the Government enabled the repayment of £3.985m of this borrowing, and a further £1.703m matured naturally in March 2009, leaving the sum of £6.8m outstanding at 31 March 2009.

The Council continues to take advice from its Treasury Advisors with regard to the timing of borrowing, and at no time during 2008/09 was it considered prudent to take on further debt. The Council is actively reducing 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.

**SUMMARY** – the Statement of Accounts reports the final position for the authority for 2008/09. It relates to the Performance Plan for 2008/09 published in March 2008. The Council continues to report a strong financial position, and has plans in place for future developments in service delivery. Positive vacancy management remains in place, with each vacancy being individually assessed and approved before being advertised. It is envisaged that savings from this activity will allow the Council to continue to serve its taxpayers by providing quality services at reasonable cost. In the current economic climate this presents a considerable challenge, with the emphasis being on "achieving more with less".

**MS KIMBERLEY, CPFA**

Head of Corporate Services, June 2009

## **ANNUAL STATEMENT OF ACCOUNTS 2008/09 STATEMENT OF ACCOUNTING POLICIES**

### **1. GENERAL**

The Statement of Accounts summarises the Council's transactions for the 2008/09 financial year and its position at the year-end of 31 March 2009. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

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

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

### **2. DISCONTINUED OPERATIONS**

Income and expenditure directly relating to discontinued operations are shown separately on the face of the income and expenditure account under the heading of discontinued operations. Any liabilities in respect of discontinued operations are disclosed separately in the notes to the accounts.

During 2008/09, due to the LSVT process, the authority's housing stock was transferred to Gedling Homes, which has created a discontinued operation in terms of the Housing Revenue Account funded public sector housing operation, and this has been itemised separately on the face of the income and expenditure account.

### **3. ACCRUALS OF INCOME AND EXPENDITURE**

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

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

### **4. PROVISIONS**

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

Provisions are charged to the appropriate revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year, and where it becomes more likely than not that payment will not now be required, or a lower than anticipated settlement is likely, the provision is reversed and credited back to the relevant revenue account. Details of provisions are included in notes 24 and 35 to the core financial statements, on pages 48 and 53.

### **5. RESERVES**

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

## ANNUAL STATEMENT OF ACCOUNTS 2008/09 STATEMENT OF ACCOUNTING POLICIES

Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year, to score against the Net Cost of Services in the Income & Expenditure Account. The reserve is then appropriated back to the General Fund Balance statement so that there is no net charge against Council Tax for the expenditure.

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

Details of the reserves held at 31 March 2009 are included in note 34 to the core financial statements, on page 53

### 6. INTANGIBLE ASSETS

Intangible assets are recognised in the balance sheet when the authority controls the future economic benefits arising from the expenditure. Intangible assets currently held in the balance sheet are software licences which are amortised, on a straight-line basis, to the relevant revenue account over their useful economic lives of 5 years. Such assets are stated at historical cost, net of amortisation

#### **Disposals:**

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

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

### 7. TANGIBLE FIXED ASSETS

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

#### **Recognition:**

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services it provides for more than one financial year. The Council does not operate a de minimis level in valuing assets.

#### **Measurement:**

Council Dwellings	Retained Assets (up to date of transfer to General Fund following LSVT i.e. 3 November 2008) - Stated at existing use - social housing values, based on internal professional valuations. Dwellings Transferred under LSVT – Tenanted Market Value - in accordance with statutory guidance on stock valuation.
Other Land and Buildings	Stated at lower of net current replacement cost or net realisable value in existing use, whichever is appropriate, based on internal professional valuations.

Net current replacement cost is assessed as:

## ANNUAL STATEMENT OF ACCOUNTS 2008/09 STATEMENT OF ACCOUNTING POLICIES

- Non- specialised operational properties – existing use value
- Specialised operational properties - depreciated replacement cost

Vehicles, Plant & Equip't	Stated at lower of net current replacement cost or net realisable value.
Infrastructure	Stated at historical cost, net of depreciation.
Community Assets	Stated at historical cost, net of depreciation.
Non-Operational Assets	Stated at lower of net current replacement cost or net realisable value based on internal professional valuations. In the case of investment properties net current replacement cost is assessed as open market value.

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

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

### **Impairment:**

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

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

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

### **Disposals:**

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (ie. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. Receipts are appropriated to the Usable Capital Receipts Reserve from the Statement of Movement on the General Fund Balance. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts credited to the Usable Capital Receipts Reserve, can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow.

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

**Depreciation:**

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

Depreciation is calculated on the following bases:

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

<u>Asset Type</u>	<u>Useful Life Years</u>
Homeless Accommodation	35-62
Public Conveniences	19-43
Business Centres	25
Pavilions	5-60
Community Centres	30-62
Cemetery Chapels	95
Leisure Centres	30-45
Public Offices	21-186
Depot	16
Other Miscellaneous	10-60

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

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

**8. LEASED ASSETS**

Assets acquired under finance leases, which effectively transfer the risks and rewards of ownership to the Authority, are included as fixed assets in the balance sheet at historical cost, net of depreciation. The aggregate amount of the capital elements of the related obligations for future rentals payable are included as deferred liabilities in the balance sheet and the finance charge element is allocated to revenue over the term of the lease. The Council does not currently hold any assets acquired under finance leases.

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

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

## **ANNUAL STATEMENT OF ACCOUNTS 2008/09 STATEMENT OF ACCOUNTING POLICIES**

Disclosures in respect of leases are made at note 7 to the core financial statements on page 35.

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

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

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

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

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

### **10. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

Prior to the 2008 SORP, deferred charges were used to recognise expenditure that regulations permitted to be funded from capital resources, but which did not satisfy the SORP's criteria to be classified as capital expenditure, ie. It did not result in the creation of any tangible or intangible fixed assets. The 2008 SORP has replaced deferred charges with a new class of expenditure, Revenue Expenditure Funded from Capital under statute. Expenditure is charged to the appropriate revenue account, together with any grants or contributions associated with it. Both the expenditure and the grant are then reversed out to the Capital Adjustment Account and reported in the Statement of Movement on the General Fund Balance. This change therefore has no impact on the authority's bottom line, and the level of Council Tax is unaffected. Example 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, e.g. Joint Use Centres

### **11. GRANTS AND CONTRIBUTIONS**

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

Revenue grants and contributions are credited to the appropriate revenue account and matched with the expenditure to which they relate. Grants to cover general expenditure, eg. Revenue Support Grant, are credited at the foot of the Income and Expenditure Account after Net Operating Expenditure.

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Capital grants and contributions that are received in respect of assets which have a finite useful life are credited to the Government Grants and Contributions Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them. Grants and contributions for assets which are not depreciated are taken direct to the Capital Adjustment Account.

### 12. FINANCIAL INSTRUMENTS

Financial Instruments are accounted for in accordance with FRS 25 (presentation), FRS 26 (recognition and measurement), and FRS29 (disclosure), as detailed in Note 42 to the core financial statements on page 58. A financial instrument is any contract that gives rise to a financial asset in one entity, and a financial liability in another.

#### **Financial Liabilities:**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For all the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund to be spread over future years, for example, spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. During 2008/09 gains on the early settlement of borrowing in respect of overhanging HRA debt (see paragraph 13 below) were credited in full in the year, as the sum involved was not material.

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

#### **Financial Assets:**

Financial Assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have any fixed or determinable payments. There were no available-for-sale assets held during 2008/09.

#### Loans and Receivables

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

The council has provided car loans to employees at less than market rates (soft loans). In normal circumstances soft loans would be recognised and measured in the accounts at fair value, in accordance with FRS 25 and FRS 26, as disclosed in Note 42 to the core financial statements on page 58. However, car loans to employees have been considered in detail, and it has been concluded that the sum outstanding of £79,000 is immaterial and the rates offered are only marginally preferential at best, and in many cases equivalent, to the rates on offer in

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STATEMENT OF ACCOUNTING POLICIES**

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

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

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

The Council has no long-term investment following repayment of its investment with ADC (Properties) Ltd on 31 July 2008.

**13. REDEMPTION OF DEBT**

The Council routinely provides for all scheduled debt repayments. In addition, during 2008/09 the Department of Communities and Local Government repaid £3.95m of overhanging HRA debt, net of associated discounts, as part of the housing stock transfer.

**14. STOCKS AND WORK IN PROGRESS**

Stocks and stores held in the Council'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 and SSAP 9, which require stocks to be shown at actual cost or net realisable value, if lower. The effect of the different treatment is not considered to be material. Work in Progress on uncompleted jobs is valued at the lower of cost or net realisable value.

**15. OVERHEADS AND SUPPORT SERVICES**

All overhead and support services costs have been fully allocated to services in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008. The total absorption costing principle is used – full costs of overhead and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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

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

## ANNUAL STATEMENT OF ACCOUNTS 2008/09 STATEMENT OF ACCOUNTING POLICIES

### 16. PENSIONS

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

In accordance with the SORP

- The liabilities of the pension scheme attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc and projections of earnings for current employees.
- Pension scheme liabilities are discounted at a rate that reflects the time value of money and the characteristics of the liability.
- Pension scheme assets attributable to the council are included in the balance sheet at their fair value.

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

During 2008/09 the Council transferred its housing stock to Gedling Homes under LSVT. Accordingly, a settlement of £0.9m was made on the pension fund in respect of staff previously employed by the council and transferring to Gedling Homes. Should Gedling Homes fail to be able to meet its pension commitments in respect of these staff, the Council again becomes liable. However, Gedling Homes has a bond to the value of £750k to cover this eventuality, and that together with an assessment of the low probability that Gedling Homes will fail, it is concluded that it is not probable that there will be a future transfer of economic benefits in respect of this by the Council and it is not therefore considered that further provision for possible loss is necessary.

Full pension disclosures are included at Note 11 to the core financial statements, on pages 37 to 39, and reflect the changes introduced by the 2008 SORP.

### 17. TAXATION

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

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

The sale of the Council's housing stock under the LSVT arrangements was a non-business activity and outside the scope of VAT. However, as part of the transfer, the Council entered into a VAT Shelter arrangement whereby the stock was sold together with an obligation to the value of £68.4m on its part to carry out refurbishment and improvement works required to bring it up to Decent Homes Standard. VAT of £12m was chargeable to the council in respect of the supply of refurbishment work under this Development Agreement, and was fully recovered from HMRC by the Council, and paid over to Gedling Homes, thus "sheltering" it. Any VAT on works carried out by Gedling Homes over a 10-year period, up to a maximum value of £12m, may accordingly be recovered by them.

# **Control Statements**

# ANNUAL STATEMENT OF ACCOUNTS 2008/09

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

- Make arrangements for the proper administration of those affairs, and to secure that one of its Officers has the responsibility for the administration of those affairs. In this Authority, that Officer is the Head of Corporate Services.
- Manage its affairs to secure economic, efficient and effective use of resources, and to safeguard its assets.
- Approve the Statement of Accounts.

### THE RESPONSIBILITIES OF THE HEAD OF CORPORATE SERVICES

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

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

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

The Head of Corporate Services has also:

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

# ANNUAL STATEMENT OF ACCOUNTS 2008/09

## ANNUAL GOVERNANCE STATEMENT

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

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

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

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise 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 2009 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 Strategic Corporate Plan 2008-2012
- The Sustainable Community Strategy
- The South Notts. Crime & Disorder Strategy
- The Local Development Framework
- Annual Budget & Performance Plan
- The Capital Strategy
- The Financial Strategy
- The Treasury Management Strategy
- The Housing Strategy

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

# ANNUAL STATEMENT OF ACCOUNTS 2008/09

## ANNUAL GOVERNANCE STATEMENT

Publication Scheme and available on the Council's website at [www.gedling.gov.uk](http://www.gedling.gov.uk) or can be inspected at the Council's Civic Centre, Arnot Hill Park, Arnold, Nottinghamshire.

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

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

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

- Annual review of the effectiveness of the Authority's Corporate Governance Framework, including signed Assurance Statements from Heads of Service,
- An established anti-fraud strategy, including whistle-blowing procedures, communicated to members, officers and the public and available on the Council's website,
- Audit Sub Committee established to undertake the core functions as identified in CIPFA guidance,
- The development of a partnership risk register to identify strategic partnership arrangements and assess the adequacy of governance arrangements,
- Performance Plan monitoring, review and reporting,
- Facilitation of policy and decision making through the constitution, codes of conduct and the decision-making process, forward plan and role of the scrutiny 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,

# ANNUAL STATEMENT OF ACCOUNTS 2008/09

## ANNUAL GOVERNANCE STATEMENT

- Departmental operational risk registers, subject to review by section heads,
- 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 embarked upon an ambitious programme, the Gedling Transformation Programme (GTP), to review its services and activities in the pursuit of greater effectiveness and efficiency. A key control aspect of the programme is to map current systems and procedures, re-engineer these and then update the procedures and supporting notes and guidance to reflect new practices,
- The performance management of the authority and the reporting of performance management through a quarterly reporting system to Cabinet and Council,
- Formal project management guidelines,
- Adherence to good employment practices.

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

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

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

Measures to address the weaknesses and issues identified in the above reviews are included in the action plans for 2009-10.

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

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

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

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

# ANNUAL STATEMENT OF ACCOUNTS 2008/09

## ANNUAL GOVERNANCE STATEMENT

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

The Council also operates scrutiny arrangements. The Scrutiny Committee function has been enhanced to include separate committees for policy and performance review. The committees are able to review decisions of the executive, contribute to the process of determining priorities and review all framework policies and strategies contained within the Council's Constitution.

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, Deputy Chief Executive, Chief Financial Officer, Monitoring Officer and Heads of Service support the assurance statement and findings given by the Manager of Resource Services, the Council's Chief Internal Auditor. This Assurance Statement concluded that systems of internal control were adequate and operating effectively.

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

The Authority was rated as a "Good" local authority under the CPA in 2003. A CPA reassessment was undertaken in July 2008, which confirmed the Council as a "Good" local authority. The assessment was against the Audit Commission's "harder test", which included tougher standards than those in place at the time of the initial assessment.

The report praised the Council for its good quality services and effective partnership working, highlighting that residents' satisfaction levels with services are both good and improving. The Council was also praised for its priorities for improvement, which the report states, are based on an understanding of residents' needs.

The report also identified areas for improvement. Detailed action plans have been developed to address the issues raised.

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

**SIGNIFICANT GOVERNANCE ISSUES:** During the 2008-09 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:

- **Business Continuity Plan (BCP)** – the Council's BCP has been reviewed and updated and identifies requirements for all critical systems and services. A Disaster Recovery plan has been developed with initial testing undertaken in October 2008. An action plan was formulated to address issues identified during the test procedures. A further test is scheduled for May 2009. Following completion of the Large Scale Voluntary Transfer (LSVT) in November 2008, and as a result of structural changes emanating from the ongoing Gedling Transformation Programme, the BCP will require a further review to align critical services and systems to evolving organisational structures.

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# ANNUAL STATEMENT OF ACCOUNTS 2008/09

## 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.

Revised 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 issues are not highlighted as current control or risk concerns, but included to highlight the Council's awareness of emerging issues through its proactive and holistic approach to governance.

- **Development Control Issues** – the Council is aware of an increasing trend in successful appeals against refusals of planning permission following planning applications. The Council will continue to monitor such instances and ensure all cases are effectively monitored and subject to timely reporting arrangements. It will also review its approach to the handling of planning applications in the light of inspectors' decisions in such cases.
- **External Economy** - in addition to the issues highlighted above, the Authority remains susceptible to, but vigilant for, the external threats posed by the turbulent and unpredictable economic climate. Cost pressures and squeezes on Leisure, Building and Development Control income streams have been effectively managed during the 2009-10 budget process, however, the Authority will continue to monitor the external environment and develop strategies to counter threats from the wider economy in a timely and effective manner.

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 2009-10 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.

**Chief Executive:** Peter Murdock

**Date:** 16 June 2009

**Leading Member:** Councillor Roland Spencer

**Date:** 19 June 2009

# **ANNUAL STATEMENT OF ACCOUNTS 2008/09**

## **GEDLING BOROUGH COUNCIL**

### **STATEMENT OF ACCOUNTS 2008/09**

This Statement of Accounts is that upon which the Auditor should enter his certificate and opinion, and has been prepared under the Local Government Finance Act 1982. It presents fairly the financial position of the Authority at 31 March 2009, and its income and expenditure for the year then ended.

**MS Kimberley CPFA**  
**Head of Corporate Services**

**Date: 26 June 2009**

This Statement of Accounts was approved by the Personnel and Resources Committee at its meeting on 29 June 2009, in accordance with the authority given by the delegation arrangements under section 3 of the Council's Constitution.

**Councillor EJ Collin**  
**Chair of Personnel and Resources Committee**

**Date: 29 June 2009**

Following the conclusion of the audit of the accounts, some amendments have been made. These are presentational in nature and do not affect any of the balances of the Council. The amendments to the Statement of Accounts were approved by the Audit Sub-Committee at its meeting on 29 September 2009.

**MS Kimberley CPFA**  
**Head of Corporate Services**

**Date: 29 September 2009**

# **ANNUAL STATEMENT OF ACCOUNTS 2008/09**

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

### **OPINION ON THE FINANCIAL STATEMENTS**

I have audited the Authority accounting statements and related notes of Gedling Borough Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Gedling Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### **Respective responsibilities of the Head of Corporate Services and auditor**

The Head of Corporate Services responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

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

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

# **ANNUAL STATEMENT OF ACCOUNTS 2008/09**

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

### **Basis of audit opinion**

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

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

### **Opinion**

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

### **CONCLUSION ON ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN THE USE OF RESOURCES**

#### **Authority's Responsibilities**

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

#### **Auditor's Responsibilities**

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

# **ANNUAL STATEMENT OF ACCOUNTS 2008/09**

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

### **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Gedling Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

### **Certificate**

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

**John R Cornett**  
**District Auditor**

**Audit Commission, Rivermead House, 7 Lewis Court, Grove Park, Enderby, Leics. LE19 1SU**  
**30 September 2009**

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**

# **Core Financial Statements**

## ANNUAL STATEMENT OF ACCOUNTS 2008/09

### INCOME AND EXPENDITURE ACCOUNT

2007/08		2008/09		
Net £000s		Gross Exp £000s	Total Inc. £000s	Net Exp. £000s
	<b><u>Net Cost of Services:</u></b>			
1,472	Central Services to the Public:	10,193	(8,610)	1,583
9,754	Cultural, Environmental & Planning Services:	17,082	(6,200)	10,882
1,291	Highways, Roads & Transport	1,625	(328)	1,297
1,045	GF Housing Services (Including Rent Allowances)	20,178	(18,989)	1,189
1,984	Corporate & Democratic Core	2,484	(15)	2,469
465	Non Distributed Costs	3,778	(11)	3,767
16,011	<b>Net Cost of Continuing Services</b>	<b>55,340</b>	<b>(34,153)</b>	<b>21,187</b>
	<b><u>Discontinued Operations:</u></b>			
(296)	Housing Revenue Account	167,851	(6,067)	161,784
15,715	<b>Total Net Cost of Services</b>	<b>223,191</b>	<b>(40,220)</b>	<b>182,971</b>
	<b><u>Corporate Income &amp; Expenditure:</u></b>			
30	(Gain)/Loss on Disposal of Fixed Assets			(86)
292	Parish Precepts & Drainage Board Levy			308
447	Interest Payable & similar charges			435
1,272	Contribution to Housing Pooled Capital Receipts			189
(722)	Interest & Investment Income			(700)
432	Pensions Interest & Expected Return on Assets			1,082
(51)	Other Income - Non service-specific receipts, not relating to Disposals			0
17,415	<b>Net Operating Expenditure</b>			<b>184,199</b>
(5,357)	Precept demanded from the Collection Fund			(5,540)
84	Transfers from the Collection Fund			58
(1,246)	Revenue Support Grant			(1,092)
(7,423)	Contributions from the Non-Domestic Rate Pool			(7,842)
(749)	LA Business Growth Incentive Scheme (LABGI)			(175)
0	Overhanging Debt Grant			(3,953)
0	Other General Grants Received - Area Based Grant			(23)
2,724	<b>General Fund (Surplus) / Deficit for Year</b>			<b>165,632</b>

Overhanging debt grant was provided by CLG for the redemption of PWLB debt in respect of the Large Scale Voluntary Transfer. Because this grant is not for the acquisition of a fixed asset it is credited directly to the Income and Expenditure Account as a general grant. However, as it is a capital grant, it is transferred to the Capital Adjustment Account by way of the Statement of Movement on the General Fund Balance on page 27. This treatment ensures that the grant is not credited to the General Fund.

## ANNUAL STATEMENT OF ACCOUNTS 2008/09

### STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

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

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

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

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

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

2007/08		2008/09
£000s		£000s
2,724	(Surplus)/Deficit for the year on the Income & Expenditure Account	165,632
(2,897)	Net additional amount required by statute and non-statutory proper practice to be debited or credited to the General Fund Balance for the year	(164,856)
(173)	<b>(Increase)/Decrease in General Fund Balance for the Year</b>	776
(3,316)	General Fund Balance Brought Forward at 1 April	(3,489)
(3,489)	<b>General Fund Balance Carried Forward at 31 March</b>	(2,713)

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

## ANNUAL STATEMENT OF ACCOUNTS 2008/09

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

2007/08		2008/09
£000s		£000s
	<b>Amounts included in the Income and Expenditure Account, but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>	
(1,796)	Depreciation and impairment of Fixed Assets	(170,365)
(344)	Depreciation charged to HRA in excess of MRA (MRA exceeds Deprn 2008/09)	1,226
293	Government Grants Deferred Amortisation	389
(599)	Amounts treated as Revenue expenditure in accordance with the SORP but which are treated as Capital by Statute	(481)
155	Adjustment to previous year write-down of Deferred Charges	0
(30)	Net gain/loss on Disposal of Fixed Assets	107
51	Transfer to Usable Capital reserves - receipts not relating to disposals	18
(2,428)	Net charges made for Retirement Benefits in accordance with FRS17	(1,917)
0	Overhanging Debt Grant	3,953
(4,698)		(167,070)
	<b>Amounts not included in the Income and Expenditure Account but required by statute when determining the Movement on the General Fund Balance for the year</b>	
419	Minimum Revenue Provision for capital financing	525
300	Capital Expenditure charged in-year to the General Fund Balance (CERA)	311
(1,272)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(189)
1,670	Employer's contributions payable to the Nottinghamshire County Council Pension Fund and retirement benefits payable direct to pensioners	1,751
1,117		2,398
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>	
355	Housing Revenue Account Balance	(169)
36	Voluntary Revenue Provision for capital financing	38
293	Net transfer to/from earmarked reserves	(53)
684		(184)
	<b>Net additional amount required to be credited to the General Fund Balance for the year</b>	
(2,897)		(164,856)

## ANNUAL STATEMENT OF ACCOUNTS 2008/09

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

2007/08		2008/09
£000s		£000s
2,724	Deficit/(Surplus) for the year on the Income and Expenditure Account (note 1)	165,632
(5,724)	Revaluation of Fixed Assets	3,458
3,645	Pension Reserve-Actuarial (gains)/losses on Pension Fund assets & liabilities	(2,550)
15	Movement in Collection Fund balance (Gedling BC share only)	(45)
30	Other Movements (note 2)	0
690	<b>Total Recognised (Gains)/Losses for the year</b>	<b>166,495</b>

2007/08		2008/09
£000s		£000s
	<b>Reconciliation to Balance Sheet:</b>	
178,116	Net Worth per Balance Sheet at 1 April (note 2)	177,011
177,426	Net worth per Balance Sheet at 31 March	10,516
690	<b>Movement in Net Worth</b>	<b>166,495</b>

#### Notes:

1. The majority of the Council's housing stock was transferred under a LSVT arrangement in November 2008. Prior to transfer, the stock was valued at tenanted market value in accordance with statutory guidance. This value was negative, reflecting the level of improvement works required, therefore the transferring stock was revalued to zero, with an impairment loss recognised. This explains the very significant deficit on the Income and Expenditure Account, the starting point for the Statement of Recognised Gains and Losses.
2. The net worth at 1 April 2008 differs to that reported in the 2007/08 Statement of Accounts by £415,000. This is due to an adjustment on the Pensions deficit, caused by asset valuation required by the 2008 SORP. Instead of valuing assets on a mid-market basis the SORP now requires a bid value to be used.

# ANNUAL STATEMENT OF ACCOUNTS 2008/09

## BALANCE SHEET AS AT 31 MARCH 2009

2007/08		2008/09		Cross Ref.	
£000s	£000s	£000s	£000s	Note	Page
<b>NET FIXED ASSETS:</b>					
<b>Intangible Assets</b>					
335		260			
<b>Operational Assets</b>					
166,617		0			
17,812		17,814			
3,714		3,900			
106		96			
3,453		3,156			
13,744		10,394			
	205,781		35,620	13	43-44
<b>Non-Operational Assets</b>					
	50				
<b>INVESTMENTS:</b>					
			0	23	47
<b>LONG TERM DEBTORS:</b>					
53		46			
45		24		29	49
79		79		20	46
	177		149		
	206,008		35,769		
<b>TOTAL LONG TERM ASSETS</b>					
<b>CURRENT ASSETS:</b>					
10,111		5,501			
5		6		21	47
112		110		22	47
5,919		4,142		24	48
34		70			
	16,181		9,829		
	222,189		45,598		
<b>TOTAL ASSETS</b>					
<b>CURRENT LIABILITIES:</b>					
(6,116)		(4,444)		25	48
(28)		(1)			
	(6,144)		(4,445)		
	216,045		41,153		
<b>NET TOTAL ASSETS</b>					

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**BALANCE SHEET AS AT 31 MARCH 2009 (Continued)**

2007/08			2008/09		Cross Ref.	
£000s	£000s		£000s	£000s	Note	Page
	216,045	<b>NET TOTAL ASSETS (from above)</b>		<b>41,153</b>		
		<b>LONG TERM LIABILITIES:</b>				
(12,503)		Long Term Borrowing (PWLB)	<b>(6,812)</b>		23	47
(343)		Provisions	<b>(501)</b>		35	53
(2,051)		Govt. Grants & Contrib'ns Deferred	<b>(1,926)</b>		28	49
(372)		Capital Grants & Contrib'ns Unapplied	<b>(56)</b>		33	51
(388)		Deferred Liabilities (Incl Serviced Debt)	<b>(350)</b>		27	49
(23,377)		Pensions Liability Account	<b>(20,992)</b>		11	37-41
	(39,034)			<b>(30,637)</b>		
	177,011	<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>10,516</b>		
		<b>FINANCED BY:</b>				
5,217		Revaluation Reserve	<b>1,731</b>		31	50
185,613		Capital Adjustment Account	<b>22,703</b>		30	50
2,595		Usable Capital Receipts Reserve	<b>1,098</b>		32	51
45		Deferred Capital Receipts	<b>24</b>		29	49
13		Major Repairs Reserve	<b>0</b>		32	51
(23,377)		Pensions Reserve	<b>(20,992)</b>		11	37-41
1,822		Revenue Reserves	<b>1,769</b>		34	52-53
	171,928			<b>6,333</b>		
		<b>REVENUE BALANCES:</b>				
3,489		General Fund	<b>2,713</b>			
1,705		Housing Revenue Account	<b>1,536</b>			
(111)		Collection Fund (GBC Share Only)	<b>(66)</b>			
	5,083			<b>4,183</b>		
	177,011	<b>TOTAL NET WORTH</b>		<b>10,516</b>		

# ANNUAL STATEMENT OF ACCOUNTS 2008/09

## CASH FLOW STATEMENT

2007/08			2008/09		
£000s	£000s	£000s	£000s	£000s	£000s
			<b>REVENUE ACTIVITIES</b>		
			<b>Cash Outflows</b>		
15,162			Cash paid to & on behalf of Employees	14,919	
12,096			Other Operating cash payments	13,477	
9,223			Housing Benefits paid out	13,434	
18,421			NNDR payments to the National Pool	19,559	
50,162			Precepts paid	51,930	
912			Contrib'n to Housing Pooled Cap Recpts	188	
	105,976			113,507	
			<b>Cash Inflows</b>		
(3,585)			Rents (after Rebates)	(2,164)	
(48,936)			Council Tax Income	(51,216)	
(7,423)			NNDR Receipts from National Pool	(7,842)	
(17,920)			NNDR Receipts from Ratepayers	(19,841)	
(1,246)			Revenue Support Grant	(1,092)	
(16,427)			DWP Grant for Benefits	(19,829)	
(3,656)			Other Government Grants (see note 41e)	(2,517)	
(7,966)			Cash received for Goods & Services	(6,263)	
(1,211)			Other Operating cash receipts	(2,228)	
	(108,370)			(112,992)	
		(2,394)	<b>Net Revenue Cashflow (note 41a)</b>		
			<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>		
			<b>Cash Outflows</b>		
	625		Interest Paid	459	
			<b>Cash Inflows</b>		
	(790)		Interest Received	(700)	
		(165)			(241)
			<b>CAPITAL ACTIVITIES</b>		
			<b>Cash Outflows</b>		
	6,632		Purchase & Improvement of Fixed Assets	4,202	
			<b>Cash Inflows</b>		
(1,980)			Sales of Fixed Assets	(313)	
(693)			Capital Grants Received	(1,224)	
(619)			Other Capital cash receipts	(128)	
	(3,292)			(1,665)	
		3,340	<b>Net Cash (Inflow)/Outflow before Financing</b>		
		781			2,537
					2,811



**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

**1. AUTHORISATION OF ACCOUNTS**

The Statement of Accounts was issued and authorised by Mark Kimberley CPFA, Head of Corporate Services, on 26 June 2009.

**2. DISCONTINUED OPERATIONS**

The Council transferred its housing stock to a registered social landlord, Gedling Homes on 3 November 2008. As a result of the transfer most Housing Revenue Account transactions have been classified under the heading of Discontinued Operations in accordance with the SORP. Expenditure on homelessness accommodation which did not transfer, is included under General Fund Housing within Continuing Services.

The LSVT process has created a number of material and unusual transactions, and these are explained as appropriate throughout the financial statements.

**3. PRIOR YEAR ADJUSTMENTS, EXCEPTIONAL AND EXTRAORDINARY ITEMS**

Under the 2008 SORP the Council has adopted the amendments to FRS17, with assets held in the Pension Fund now valued at bid price rather than at mid market value. The value of scheme assets at 31 March 2008 has been restated and a prior year adjustment has been posted to the Accounts to ensure that the Balance Sheet represents the correct position at 31 March 2009.

There are no exceptional or extraordinary items to be reported.

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

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

	<b>2007/08</b>		<b>2008/09</b>	
	<b>Exp</b>	<b>Inc</b>	<b>Exp</b>	<b>Inc</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Grass Verge Maintenance for Notts CC	52	(57)	15	(17)
Tree Maintenance for Rushcliffe BC	19	(22)	16	(18)
Payroll Services for Rushcliffe BC	55	(55)	47	(47)

**5. BUILDING REGULATIONS CHARGING ACCOUNT**

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

	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Expenditure	438,359	465,361	<b>492,710</b>
Income	(437,876)	(448,257)	<b>(410,428)</b>
<b>(Surplus) / Deficit transferred to Building Control Reserve</b>	<b>483</b>	<b>17,104</b>	<b>82,282</b>

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

**6. EXPENDITURE ON PUBLICITY**

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

	<b>2007/08</b>	<b>2008/09</b>
	£	£
Recruitment	106,459	<b>77,040</b>
Other	35,457	<b>1,306</b>
<b>Total Relevant Expenditure</b>	<b>141,916</b>	<b>78,346</b>

**7. LEASES**

**(i) Disclosures by Gedling BC as Lessee**

**Operating Leases:**

Prior to the introduction of the Prudential Code it was the Council's policy to acquire vehicles, plant and equipment through operating leases. However, in 2008/09 alternative sources of finance were used, as in 2007/08. The capital value of assets acquired under operating leases was therefore nil for both years.

Operating lease rental payments charged to the Income and Expenditure Account in respect of existing leased assets amounted to £62,507 in 2008/09, (£191,300 in 2007/08). All operating lease rentals are in respect of vehicles, plant and equipment.

The following table sets out the Council's Operating Lease commitments for charging to the Income and Expenditure Account during the next year, 2009/10:

	<b>In respect of Commitments Expiring:</b>			
	<b>2009/109</b>	<b>Yr 2-5</b>	<b>After Yr 5</b>	<b>Total</b>
	£	£	£	£
Vehicles, Plant & Equipment	12,516	11,371	0	<b>23,887</b>
<b>Total Operating Lease Commitments 2009/10</b>	<b>12,516</b>	<b>11,371</b>	<b>0</b>	<b>23,887</b>

**Finance Leases:**

**(ii) Disclosures by Gedling BC as Lessor**

The council has granted leases in respect of assets including Business Units at Newstead and Calverton, shops, and various other miscellaneous properties. Rentals payable under leases existing at 31 March 2009 total £253,225 (£354,983 at 31 March 2008). In addition, lease rentals are received in respect of telecommunications masts, however in these cases, no asset is held. All leases are accounted for as operating leases. The total value of the leases does not exceed the council's materiality level therefore no further disclosures are required.

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

**8. STATEMENT OF OFFICERS' EMOLUMENTS**

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

	<b>2007/08</b>	<b>2008/09</b>
	<b>Number</b>	<b>Number</b>
£50,000 to £59,999	2	1
£60,000 to £69,999	6	6
£70,000 to £79,999	0	1
£80,000 to £89,999	0	0
£90,000 to £99,999	1	1
<b>Total Number of Employees</b>	<b>9</b>	<b>9</b>

**9. AUDIT COSTS**

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

	<b>2007/08</b>	<b>2008/09</b>
	<b>£</b>	<b>£</b>
Audit Services carried out by the appointed auditor	82,581	<b>91,050</b>
Statutory Inspections	5,900	<b>19,700</b>
Grant Certification	34,979	<b>25,845</b>
LSVT	7,273	<b>3,620</b>
<b>Total Audit Fees</b>	<b>130,733</b>	<b>140,215</b>

**10. MEMBERS' ALLOWANCES**

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

	<b>2007/08</b>	<b>2008/09</b>
	<b>£</b>	<b>£</b>
Basic Allowance	179,606	<b>184,329</b>
Special Responsibility Allowance	98,253	<b>109,095</b>
Car Allowances & Public Transport	5,902	<b>7,993</b>
Conferences & Subsistence	1,022	<b>1,484</b>
<b>Total Members' Allowances</b>	<b>284,783</b>	<b>302,901</b>

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

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

**11. PENSIONS - FRS 17 RETIREMENT BENEFITS**

FRS17 is a complex accounting standard based on a simple principle, that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving of the benefit will be many years into the future. FRS17 better reflects economic reality than the standard it replaced. The net pensions asset or liability is made up of two main elements. Liabilities are the retirement benefits that have been promised under the terms of the pension scheme, and are to be valued on an actuarial basis, estimating future cash flows that will arise from the liabilities (ie mortality rates, employee turnover and salary growth) discounted to present values. Assets are the authority's attributable share of the investments held in the pension scheme to cover liabilities, measured at fair value in the balance sheet.

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

**Current service cost** - the increase in liabilities expected to arise from employee service in the current period.

**Past service cost** - the increase in liabilities related to employee service in prior periods, resulting from the improvement of benefits in the current period.

**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, which increase pensions due in the future.

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

**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 years of future service of employees.

**Benefits paid** - payments to discharge liabilities directly to pensioners.

The LGPS is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme Regulations 1997, as amended, and is contracted out of the State Second Pension.

The authority participates in the LGPS administered by Nottinghamshire County Council, which is a 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. In addition, the authority has made arrangements for the payment of added years benefits to certain retired employees, outside the provisions of the scheme.

The 2008 SORP incorporates the requirements of the revised Pensions SORP published in July 2007, to take account of the requirements of FRS25 and FRS26. A number of new disclosures are required: the mortality assumptions adopted must be disclosed, a reconciliation of surpluses and deficits is replaced by a reconciliation of assets and liabilities, funded and unfunded liabilities are to be separated out, and projected cash employer contributions for the accounting period after the balance sheet date are to be disclosed. By contrast, a number of disclosures are no longer required.

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

**11. PENSIONS - FRS 17 RETIREMENT BENEFITS (Continued)**

Under the 2008 SORP the Council has adopted the amendments to FRS17 and as a result, quoted securities held as assets in the pension scheme are now valued at bid price rather than at mid market value. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated from £42.1m to £41.7m, a decrease of £0.4m, resulting in a increase in the pension deficit of £0.4m. A prior year adjustment has been posted to the accounts to ensure that the balance sheet represents the correct position at 31 March 2009.

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

	<b>2007/08</b> <b>£000s</b>	<b>2008/09</b> <b>£000s</b>
<b>Income and Expenditure Account :</b>		
<b>Net Cost of Services:</b>		
Current Service Cost	1,533	1,254
Past Service Cost	0	0
Past Service (Gain)/Loss	463	0
<b>Net Operating Expenditure:</b>		
Interest Cost	3,353	3,949
Expected Return on Assets	(2,921)	(2,867)
Curtailement Gain - LSVT		(2,709)
Bulk Transfer Value - LSVT		2,290
<b>Net Charge to Income &amp; Expenditure Account</b>	<b>2,428</b>	<b>1,917</b>
<b>Statement of Movement on General Fund Balance:</b>		
Reversal of net charges made for retirement benefits in accordance with FRS17	(2,428)	(1,917)
Actual amount charged against the General Fund Balance for Pensions in Year - employers' contributions payable to scheme	1,670	1,752

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £2.55m were included in the Statement of Total Recognised Gains and Losses.

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

**11. PENSIONS - FRS 17 RETIREMENT BENEFITS (Continued)**

<b>Reconciliation of the Present Value of the Scheme Liabilities:</b>	<b>2007/08</b>	<b>2008/09</b>
	<b>£000s</b>	<b>£000s</b>
<b>Opening Defined Benefit Obligation</b>	62,026	65,067
Current service cost	1,533	1,254
Interest Cost	3,353	3,949
Actuarial Losses and (Gains)	(906)	(12,997)
Losses and (Gains) on Curtailments	0	(2,709)
Estimated Benefits Paid (net of transfers in)	(1,853)	(2,373)
Past Service Cost	463	0
Contributions by Scheme Participants	576	592
Unfunded Pension Payments	(125)	(128)
<b>Closing Defined Benefit Obligation</b>	<b>65,067</b>	<b>52,655</b>

<b>Reconciliation of the Fair Value of the Scheme Assets:</b>	<b>2007/08</b>	<b>2008/09</b>
	<b>£000s</b>	<b>£000s</b>
<b>Opening Fair Value of Scheme Assets</b>	43,038	41,690
Expected Return on Scheme Assets	2,935	2,867
Actuarial Gains and (Losses)	(4,558)	(10,447)
Contributions by Employer including Unfunded Benefits	1,677	1,752
Contributions by Scheme Participants	576	592
Estimated Benefits paid including Unfunded Benefits	(1,978)	(2,500)
Receipt of Bulk Transfer Value	0	(2,290)
<b>Closing Fair Value of Scheme Assets</b>	<b>41,690</b>	<b>31,664</b>

<b>Net Position of the Pension Scheme:</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Present Value of Funded Obligation	60,417	63,085	50,872
Fair Value of Scheme Assets (Bid Value)	(43,039)	(41,690)	(31,664)
Net Liability of Funded Obligation	17,378	21,395	19,208
Present Value of Unfunded Obligation	1,609	1,982	1,784
<b>Net Liability on the Balance Sheet</b>	<b>18,987</b>	<b>23,377</b>	<b>20,992</b>

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £20.992m has a substantial impact on the net worth of the authority as recorded in the balance sheet, reducing it by 66.62% (this percentage is very high following LSVT since the majority of assets held were housing stock). However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy, as the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

**11. PENSIONS - FRS 17 RETIREMENT BENEFITS (Continued)**

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 investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

**Actuarial Methods and Assumptions - Basis for estimating Assets and Liabilities:**

In order to assess the value of employer liabilities at 31 March 2009, the actuaries have rolled forward the value of liabilities reported at the latest formal valuation, allowing for the different financial assumptions required under FRS17. In calculating the asset share, assets have been rolled forward allowing for investment returns, contributions paid into, and estimated benefits paid from, the Fund by, an in respect of the employer and employees. As required under FRS17 the projected unit method of valuation has been used to calculate service costs.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent upon assumptions about relevant factors e.g. mortality rates and salary levels. The County Council Pension Fund liabilities have been valued by Barnett Waddingham Ltd. Actuaries, their basis being the latest formal valuation of the scheme which was at 31 March 2007. The principal assumptions used by the actuaries were:

**Long-term Expected Rate of Return on Assets:**

	2006/07 £000s	2007/08 £000s	2008/09 £000s
Equity Investments	7.5	7.5	6.9
Gilts	4.7	4.6	4.0
Bonds	5.4	6.1	6.5
Property	6.5	6.5	6.4
Cash	5.3	5.3	3.0

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the year, eg. as at 1 April 2008 for the financial year 2008/09. The return 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 return on equities and property is then assumed to be a margin above gilt yields. The return on scheme assets included in the 2008/09 Accounts is £2,867,000.

The estimated asset allocation of the Pension Fund at the balance sheet date of 31 March 2009 is:

	31 Mar 08		31 Mar 09	
	£000s	%	£000s	%
Equity Investments	1,462,475	62.0	1,155,723	59.3
Gilts	267,075	11.3	284,413	14.6
Bonds	91,525	3.9	120,377	6.2
Property	401,212	17.0	309,107	15.9
Cash	135,371	5.8	78,583	4.0
<b>Total</b>	<b>2,357,658</b>	<b>100.0</b>	<b>1,948,203</b>	<b>100.0</b>

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

Financial Assumptions:	31 Mar 07		31 Mar 08		31 Mar 09	
	% pa	Real	% pa	Real	% pa	Real
Rate of Inflation	3.1	-	3.6	-	<b>3.0</b>	-
Rate of Increase in Salaries	4.9	1.8	5.1	1.5	<b>4.5</b>	<b>1.5</b>
Rate of Increase in Pensions	3.1	-	3.6	-	<b>3.0</b>	-
Rate for Discounting Liabilities	5.4	2.2	6.1	2.4	<b>6.7</b>	<b>3.6</b>

The discount rate is the yield on the Merrill Lynch Non Gilt Sterling AA over 15 year Corporate Bond Index, with an adjustment of -0.2% to reflect the duration of the liabilities relative to the duration of the index.

**Mortality Assumptions:**

It is currently anticipated that life expectancy for pensioners retiring today is 20.3 years for males and 23.91 years for females. For pensioners retiring in twenty years time, life expectancy is anticipated to be 21.22 years for males and 24.91 years for females.

It has been assumed by the actuaries that 50% of the members retiring will opt to increase their lump sums to be the maximum allowed by legislation.

**Amounts for the Current and Previous Periods:**

Disclosure information provided by the actuaries is as follows:

	2004/05	2005/06	2006/07	2007/08	2008/09
	£000s	£000s	£000s	£000s	£000s
Defined Benefit Obligation	(52,996)	(61,674)	(62,026)	(65,067)	<b>(52,656)</b>
Scheme Assets	31,955	39,496	43,039	41,690	<b>31,664</b>
<b>Surplus/ Deficit</b>	<b>(21,041)</b>	<b>(22,178)</b>	<b>(18,987)</b>	<b>(23,377)</b>	<b>(20,992)</b>
Experience Adjustment on Scheme Assets	n/a	5,143	915	(4,558)	<b>(10,447)</b>
Adjustment as % of assets	n/a	13%	2%	11%	<b>33%</b>
Experience Adjustment on Scheme Liabilities	n/a	(1,359)	-	3,093	-
Adjustment as % of liabilities	n/a	2%	-	5%	-

**Projected Pension Expenses:**

FRS 17 now requires disclosure of the projected pension expenses for the year following that to which the Accounts relate. It has been estimated by the actuaries that service cost will be £819,000 in 2009/10, interest costs will be £3.464m and the return on assets will be £1.965m. Employer contributions are estimated to be £1.65m for the same period.

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

**12. RELATED PARTY TRANSACTIONS**

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

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

Payments to Central Government	Cash Flow Statement, pages 32 to 33
Precepts from other Local Authorities	Collection Fund Accounts, pages 72 to 73
Superannuation Contributions	Note 11, pages 37 to 41
Members' Allowances	Note 10, page 36

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

Other Local Authorities (excluding previously disclosed items)	(499)	2,482
Nottinghamshire Police Authority	(26)	120
Grants to Parishes	0	291
Other Partners in Capital Projects (excluding other Local Authorities)	(81)	0

<b>Receipts</b>	<b>Payments</b>
<b>£000s</b>	<b>£000s</b>
(499)	2,482
(26)	120
0	291
(81)	0

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

Citizens' Advice Bureau	0	41
Co-Operative Group (CWS)	(81)	0
Freeth Cartwright	0	27
Gedling CVS	(255)	50
Gedling Homes	(50)	84
Mapperley Golf Club	(67)	0
Netherfield Forum	0	24
Nottingham Groundwork Trust	0	49
Nottingham Playhouse	0	13
Richard Herrod Bowls Club	(67)	2
Richard Sankey & Sons	0	24

<b>Receipts</b>	<b>Payments</b>
<b>£000s</b>	<b>£000s</b>
0	41
(81)	0
0	27
(255)	50
(50)	84
(67)	0
0	24
0	49
0	13
(67)	2
0	24

Letters were sent to Members of the Council explaining the requirements of FRS 8, and asking for declarations to assist in complying with the Standard. This information has been used in the preparation of the disclosures above. Details of outstanding Accounts Receivable (Debtors) and Accounts Payable (Creditors) in respect of Related Parties are included within notes 24 and 25 on page 48.

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

**13. MOVEMENTS ON FIXED ASSETS**

	<b>Council Dwell'gs £000s</b>	<b>Land &amp; Bldgs £000s</b>	<b>V&amp;P &amp; Equip't £000s</b>	<b>Infra- Struct £000s</b>	<b>Comm'y Assets £000s</b>	<b>Non-Op'l Assets £000s</b>	<b>Intang'b Assets £000s</b>	<b>Total £000s</b>
<b>Cost or Valuation</b>								
At 1 April 2008	166,638	19,080	6,023	368	4,806	13,752	499	<b>211,166</b>
Additions	1,787	194	1,389	25	96	302	41	<b>3,834</b>
Disposals	(141)	(1)	(221)	0	0	0	(42)	<b>(405)</b>
Reclassifications	(1,636)	331	0	0	0	1,305	0	<b>0</b>
Revaluation Upward	7	701	0	0	0	725	0	<b>1,433</b>
Revaln - Impairment	(166,655)	(1,946)	0	0	0	(5,690)	0	<b>(174,291)</b>
<b>At 31 March 2009</b>	<b>0</b>	<b>18,359</b>	<b>7,191</b>	<b>393</b>	<b>4,902</b>	<b>10,394</b>	<b>498</b>	<b>41,737</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2008	(21)	(1,269)	(2,309)	(262)	(1,353)	(7)	(164)	<b>(5,385)</b>
Charge for 2008/09	(7)	(313)	(1,144)	(35)	(393)	(2)	(99)	<b>(1,993)</b>
Disposals	1	0	211	0	0	0	25	<b>237</b>
Reclassifications	6	(4)	0	0	0	(2)	0	<b>0</b>
Revaluation Upward	3	452	0	0	0	1	0	<b>456</b>
Revaln - Impairment	18	589	(50)	0	0	10	0	<b>567</b>
<b>At 31 March 2009</b>	<b>0</b>	<b>(545)</b>	<b>(3,292)</b>	<b>(297)</b>	<b>(1,746)</b>	<b>0</b>	<b>(238)</b>	<b>(6,118)</b>
<b>Balance Sheet Amount at 31/3/09</b>	<b>0</b>	<b>17,814</b>	<b>3,899</b>	<b>96</b>	<b>3,156</b>	<b>10,394</b>	<b>260</b>	<b>35,619</b>
Balance Sheet Amount at 1/4/08	166,617	17,811	3,714	106	3,453	13,745	335	205,781

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

**14. FIXED ASSETS BY FUND**

	<b>Council Dwell'gs £000s</b>	<b>Land &amp; Bldgs £000s</b>	<b>V&amp;P &amp; Equip't £000s</b>	<b>Infra- Struct £000s</b>	<b>Comm'y Assets £000s</b>	<b>Non-Op'l Assets £000s</b>	<b>Intang'b Assets £000s</b>	<b>Total £000s</b>
General Fund	0	17,814	3,899	96	3,156	10,394	260	<b>35,619</b>
Housing Revenue Account	0	0	0	0	0	0	0	<b>0</b>
<b>Total at 31/03/09</b>	<b>0</b>	<b>17,814</b>	<b>3,899</b>	<b>96</b>	<b>3,156</b>	<b>10,394</b>	<b>260</b>	<b>35,619</b>

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

**15. FIXED ASSETS BY TYPE**

	31 March 08		31 March 09	
	£000s	Number	£000s	Number
Council Houses (retained dwellings included below)	164,933	3,415	0	0
Council Shops (retained shops included below)	918	14	0	0
Council Garages (retained garages included below)	766	787	0	0
<b>Council Dwellings</b>	<b>166,617</b>	<b>4,216</b>	<b>0</b>	<b>0</b>
Public Offices	4,675	4	4,464	4
Depots and Workshops	765	1	770	1
Business Units	404	23	543	23
Public Conveniences	259	12	286	12
Car Parks	2,521	18	2,600	18
Recreation Areas and Pavilions	1,864	19	1,480	19
Community Centres - Gedling Borough Council operated	1,723	6	1,424	6
Sure Start operated	306	1	520	1
Community Association operated	266	1	203	1
Cemetery Chapels	132	2	145	2
Leisure Centres - Gedling Borough Council operated	4,576	2	4,482	2
Allotments	144	11	143	11
Flats Over Shops (transferred from Council Dwellings)	-	-	383	7
Homelessness Hostel (transferred from Council Dwellings)	-	-	150	1
Other Land & Buildings	177	n/a	221	n/a
<b>Total Land &amp; Buildings (including Council Dwellings)</b>	<b>184,429</b>		<b>17,814</b>	
<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>3,714</b>		<b>3,899</b>	
<b>Infrastructure</b>	<b>106</b>		<b>96</b>	
<b>Community Assets</b>	<b>3,453</b>		<b>3,156</b>	
<b>Non-Operational Assets (Including Assets Under Construction and Retained Shops)</b>	<b>13,744</b>		<b>10,394</b>	
<b>Intangible Assets</b>	<b>335</b>		<b>260</b>	
<b>Total</b>	<b>205,781</b>		<b>35,619</b>	

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

**16. VALUATION OF ASSETS**

**(i) General**

Fixed Assets held at current value are formally revalued on a rolling programme every five years, although any material changes to valuations are adjusted in the interim period. 2008/09 Valuations have been completed as at 1 April 2008 and the bases of fixed asset valuation are set out in the Accounting Policies.

All valuations are completed by K. Cafferkey MRICS, Rushcliffe Borough Council's Property Estates Surveyor, a Chartered Surveyor.

An impairment review has been carried out by Rushcliffe Borough Council's Property Estates Surveyor, as at 31 March 2009, and a number of assets were found to have suffered impairment losses, mainly as a result of the impact on market conditions arising from the decline in the economic climate. In addition following a review by Service Managers, a number of individual assets were found to have suffered some degree of impairment losses as a result of faster than anticipated deterioration.

The impact of all revaluations and impairment are reflected in note 13, Movement on Fixed Assets.

**(ii) Council Dwellings**

The majority of the Council's housing stock was transferred to a registered social landlord, Gedling Homes, on 3 November 2008. Prior to transfer the stock was valued at tenanted market value, in accordance with statutory guidance on stock valuation, to reflect the Council's intention to transfer the stock. The tenanted market value was negative reflecting the level of improvement works required and therefore the transferring stock was revalued to zero and an impairment loss recognised.

**(iii) Business Units and Industrial Parks**

Business Units and Other Land & Buildings in Note 11 include assets constructed under Partnership arrangements with Nottinghamshire County Council and the East Midlands Development Agency. The values included in the balance sheet represent the Council's proportion of the assets, and total £543,496. The gross value of the assets is £1,489,810.

**17. SIGNIFICANT COMMITMENTS UNDER CAPITAL CONTRACTS**

Major capital contracts entered into, but not paid for at 31 March 2009 were as follows:

**Jackie Bell's Field Facilities Refurbishment:**

Landscaping

BMX Plaza

Multi Use Games Area

**Total**

<b>31/3/09</b>
<b>£000s</b>
<b>16</b>
<b>14</b>
<b>6</b>
<b>36</b>

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

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

**18. CAPITAL EXPENDITURE AND FINANCING**

**Capital Investment:**

Operational Assets	4,923	<b>3,491</b>
Non Operational Assets (including Assets Under Construction)	16	<b>302</b>
Intangible Assets	49	<b>41</b>
sub-total	4,988	<b>3,834</b>
Revenue Expenditure Funded from Capital Under Statute (see note 19 below)	1,191	<b>1,090</b>

**Total Capital Expenditure**

**6,179**      **4,924**

**Sources of Finance:**

Borrowing	3,125	<b>874</b>
Capital Receipts	0	<b>1,621</b>
Government Grants	576	<b>725</b>
Other Contributions	164	<b>148</b>
Revenue Contributions	2,314	<b>1,556</b>

**Total Financing**

**6,179**      **4,924**

**19. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

Prior to the 2008 SORP, deferred charges were used to recognise expenditure that regulations permitted to be funded from capital resources, but which did not satisfy the SORP's criteria to be classified as capital expenditure. The 2008 SORP has replaced deferred charges with a new class of expenditure, Revenue Expenditure Funded from Capital under Statute. Expenditure is charged to the appropriate revenue account, together with any grants or contributions associated with it. To comply with statutory requirements that treat these items as capital for control purposes, both the expenditure and grant are then reversed out to the Capital Adjustment Account and reported in the Statement of Movement on the General Fund Balance. This change accordingly has no impact on the authority's revenue expenditure, and Council Tax is unaffected.

Expenditure in Year	1,191	1,090
Grants Applied in Year	(592)	(609)

**Balance Financed from Capital Resources**

**599**      **481**

**20. OTHER LONG TERM DEBTORS**

Employee Car Loans	79	79
--------------------	----	----

**Total**

**79**      **79**

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

**21. WORK IN PROGRESS**

Rechargeable Works

**Total**

31/3/08 £000s	31/3/09 £000s
5	6
5	6

**22. STOCKS**

Direct Services-Depot Stock

Leisure

Housing

**Total**

31/3/08 £000s	31/3/09 £000s
90	88
19	22
3	0
112	110

**23. LONG TERM INVESTMENT AND BORROWING**

**(i) Investments**

During 2008/9, the authority's longstanding £50,000 investment in offices used by the Local Government Association (formally the Association of District Councils [Properties] Ltd, was repaid. This was originally scheduled to mature in 2011, with a return dependant on the sale value of the As soon as ADC Properties were advised that the achievable sale price was sufficient to repay debenture holders and redeem a further loan outstanding on the building, it was sold. The deed provided that repayment be made within six months of the sale of the property, and a premium of £9,242 was received on 31 July 2008, and was credited to the Income and Expenditure Account.

**(ii) Long Term Borrowing**

No new borrowing was undertaken during 2008/09.

The Council received no capital receipt for its housing stock upon LSVT, due to the significant amount of improvement work required. However, the payment by CLG of overhanging debt grant allowed £3.985m of outstanding PWLB debt to be redeemed on 13 November 2008. In addition to this, £1.703m of PWLB debt matured naturally on 26 March 2009.

**PWLB Loan Maturity Analysis**

Within 1 year  
 1 to 2 years  
 2 to 5 years  
 5 to 10 years  
 Over 10 years

31/3/09 £000s
0
0
0
0
6,812
6,812

It should be noted that the sum outstanding above differs to that on the balance sheet by the amount of interest accrued at 31 March 2009.

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

**24. ACCOUNTS RECEIVABLE (DEBTORS)**

	<b>31/3/08</b>	<b>31/3/09</b>
	<b>£000s</b>	<b>£000s</b>
HMRC	337	77
Government Departments	1,279	765
Nottinghamshire County Council and Other Local Authorities	1,218	929
Non Domestic Ratepayers' Arrears	573	387
Council Taxpayers' Arrears	2,537	2,178
Court Cost Arrears	295	344
Housing Rents	473	15
Sundry Debtor Arrears	1,025	1,018
Other General Debtors	929	710
General Payments in Advance	155	82
<b>Total Debtors</b>	<b>8,821</b>	<b>6,505</b>
<b>Less Provisions for Bad Debts:</b>		
General Debtors (see note 1)	(388)	(661)
Rent Allowances & Rent Rebates	(271)	(190)
Collection Fund Arrears - NNDR	(366)	(200)
Collection Fund Arrears - Council Tax	(1,587)	(1,311)
Housing Tenants (see note 2)	(290)	(1)
<b>Net Debtors per Balance Sheet</b>	<b>5,919</b>	<b>4,142</b>

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

**25. ACCOUNTS PAYABLE (CREDITORS)**

	<b>31/3/08</b>	<b>31/3/09</b>
	<b>£000s</b>	<b>£000s</b>
HMRC	1	0
Government Departments	424	765
Nottinghamshire County Council and Other Local Authorities	742	353
Non Domestic Ratepayers' Credits Held	0	0
Council Taxpayers' Credits Held	269	220
Housing Rents	179	8
General Creditors	3,391	1,861
General Receipts in Advance (incl. Rechargeable Works)	1,110	1,237
<b>Total</b>	<b>6,116</b>	<b>4,444</b>

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

**26. EVENTS AFTER THE BALANCE SHEET**

The Other Land and Buildings line in the Fixed Assets section of the balance sheet contains valuations totalling £2.60m for the Council's car parks. During the 2009/10 budget process the Council proposed the introduction of car park charging in all of its car parks and the required legal processes are under way to obtain car parking orders to enable charges to commence in August 2009. Rushcliffe Borough Council's Property Estates Surveyor has reviewed the asset values for the car parks, to reflect the ability to generate income and provided certificated valuations for 2009/10 totalling £5.94m, an upward revaluation of £3.34m.

**27. DEFERRED LIABILITIES**

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

	<b>31/3/08</b> <b>£000s</b>	<b>31/3/09</b> <b>£000s</b>
Nottinghamshire County Council	(24)	<b>(24)</b>
Broxtowe Borough Council	(364)	<b>(326)</b>
<b>Total Deferred Liabilities per Balance Sheet</b>	<b>(388)</b>	<b>(350)</b>

**28. GOVERNMENT GRANTS AND CONTRIBUTIONS DEFERRED**

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

	<b>2007/08</b> <b>£000s</b>	<b>2008/09</b> <b>£000s</b>
Balance as at 1 April	(2,165)	<b>(2,051)</b>
Adjustment re Previous Year	(31)	<b>0</b>
New Grants Received (from Unapplied Capital Grants & Contribs)	(148)	<b>(264)</b>
Released to Offset Depreciation	293	<b>389</b>
<b>Balance as at 31 March</b>	<b>(2,051)</b>	<b>(1,926)</b>

**29. DEFERRED CAPITAL RECEIPTS**

Deferred Capital Receipts are amounts derived from sales of assets, which will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of Council Houses, which form the main part of Mortgages under Long Term Debtors. The amount outstanding at 31 March 2009 was £23,932, a reduction of £21,432 from the balance of £45,364 at 31 March 2008.

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

**30. CAPITAL ADJUSTMENT ACCOUNT**

	2007/08		2008/09	
	£000s	£000s	£000s	£000s
Balance BFwd 1 April		188,616		185,613
Adjustment re Previous Year		(31)		0
<b>Amounts set aside:</b>				
Minimum Revenue Provision (less Depreciation)	(1,313)		(1,439)	
Reserved Capital Receipts	0		0	
Transfer HRA Deprn Provision to MRR	(2,368)		(6)	
		(3,681)		(1,445)
<b>Capital Financing:</b>				
Usable Capital Receipts Applied	0		1,621	
Capital Contributions Applied	0		0	
Usage of Major Repairs Allowance	2,011		1,246	
Capital Expenditure Financed from Revenue	304		310	
		2,315		3,177
Serviced Debt Redeemed		36		38
Early Settlement of Debt in respect of LSVT (net)		0		3,953
Revenue Exp Funded from Capital Under Statute		(599)		(481)
Amortisation of Govt.Grants/Contributions Deferred		293		389
Fixed Asset Disposals		(1,272)		(163)
Fixed Asset Impairments		(64)		(168,378)
Net Movement in Year		(2,972)		(162,910)
<b>Balance CFwd 31 March</b>		185,613		22,703

**31. REVALUATION RESERVE**

	2007/08	2008/09
	£000s	£000s
Balance BFwd 1 April	0	5,217
Revaluations & Restatements	5,724	1,865
Revaluations - Impairment Price Decreases	0	(5,347)
Disposals, Transfers & Demolitions	(507)	(4)
Net Movement in Year	5,217	(3,486)
<b>Balance CFwd 31 March</b>	5,217	1,731

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

**32. USABLE CAPITAL RESERVES**

	2007/08		2008/09	
	£000s	£000s	£000s	£000s
<b>Usable Capital Receipts:</b>				
Balance at 1 April	1,886		2,595	
Adjustment re Previous Year	155		0	
Usable Capital Receipts generated in year	1,826		313	
Capital Receipts Applied	0		(1,621)	
Contribution to Housing Pooled Capital Receipts	(1,272)		(189)	
<b>Balance at 31 March</b>		2,595		1,098
<b>Capital Expenditure Reserve:</b>				
Balance at 1 April	3		0	
Contributions received in year	300		310	
Contributions Applied	(303)		(310)	
<b>Balance at 31 March</b>		0		0
<b>Sub Total General Usable Capital Reserves</b>		2,595		1,098
<b>Major Repairs Reserve:</b>				
Balance at 1 April	0		13	
Contributions received in year	2,024		1,233	
Contributions Applied	(2,011)		(1,246)	
<b>Sub Total Major Repairs Reserve</b>		13		0
<b>Total Usable Capital Reserves</b>		2,608		1,098

**33. UNAPPLIED CAPITAL GRANTS & CONTRIBUTIONS**

	2007/08		2008/09	
Balance at 1 April	(149)		(372)	
Transfer S106 Receipts to Creditors	0		168	
Contributions received in year	(963)		(725)	
Transferred to Government Grants Deferred	148		264	
Applied to Revenue Exp Funded from Capital Under Statute	592		609	
<b>Balance at 31 March</b>		(372)		(56)

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

**34. REVENUE RESERVES**

	<b>BFwd</b>	<b>Receipts</b>	<b>Pyts</b>	<b>Transfers</b>	<b>Net Mvt.</b>	<b>CFwd</b>
	<b>01/04/08</b>	<b>2008/09</b>	<b>2008/09</b>	<b>2008/09</b>	<b>2008/09</b>	<b>31/03/09</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Pub & Shop Mobile Radio Reserve	0	1	0	0	1	1
IT Equipment Replacement Fund	311	95	(114)	0	(19)	292
Netherfield Regeneration Reserve	23	0	0	(23)	(23)	0
Community & Crime Reserve	107	0	(18)	(32)	(50)	57
Disabled Adaptations Reserve	54	0	0	0	0	54
Leasing Reserve	88	0	(4)	(38)	(42)	46
Risk Management Fund	49	0	0	0	0	49
Graves in Perpetuity	7	0	0	0	0	7
Housing Benefits Reserve Fund	205	47	(29)	(30)	(12)	193
Insurance Fund	693	135	(75)	0	60	753
Building Control Reserve	165	0	(82)	0	(82)	83
Carbon Footprint Reserve	20	0	0	(20)	(20)	0
Efficiency & Innovation Reserve	100	0	0	0	0	100
Asset Management Reserve	0	50	0	0	50	50
Local Development Review Framework	0	84	0	0	84	84
<b>Total</b>	<b>1,822</b>	<b>412</b>	<b>(322)</b>	<b>(143)</b>	<b>(53)</b>	<b>1,769</b>

Following a full review of Reserves during 2008/09, the decision was taken to transfer the total of £143,000 from earmarked reserves to unallocated General Fund balances. It was deemed that the reserve in respect of Netherfield Regeneration and the Council's carbon footprint were no longer required, and that reductions could prudently be made to the Community and Crime, Leasing and Housing Benefit reserves.

Additional reserves have been made in respect of Asset Management and the Local Development Review Framework.

**Pub & Shop Mobile Radio Replacement** - to provide for the cost of replacing mobile radio equipment, designed to assist local businesses with communication in the event of disorder.

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

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

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

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

**Risk Management Fund** - monies set aside from savings in insurance premiums, to be used to reduce the risk of loss or injury in the provision of council services, with the objective of reducing future insurance costs.

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

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

**34. REVENUE RESERVES (Continued)**

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

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

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

**Efficiency & 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 costs of any future inspection by the Planning Inspectorate

See also paragraph 4 of the Statement of Accounting Policies on page 6.

**35. GENERAL PROVISIONS**

	<b>BFwd</b>	<b>Receipts</b>	<b>Pyts</b>	<b>Transfers</b>	<b>Net Mv't</b>	<b>CFwd</b>
	<b>01/04/08</b>	<b>2008/09</b>	<b>2008/09</b>	<b>2008/09</b>	<b>2008/09</b>	<b>31/03/09</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Honeywood Gardens Compensation	(17)	0	0	17	17	0
Joint Use Utility Charges	(77)	(20)	0	0	(20)	(97)
Mortuary Charges	(23)	0	0	23	23	0
Direct Services Stock	(9)	0	0	9	9	0
Concessionary Fares Provision	(180)	(87)	0	0	(87)	(267)
Crime Grant Provision	(37)	0	0	0	0	(37)
Transf'd Stock Repairs	0	(50)	0	0	(50)	(50)
Transf'd Stock Environmental Warranty	0	(50)	0	0	(50)	(50)
<b>Total</b>	<b>(343)</b>	<b>(207)</b>	<b>0</b>	<b>49</b>	<b>(158)</b>	<b>(501)</b>

Following a full review of Provisions during 2008/09, the decision was taken to transfer the total of £49,000 from earmarked provisions to unallocated General Fund balances. Provisions in respect of Honeywood Gardens, Mortuaries and Direct Services stocks were deemed to no longer be required.

However, additional provisions have been made in respect of transferred stock, both for repairs and for environmental warranties. In both these cases it is considered likely that expenditure will be required, and robust estimates of the costs are available, thus meeting the definition of provisions, rather than Reserves.

**Joint Use Utility Charges** - to provide for possible back-billing by Nottinghamshire County Council following ongoing invoicing delays. This provision has been retitled from Carlton Forum Gas provision as it is considered that the problem is more wide ranging than previously realised.

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

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

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

**35. GENERAL PROVISIONS (Continued)**

**Transferred Stock Repairs** - to provide for work required under warranties on transferred properties.

**Transferred Stock Environmental Warranties** - to provide for the payment of excesses under the Environmental warranty insurance 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.

**36. CONTINGENT LIABILITIES**

Amounts totalling £95,000 are being claimed by Housing Repairs Contractors in respect of services provided to the Council prior to transferring the housing stock to Gedling Homes. The Council disputes the validity of these claims and has made no provision in the accounts.

**37. CONTINGENT ASSETS**

**VAT - Fleming Claims**

In conjunction with its advisors, the Council has submitted three claims for the refund of VAT and appropriate interest following the House of Lords decision in the Fleming case. It is the Council's contention that it overdeclared VAT of £12,893, £503,517 and £624,612 respectively with regard to cultural and sporting activities, and that this may now be reclaimed.

These claims have not been recognised as debtors within the 2008/09 Accounts since there is a considerable degree of doubt as to whether they will be allowed by HMRC, and it is not considered prudent to have them impact on the balance sheet at this early stage. The claims will be kept under review, but at the present time are deemed to be no more than contingent assets.

**Rental Constraint Allowance -**

There is a possibility that CLG may grant a compensation payment for rent foregone in 2008/09 as a result of the Council applying a voluntary capping level for rent increases in 2006/07 and 2007/08, ie. a "Rental Constraint Allowance". An initial claim has been refused by CLG, but the matter remains unresolved. It is considered more likely that the claim will continue to be refused than that it will be agreed, and therefore no debtor has been included in the Accounts for 2008/09.

**Preserved Right to Buy Receipts -**

The Council have negotiated an agreement with Gedling Homes relating to future sales under Preserved Right to Buy regulations. The Council will receive 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.

**38. INSURANCE**

Municipal Mutual Insurance Company (MMI) ceased trading on 30 September 1992, following financial difficulties, and has since been running off its liabilities in respect of policies issued prior to that date. At 31 March 2009, the Council had no remaining claims outstanding with MMI.

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

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

**38. INSURANCE (continued)**

During 2008/09, Gedling placed the majority of its insurances directly with Zurich Municipal, however, Nottinghamshire County Council provide the cover for the Joint Use Leisure Centres.

The Authority has established an Insurance Fund to cover excesses on claims, and certain small risks. The value of the Insurance Fund at 31 March 2009 was £753,000, and in addition to this a provision of £50,000 has been made in respect of environmental warranties on transferred housing stock.

There are no material risks which are unfunded.

**39. POOLED BUDGETS**

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

"First Lets" is a partnership project between Rushcliffe (the host), Gedling and Broxtowe Borough Councils. It has been developed to create stronger links with local landlords and letting agents, to help more people enter into private rented accommodation. The "pooled" budget comprises Government Grant and contributions from participant authorities. Total expenditure on the First Lets partnership amounted to £55,989 in the year, of which £17,266 was attributed to Gedling Borough Council. This was met by £3,746 of Government Grant and a revenue contribution of £13,520.

**40. AREA BASED GRANT AND LOCAL AREA AGREEMENTS**

In England, Area Based Grant (ABG) replaces Local Area Agreement Grant (LAA) from 2008/09. Unlike LAA grant, ABG is a non-ring fenced "general" grant. There are no restrictions placed on the use of ABG, and it need not be used specifically in support of the achievement of LAA targets. The SORP requires ABG to be accounted for as a general grant, and it is included in the Income and Expenditure Account with other general income sources, such as income from the Collection Fund and from NNDR distribution. The sum received by Gedling Borough Council in 2008/09 was £22,500.

In addition to ABG, the Council still receives specific grants in respect of crime and anti social behaviour via Nottinghamshire County Council in its leading role as accountable body for the LAA. These specific grants are included in Net Cost of Services.

The LAA represents a partnership with other public bodies, including Nottinghamshire County Council, Ashfield, Bassetlaw, Mansfield and Newark & Sherwood District Councils, and Broxtowe, Gedling and Rushcliffe Borough Councils. In addition, community protection bodies including the Police, Fire and Probation Services are members, together with health, learning and other voluntary bodies.

The purpose of the LAA is to form an agreement between Partners and the Government (represented by the Government Office for the East Midlands (GOEM), to establish a collective vision for Nottinghamshire in accordance with the County Community Strategy. It aims to agree specific outcomes and targets to be achieved each year for the three years of the agreement, and to improve the effectiveness and efficiency of public services in Nottinghamshire by the pooling and aligning funding streams.

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

**41. NOTES TO THE CASHFLOW STATEMENT**

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

2007/08			2007/08	
£000s	£000s		£000s	£000s
	2,724	<b>Deficit / (Surplus) for Year</b>		<b>169,585</b>
		<b>Non Cash Transactions</b>		
		Depreciation & impairment	(168,614)	
(4,228)		Government Grants Deferred Amortisation	389	
293		Revenue expenditure funded by capital	(481)	
592		Adj re previous year write-down of Def'd Chgs	0	
155		Collection Fund surplus for year	(369)	
(126)		Voluntary MRP for capital financing	38	
36		Net Gain/Loss on disposal of Fixed Assets	107	
(30)		Contributions (to) / from provisions & reserves	(86)	
(143)		Charges made for retirement benefits (FRS17)	(1,917)	
(2,428)		Pension Fund and retirement benefits payable	1,751	
1,670				
	(4,209)			(169,182)
		<b>Accrual Adjustments</b>		
(1)		Increase/(Decrease) in Stocks	(2)	
(11)		Increase/(Decrease) in Works in Progress	1	
(714)		Increase/(Decrease) in Revenue Debtors	(539)	
(312)		(Increase)/Decrease in Revenue Creditors	449	
	(1,038)			(91)
	165	<b>Net Cost of Servicing of Finance</b>		<b>241</b>
	(36)	<b>Serviced Debt Principal</b>		<b>(38)</b>
	(2,394)	<b>Net Cashflow from Revenue Activities</b>		<b>515</b>

The figures above relating to 2007/08 have been restated to reflect changes in the 2008 SORP.

**(b) Analysis of Debt**

	1 April 2008 £000s	Cash Flow £000s	Non Cash Flow £000s	31 March 2009 £000s
Cash in Hand/(Overdrawn)	6	63		69
Short Term Investments / (Borrowing)	10,111	(4,615)	5	5,501
Long Term Borrowing (PWLB)	(12,503)	1,703	3,989	(6,811)
Debt serviced by Other Local Authorities	(388)	38	0	(350)
Capital element of Finance Leases	0	0	0	0
<b>Total Net Debt</b>	<b>(2,774)</b>	<b>(2,811)</b>	<b>3,994</b>	<b>(1,591)</b>

Net Debt excludes Long Term Investments.

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

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

2007/08			2008/09	
£000s	£000s		£000s	£000s
326		Increase / (Decrease) in Cash in the period	63	
1,355		Cash Outflow from incr. Short Term Inv.	(4,615)	
(2,500)		Cash Inflow from incr. Long Term Borr. (net)	1,703	
37		Cash Outflow from repayment of Serviced Debt	38	
1		Cash Outflow from payment of Fin. Lease Prin.	0	
	(781)	<b>Change in Net Debt resulting from Cash Flows</b>		(2,811)
	93	<b>Changes resulting from Non-Cash Flows</b>		3,994
	(2,086)	<b>Net Debt at 1 April</b>		(2,774)
	(2,774)	<b>Net Debt at 31 March</b>		(1,591)

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

2007/08 Movement £000s		01/04/08 £000s	31/03/09 £000s	2008/09 Movement £000s
	<b>FINANCING:</b>			
(2,500)	PWLB (see note below)	12,500	6,812	5,688
37	Debt Serviced by Other LAs	388	350	38
(2,463)	<b>Total Long Term Borrowing</b>	12,888	7,162	5,726
1	Capital element of Finance Leases	0	0	0
1	<b>Total Finance Leases</b>	0	0	0
(2,462)	<b>Total Financing</b>	12,888	7,162	5,726
	<b>LIQUID RESOURCES:</b>			
	<b>Short Term Investments:</b>			
1,355	Short Term Deposits	10,015	5,400	(4,615)
1,355	<b>Total Liquid Resources</b>	10,015	5,400	(4,615)

**Note:**

The movement in financing shown above differs to that on the Cashflow Statement on page by £3.985m. This is due to the non-cash redemption by CLG of PWLB debt on the authority's behalf following LSVT.

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

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

2007/08 £000s		2008/09 £000s
(2,024)	Housing Subsidy Major Repairs Allowance	(1,715)
(6)	Housing Defects (HRA Properties)	0
(194)	Housing Defects (Reinstatements)	0
(111)	Crime Reduction (Home Office)	(151)
(293)	Planning Delivery Grant	(62)
(55)	Homelessness Directorate	(69)
(8)	Gypsy Grant	0
(48)	Recycling	0
(1)	Contaminated Land (DEFRA)	(1)
(750)	Local Authority Business Growth Incentive Scheme	(176)
(45)	Performance Reward Grant	0
(11)	Flood Recovery Grant	0
(110)	Travel Concession Grant	(307)
0	Area Based Grant	(23)
0	Electoral Register (Ministry of Justice)	(8)
0	Council Tax & NNDR Billing (DCLG)	(5)
<b>(3,656)</b>	<b>Total Other Revenue Grants Paid by Central Government</b>	<b>(2,517)</b>

It should be noted that in addition to Revenue Grants, the sum of £1.224m was paid by Central Government in 2008/09 in respect of Capital Expenditure (£0.693m in 2007/08).

**42. FINANCIAL INSTRUMENTS**

Until recently, financial instruments were not covered comprehensively by UK financial reporting standards. This situation changed with the issue of FRS25 (disclosure and presentation), FRS26 and FRS26 (Measurement) and FRS29 (disclosure).

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

**Initial Recognition**

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

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

**42. FINANCIAL INSTRUMENTS (Continued)**

**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, willing parties in an arms-length transaction". In general, the best evidence of a fair value on initial recognition is the transaction price. Transaction costs include fees paid to brokers, dealers and advisers, but do not include internal administrative costs.

**Soft Loans**

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

After a review, the only soft loans identified by Gedling Borough Council in 2008/09 are car loans to employees. These have been considered in detail, and it has been concluded that not only is the sum outstanding of £79,000 immaterial, but the rates offered are only marginally preferential at best, and in many cases equivalent to rates on offer in the market. Accordingly no additional calculations for fair value have been undertaken and car loans continue to be recognised at the value of the sums loaned less repayments made.

**Subsequent Measurement**

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

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

**42. FINANCIAL INSTRUMENTS (Continued)**

**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 contract that establish them come to an end. Premiums and discounts will arise from the extinguishment of a financial liability. The amount payable or receivable will thus be required to be cleared to the Income and Expenditure Account on extinguishment. It has been recognised by the Government that this accounting treatment does not necessarily result in a charge that is equitable in terms of the impact of gains and losses on Council Tax payers. Provisions have therefore been introduced to that allow authorities to spread the impact of premiums and discounts on Council Tax over future financial years.

The only discount received by the Council during 2008/09 was in respect of PWLB redeemed on behalf of the authority by CLG, following LSVT. This totalled £32,824 and was taken in full to the Income and Expenditure Account.

**Gedling Borough Council's Financial Instruments**

**(1) Category of Liabilities:**

**(a) Amortised Costs**

**(i) Long term borrowing (PWLB (see note 23 on page 47))**

PWLB outstanding at 31 March was £6.8m. The fair value of this debt has been calculated by PWLB as £6.7m. Since the whole of the Council's debt is with PWLB, for which there is no comparable lender, the "fair" value is deemed to be the sum that would fall due for payment, given the prevailing premature repayment discount rates, on 31 March 2009.

**(ii) Accounts payable -creditors (see note 25 on page 48)**

Trade accounts payable are 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. General creditors outstanding at 31 March 2009 were £1.861m, and general receipts in advance were £1.237m. The remaining creditors on the balance sheet represent items such as Government departments, other Local Authorities, and Collection Fund credits etc.

**(iii) Overdrawn cash balances**

The fair value of overdrawn cash balances is deemed to be the carrying value.

**(b) Fair Value through Profit and Loss**

None - liabilities held for trading not used by the Council.

**(2) Category of Assets:**

**(a) Loans and Receivables**

**(i) Long term debtors -car loans etc (see note 20 on page 46)**

As already discussed, the only soft loans identified by Gedling Borough Council are car loans to employees. The sum outstanding at 31 March 2009 was £79,000, and the rates offered are only marginally preferential at best, and in many cases equivalent to market rates.

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

**42. FINANCIAL INSTRUMENTS (Continued)**

(ii) Temporary Investments

Temporary investments held at 31 March 2009 amounted to £5.4m, consisting of £4.2m of fixed term investments, where the instrument carries the same interest rate for the whole term, and £1.2m of deposits in call accounts where in general the rate only alters with movements in Bank Rate. No formal calculation of EIR is necessary, and the carrying amount is a reasonable approximation of the fair value. Similarly, the fair value of cash balances are deemed to be the carrying values.

(ii) Accounts receivable - debtors (see note 24 on page 48)

Trade accounts receivable, both of which are instruments of short duration, with no formal effective interest rate, are required to be valued at their original amount, ie. the carrying amount is a reasonable approximation of fair value. General and sundry debtors outstanding at 31 March 2009 were £1.728m and general payments in advance were £0.82m. The remaining debtors on the balance sheet represent such items as Government departments, other Local Authorities, and Collection Fund credits etc.

(iii) Cash balances in hand

The fair value of cash balances in hand is deemed to be the carrying value.

**(b) Available-for-Sale**

None -equity shareholdings, quoted investments not used by the Council.

**(c) Fair Value through Profit and Loss**

None -assets held for trading not used by the Council.

**(d) Held to Maturity**

None - SORP prohibits use of this category.

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

**Nature and Extent of risks arising from Financial Instruments and the Management of Risk**

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 risk that the authority may not have the 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 only lend to counterparties with long term credit ratings of AA- or above.

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**

**42. FINANCIAL INSTRUMENTS (Continued)**

No counterparty is loaned above £5m without the specific approval of the Head of Corporate Services. The council does not expect any non-performance from any of the counterparties in respect of its temporary investments.

**Liquidity Risk**

As the authority has access to borrowings from PWLB, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority may have to replenish significant proportions of its borrowings at unfavourable interest rates. The Prudential Code requires an indicator that specifies maximum proportions of debt maturing at different terms, and this is reported daily. The maturity profile is given at note 23 to the core financial statements, on page 47.

**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 borrowing and investment that may be outstanding at any one time. In addition, advice is sought from the council's treasury advisors with regard to the timing of borrowing and investment.

**Price Risk**

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

**Foreign Exchange Risk**

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

# **Supplementary Financial Statements**

## ANNUAL STATEMENT OF ACCOUNTS 2008/09

### HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

2007/08 ACTUAL £000s		2008/09 ACTUAL £000s
	<b>INCOME:</b>	
(8,694)	Dwelling Rents (Gross)	(5,327)
(259)	Non Dwelling Rents (Gross)	(151)
(546)	Charges for Services & Facilities	(283)
(486)	Supporting People	(306)
(6)	Housing Defects Subsidy	0
<b>(9,991)</b>	<b>TOTAL INCOME</b>	<b>(6,067)</b>
	<b>LESS EXPENDITURE:</b>	
1,081	Housing General Management	833
860	Housing Special Services	599
38	Homeless Accommodation	17
2,420	Housing Repairs	1,607
58	Rents, Rates & Other Taxes	38
533	Supporting People	348
209	LSVT	15
2,076	Net Repayment of Housing Subsidy (note 1)	1,469
2,347	Depreciation (Dwellings)	5
21	Depreciation (Other)	2
0	Impairment of Transferred Stock	160,949
0	Impairment of Retained Assets	1,945
52	Bad Debt Prov'n/ Other Prov'ns & Write Offs	24
<b>9,695</b>	<b>TOTAL EXPENDITURE</b>	<b>167,851</b>
<b>(296)</b>	<b>NET COST OF SERVICES TO AUTHORITY I&amp;E A/C</b>	<b>161,784</b>
237	HRA Share of Corporate & Democratic Core	143
54	Non Distributed Costs	(419)
<b>(5)</b>	<b>NET COST OF HRA SERVICES</b>	<b>161,508</b>
(263)	Interest & Investment Income	(285)
50	Pensions Interest & Return on Assets	66
0	Gain on Disposal	(53)
0	Overhanging Debt Grant (note 2)	(3,985)
<b>(218)</b>	<b>DEFICIT ON HRA SERVICES FOR THE YEAR</b>	<b>157,251</b>

1. As Gedling Borough Council is a net payer of Housing Subsidy, this is shown as part of Total Expenditure. This is in accordance with the SORP, and matches the treatment in the overall Authority Income and Expenditure Account on page 26.
2. Overhanging debt grant was provided by CLG for the redemption of PWLB debt in respect of the Large Scale Voluntary Transfer.

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**STATEMENT OF MOVEMENT ON THE HOUSING REVENUE**  
**ACCOUNT BALANCE**

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

2007/08		2008/09
£000s		£000s
(218)	(Surplus)/Deficit for the year on the HRA Income and Expenditure Account	157,251
(137)	Net additional amount required by statute and non-statutory proper practice to be debited or credited to the HRA Balance for the year	(157,082)
(355)	<b>(Increase)/Decrease in HRA Balance for the Year</b>	169
(1,350)	HRA Balance Brought Forward at 1 April	(1,705)
(1,705)	<b>HRA Fund Balance Carried Forward at 31 March</b>	(1,536)

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

2007/08		2008/09
£000s		£000s
	<b>Amounts included in the HRA Income and Expenditure Account, but excluded when determining the Movement on the HRA Balance for the year</b>	
(344)	Transfer to/(from) Major Repairs Reserve	1,226
0	Impairment of Transferred Assets	(160,949)
0	Impairment of Retained Assets due to the economic climate	(1,945)
(281)	Net charges made for Retirement Benefits in accordance with FRS17	277
0	Gain on Disposal	53
0	Overhanging Debt Grant	3,985
(625)		(157,353)
	<b>Amounts not included in the HRA Income and Expenditure Account but included in the Movement on the HRA Balance for the year</b>	
300	Capital Expenditure charged in-year to the HRA Balance (CERA)	168
188	Employer's contributions payable to the Nottinghamshire County Council Pension Fund and retirement benefits payable direct to pensioners	103
488		271
(137)	<b>Net additional amount required to be credited to the HRA Balance for the year</b>	(157,082)

# **ANNUAL STATEMENT OF ACCOUNTS 2008/09**

## **NOTES TO THE HOUSING REVENUE ACCOUNT**

### **1. LARGE SCALE VOLUNTARY TRANSFER - GENERAL**

On 23 April 2008 the Council resolved to transfer its Housing Stock to Gedling Homes, a registered social landlord, following a positive ballot of tenants. On 3 November 2008 the majority of the stock was transferred to Gedling Homes. The transfer has had a significant impact on the Council's Accounts and the implications of all the transactions relating to the transfer are included throughout this Statement of Accounts. A total of 77 staff transferred to Gedling Homes.

On 3 November 2008 the Council transferred 3,363 dwellings, 721 garages, and various land holdings within housing estates. The Council has obtained a direction from the Secretary of State for Communities and Local Government to retain 48 dwellings, 13 shops and 65 garages, which enables the Council to transfer these assets to the General Fund with effect from 3 November 2008. The Council has also retained various non operational land holdings which may be suitable for future development, which also transferred to the General Fund with effect from 3 November 2008. As at 31 March 2009 there were no assets remaining in the Housing Revenue Account.

The Council has also received consent from the Secretary of State for Communities and Local Government to close the Housing Revenue Account with effect from 31 March 2010. Following closure, any remaining HRA balance (currently £1.536m), will be transferred to the General Fund.

The Council received no capital receipt for the transferred stock, due to the amount of improvement works required, however CLG redeemed £3.985m of outstanding PWLB debt by way of Overhanging Deb Grant. Under the terms of the agreement the Council will also benefit from up to £2.7m of Public Realm Works, which will provide community benefits at no monetary cost to the Council.

Post ballot cost incurred totalled approximately £520,000, and these were largely met by a contribution of £490,000 from New Charter Housing Trust Group.

When making comparisons between 2007/08 and 2008/09 figures, it should be noted that 2008/09 transactions are based on a 7 month period only.

### **2. PRESERVED RIGHT TO BUY SHARING AGREEMENT**

As is common with all stock transfers, the Council have negotiated an agreement with Gedling Homes relating to future sales under Preserved Right to Buy regulations. The Council will receive 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.

There were no preserved Right to Buy sales in 2008/09.

### **3. SERVICE LEVEL AGREEMENTS**

The Council has agreed to provide a cashiering service for Gedling Homes at the Civic Centre, from the transfer date until 3 November 2011, at which point the agreement will be reviewed. The estimated annual contract is £21,000 adjusted annually by the retail price index.

The Council has also agreed to provide Grounds Maintenance services for Gedling Homes from the date of transfer to 31 March 2011, and the estimated annual contract is £119,462.

### **4. WARRANTIES**

Following LSVT, two provisions of £50,000 each have been made within the General Fund, for repairs and for potential claims for uninsured losses on an Environmental Warranty insurance policy.

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE HOUSING REVENUE ACCOUNT**

**5. SECTION 25 LOAN**

Section 25 consent is a permission given by a relevant Government Minister, and allows a local authority to provide financial assistance by way of a loan to another organisation for housing purposes.

Before the transfer date of 3 November 2008, Gedling Homes had no assets and no income, yet it had a requirement to incur significant set-up costs. As part of the LSVT process, consent was given by CLG for the Council to make a S25 loan to Gedling Homes in order that it could meet these set-up costs. The sum of £189,092 was loaned, and this has been repaid in full.

**6. HOUSING STOCK MANAGED WITHIN THE HRA AT 31 MARCH - POST LSVT**

	Year of Construction				Total
	Pre 1919	1919 to 1944	1945 to 1964	After 1964	
<b>2008/09:</b>					
Houses	0	0	0	0	0
Flats	0	0	0	0	0
Bungalows	0	0	0	0	0
Extra Care Units	0	0	0	0	0
Homeless Accommodation	0	0	0	0	0
	0	0	0	0	0
<b>2007/08:</b>					
Houses	173	568	638	148	1,527
Flats	10	0	344	1,168	1,522
Bungalows	0	33	132	84	249
Extra Care Units	0	0	0	107	107
Homeless Accommodation	0	10	0	0	10
	183	611	1,114	1,507	3,415
<b>Movement in Year:</b>					
Houses	(173)	(568)	(638)	(148)	(1,527)
Flats	(10)	0	(344)	(1,168)	(1,522)
Bungalows	0	(33)	(132)	(84)	(249)
Extra Care Units	0	0	0	(107)	(107)
Homeless Accommodation	0	(10)	0	0	(10)
	(183)	(611)	(1,114)	(1,507)	(3,415)

The Council no longer has any Housing Revenue Account dwellings. During 2008/09, four dwellings were sold, 3,363 were transferred to Gedling Homes, and 48 were retained. The Council obtained a direction from CLG to transfer the retained properties out of the HRA, into the General Fund with effect from 3 November 2008. These comprised the Hostel, which is equivalent to 10 dwellings, and 7 flats above retained shops, which will be used as accommodation for the homeless. In addition to these, 31 dwellings were retained at Killisick Court, the future of which is currently under discussion.

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

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE HOUSING REVENUE ACCOUNT**

7. HRA FIXED ASSETS	Operational Assets				Non Op'l	Total	
	Housing Dwell'gs £000s	Shops £000s	Garages £000s	Intang. Assets £000s	Sub Total £000s	Land £000s	Assets £000s
Balance at 1 April	164,933	918	766	25	166,642	1,979	168,621
<b>Balance at 31 March</b>	0	0	0	0	0	0	0

As detailed in note 1, the majority of the Council's housing stock was transferred to a registered social landlord, Gedling Homes, on 3 November 2008. The remaining assets were transferred to the General Fund on the same date, leaving no assets accounted for in the HRA at 31 March 2009.

Prior to transfer to Gedling Homes the stock was valued at tenanted market value, in accordance with statutory guidance on stock valuation, to reflect the Council's intention to transfer the stock. The tenanted market value was negative, reflecting the level of improvement works required, and therefore the transferring stock was revalued to zero and an impairment loss recognised (See Note 10, Summary of Impairment Charges). The retained assets were also revalued prior to transfer to the General Fund.

8. HRA CAPITAL RECEIPTS FROM DISPOSAL OF FIXED ASSETS	2007/08 £000s	2008/09 £000s
Right to Buy Sales	1,739	241
<b>Total HRA Capital Receipts</b>	1,739	241

**9. SUMMARY OF DEPRECIATION CHARGES**

Depreciation Charges are made to the HRA in respect of all fixed assets used in the provision of the housing service.

	31/03/08 £000s	31/03/09 £000s
<b>Operational Assets:</b>		
Dwellings	2,347	5
Garages	21	2
	2,368	7
<b>Non Operational:</b>		
Housing Land	0	0
<b>Total Depreciation Charges</b>	2,368	7

As detailed in note 7, due to LSVT, the stock transferring to Gedling Homes was revalued to zero at 23 April 2008 and consequently there are no depreciation charges for those assets in 2008/09. The depreciation charges detailed in the table relate to retained assets.

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE HOUSING REVENUE ACCOUNT**

**10. SUMMARY OF IMPAIRMENT CHARGES**

Due to LSVT, all of the Housing Revenue Account Assets were revalued during 2008/09 and the resulting impairment charges to the HRA are detailed in the table below:

	<b>31/03/08</b>	<b>31/03/09</b>
	<b>£000s</b>	<b>£000s</b>
<b>Operational Assets:</b>		
Assets Transferring to Gedling Homes	0	160,950
Retained Assets	0	785
	0	161,735
<b>Non Operational:</b>		
Housing Land	0	1,160
<b>Total Depreciation Charges</b>	<b>0</b>	<b>162,895</b>

**11. SUMMARY OF HRA CAPITAL EXPENDITURE**

	<b>2007/08</b>	<b>2008/09</b>
	<b>£000s</b>	<b>£000s</b>
<b>Total HRA Capital Expenditure - Dwellings only</b>	<b>3,389</b>	<b>1,787</b>
<b>Financed By:</b>		
Revenue Contributions (CERA)	300	167
Grants and Contributions	78	10
Major Repairs Reserve	2,011	1,246
Prudential Borrowing	1,000	0
Usable Capital Receipts	0	364
<b>Total Financing</b>	<b>3,389</b>	<b>1,787</b>

**12. MAJOR REPAIRS RESERVE**

	<b>2007/08</b>	<b>2008/09</b>
	<b>£000s</b>	<b>£000s</b>
Balance 1 April	0	13
Depreciation on HRA Assets	2,368	7
Appropriation to HRA	(344)	1,226
Financing of HRA Capital Expenditure	(2,011)	(1,246)
<b>Balance at 31 March</b>	<b>13</b>	<b>0</b>

The Major Repairs Reserve is credited with the depreciation charged to the HRA, together with an appropriation to or from the HRA to ensure the net credit in the year is equal to the Major Repairs Allowance that is received as part of the Housing Subsidy arrangements. Following LSVT, the reserve is no longer required and accordingly it was fully utilised in 2008/09.

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE HOUSING REVENUE ACCOUNT**

**13. ARREARS AND BAD DEBTS AT 31 MARCH**

As part of the transfer of the housing stock. The Council sold its current tenants' arrears at 55% of their value, and former tenants' arrears for £1, to Gedling Homes. The remaining shortfall was offset against the bad debts provision. It was agreed that Gedling Homes would pay the arrears in two instalments, the first in February 2009 and the second in May 2009. The second instalment is included in the Council's Balance sheet as a debtor.

	<b>2007/08</b>	<b>2008/09</b>
	£	£
Current Tenants' Arrears	125,978	0
Former Tenants' Arrears	210,881	0
<b>Total</b>	<b>336,859</b>	<b>0</b>

After charging the remaining 45% of the current tenants' arrears to the bad debts provision, the residual balance on the provision was credited to the Housing Revenue Account during 2008/09.

	<b>2007/08</b>	<b>2008/09</b>
	£	£
Amounts relating to the HRA, written off during the year	37,305	<b>120,919</b>
Provision for Bad Debts	289,530	0

**14. AVERAGE WEEKLY RENT PER DWELLING**

48 Week basis  
 52 Week basis

	<b>2007/08</b>	<b>2008/09</b>
	£	£
48 Week basis	54.80	<b>58.42</b>
52 Week basis	50.58	<b>53.93</b>

**15. ANALYSIS OF HOUSING SUBSIDY ENTITLEMENT**

**Subsidy Element:**

Management & Maintenance  
 Major Repairs Allowance  
 Charges for Capital  
 Rental Constraint Allowance  
 Interest on Receipts  
 Guideline Rent Income (assumed rental income used in subsidy calculations)  
 Adjustment re Previous Year

	<b>2007/08</b>	<b>2008/09</b>
	£000s	£000s
Management & Maintenance	4,711	<b>2,886</b>
Major Repairs Allowance	2,024	<b>1,232</b>
Charges for Capital	170	<b>122</b>
Rental Constraint Allowance	296	<b>0</b>
Interest on Receipts	(5)	<b>(4)</b>
Guideline Rent Income (assumed rental income used in subsidy calculations)	(9,272)	<b>(5,716)</b>
Adjustment re Previous Year	0	<b>11</b>
<b>Net Subsidy Repayment</b>	<b>(2,076)</b>	<b>(1,469)</b>

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE HOUSING REVENUE ACCOUNT**

**16. PENSIONS - FRS17 RETIREMENT BENEFITS**

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

In 2008/09 a settlement of £0.9m was made in respect of employees transferring to Gedling Homes. This settlement relates to the Pension Fund deficit, for which Gedling Homes are now liable. The capitalised gain of this settlement was £419,00 and this was credited to HRA Non Distributed Costs.

The overall contribution to the Pension Reserve in 2008/09 was £380,770.

**17. CONTINGENT LIABILITIES**

Sums totalling £95,000 are being claimed by Housing Repairs Contractors in respect of services provided to the Council prior to transferring the housing stock to Gedling Homes. The Council disputes the validity of these claims and has made no provision in the accounts.

**18. CONTINGENT ASSETS**

There is a possibility that CLG may grant a compensation payment for rent foregone in 2008/09 as a result of the Council applying a voluntary capping level for rent increases in 2006/07 and 2007/08, ie. a "Rental Constraint Allowance". An initial claim has been refused by CLG, but the matter remains unresolved. It is considered more likely that the claim will continue to be refused than agreed and therefore no debtor has been included in the Accounts for 2008/09.

**19. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

Prior to the 2008 SORP, deferred charges were used to recognise expenditure that regulations permitted to be funded from capital resources, but which did not satisfy the SORP's criteria to be classified as capital expenditure. The 2008 SORP has replaced deferred charges with a new class of expenditure, Revenue Expenditure Funded from Capital under Statute. Expenditure is charged to the appropriate revenue account, together with any grants or contributions associated with it.

There was no such expenditure in respect of the HRA during 2008/09.

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**

**COLLECTION FUND REVENUE ACCOUNT**

2007/08			2008/09	
£000s	£000s		£000s	£000s
		<b>INCOME</b>		
(48,943)		Sum due from Council Taxpayers	(50,829)	
(6,043)		Sum due from Council Tax Benefits	(6,493)	
	(54,986)	<b>Council Tax Income</b>		(57,322)
	(17,646)	Income collectable from NNDR Payers		(19,831)
		Contributions from General Fund re previous years' Council Tax deficit:		
(84)		Gedling Borough Council	(58)	
(772)		Other Preceptors	(541)	
	(856)			(599)
	0	Other Collection Fund Income		(10)
	(73,488)	<b>TOTAL INCOME FOR THE YEAR</b>		(77,762)
		<b>EXPENDITURE</b>		
	55,241	Precepts (See Note 3)		57,177
		National Non Domestic Rate:		
17,888		Gross GBC Contribution to NNDR Pool	19,700	
(98)		Less Cost of Collection Allowance	(102)	
	17,790			19,598
		Bad and Doubtful Debts:		
(709)		Written Off	(1,059)	
1,040		Contributions to Provisions for Bad Debts	1,677	
	331			618
	73,362	<b>TOTAL EXPENDITURE FOR THE YEAR</b>		77,393
	(126)	<b>Net Deficit / (Surplus) for Current Year</b>		(369)
	1,294	Add Balance BFwd from Previous Year		1,168
	1,168	<b>Balance CFwd (Surplus) / Deficit</b>		799

**ANNUAL STATEMENT OF ACCOUNTS 2008/09**  
**NOTES TO THE COLLECTION FUND ACCOUNTS**

**1. NNDR**

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

2007/08	2008/09
46,614,648	<b>48,223,946</b>
44.4p	<b>46.2p</b>

**2. 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\*.

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

2007/08 Number	2008/09 Number
10	<b>11</b>
7,786	<b>7,825</b>
9,678	<b>9,693</b>
7,549	<b>7,681</b>
5,757	<b>5,675</b>
3,886	<b>3,895</b>
1,639	<b>1,640</b>
1,168	<b>1,168</b>
119	<b>118</b>
<b>37,592</b>	<b>37,706</b>

**Council Tax Base**

**3. SIGNIFICANT PRECEPTS & DEMANDS ON THE FUND**

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

2007/08 £000s	2008/09 £000s
42,279	<b>43,680</b>
5,217	<b>5,491</b>
2,388	<b>2,467</b>
5,357	<b>5,539</b>
<b>55,241</b>	<b>57,177</b>

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

The opening balance on the Collection Fund for 2008/09 was a deficit of £1.168m. At the end of the year the deficit had fallen to £0.799m. On the basis that surpluses and deficits are shared with the County Council, Police Authority and Combined Fire Authority, Gedling BC accounted for the Collection Fund balance in its 2008/09 Statement of Accounts as follows (the basis of calculation used is the precept paid to each authority during the relevant year).

**Balance Sheet Debtors:**

- Nottinghamshire County Council  
 Nottinghamshire Police Authority  
 Combined Fire Authority

**Deficit attributable to Gedling BC**  
 (shown alongside the General Fund balance)

**Total**

2007/08 £000s	2008/09 £000s
896	<b>620</b>
110	<b>78</b>
51	<b>35</b>
<b>1,057</b>	<b>733</b>
111	<b>66</b>
<b>1,168</b>	<b>799</b>

## **ANNUAL STATEMENT OF ACCOUNTS 2008/09**

This is the Audited Version, published on 30 September 2009 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.