



Ashfield District Council

Statement of Accounts

2010/2011

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Explanatory Foreword

1. Introduction

The accounts are prepared in accordance with the Code of Practice on Local Government Accounting in the United Kingdom 2010/11 based upon International Financial Reporting Standards (IFRS). This is the first financial year the 'Code' has been applied and therefore this has given rise to new accounting policies and the revision of others; which are summarised within the Changes in Accounting Policies paragraph. The accounts are compliant with the Accounts and Audit Regulations (England) 2011 (as amended).

The purpose of the accounts is to give electors, local taxpayers, Ashfield District Council ("the Council") Members, employees of the Council and other interested parties clear information about the Council's finances.

This foreword gives a guide to the most important matters included.

2. The Statement of Accounts

The Council's accounts for the year 2010/11 consist of the following main statements with supporting notes where applicable. Expanded definitions of each statement accompany each document within the accounts.

The adoption of IFRS has given rise to an alternative presentation of the Council's accounts. Where appropriate, reference has been made of how these presentational changes differ from the previous Statement of Accounts. There have also been a number of changes to the format and content of the notes to the Accounts.

a. The Statement of Responsibilities for the Statement of Accounts

This statement sets out the respective responsibilities of the Council and the Chief Financial Officer for the accounts.

b. Audit Certificate and Opinion

The Council's accounts are subject to an external audit annually by the Audit Commission's nominated District Auditor.

c. The Statement of Accounting Policies

This section summarises the accounting policies used to prepare the accounts.

d. The Core Financial Statements

- The Movement in Reserves Statement

This statement shows the movement in the different reserves held by the District Council over the year. The statement is analysed between useable reserves and unusable reserves.

This new financial statement combines the previously named 'Movement on the General Fund Balance' together with other reserve movements.

- The Comprehensive Income and Expenditure Statement

This account summarises the amounts the Council has spent on its services and how this spending was paid for in a standard format to comply with the CIPFA Best Value Accounting Code of Practice (BVACOP).

This statement is a replacement to the previously known Income and Expenditure Account and now incorporates the former Statement of Total Recognised Gains and Losses.

- The Balance Sheet

The Balance Sheet is a statement of the financial position of the Council as at the Balance Sheet date. It shows the assets and liabilities of the Council; the net assets on the balance sheet are matched by reserves held by the Council.

- The Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Presentational changes have also been applied to the Balance Sheet and Cash Flow Statements

e. The Supplementary Financial Statements

- The Housing Revenue Account

The Housing Revenue Account sets out the income and expenditure arising from the provision, management and maintenance of the Council's housing stock. This is separate from the rest of the Council's accounts and is required to operate with a positive working balance.

- The Collection Fund

The Collection Fund shows the amounts collected for Council Tax and National Non-Domestic Rates and how this income has been distributed to Nottinghamshire County Council, Nottinghamshire Police Authority and Nottinghamshire Fire Authority.

- The Group Accounts

The Council has a group relationship with Ashfield Homes Limited and prepares consolidated group accounts to reflect that relationship.

f. Annual Governance Statement

The Annual Governance Statement sets out the Council's governance arrangements and highlights any areas where there are significant weaknesses in internal control.

g. Glossary of Terms and Abbreviations

A glossary of terms and abbreviations is included at the end of the document.

A summary of the Council's financial performance compared to the revised budget for 2010/11 is set out below.

3. Financial Overview for 2010/11

a. The General Fund Revenue Budget Statement

The Divisional Structure is the basis used for the management and delivery of services and for accounting purposes. The Council has 7 Divisions. The statement below shows the revised revenue budget compared with the actual net expenditure.

Division	Revised Budget £'000	Actual £'000	Variance £'000
Chief Executive Officer	2,892	2,521	(371)
Community and Economic Promotion	2,983	2,943	(40)
Land and Property	2,213	2,534	321
Health and Housing	1,353	1,435	82
Deputy CEO (Resources)	1,133	1,140	7
Customer Services and Information Technology	1,587	1,351	(236)
Neighbourhood Services	5,466	5,360	(106)
Divisional Expenditure	17,627	17,285	(342)
Expenditure relating to Capital Assets and Financing thereof	1,353	1,144	(209)
Total Net Expenditure	18,980	18,429	(551)
Funding			
Government Grants	(12,562)	(12,628)	(66)
Council Tax	(5,939)	(5,939)	0
Total Funding	(18,501)	(18,567)	(66)
Net General Fund Deficit / (Surplus) for the year before transfers to/from Earmarked Reserves	479	(138)	(617)
Net Contribution to / (from) Earmarked Reserves	(254)	399	653
Net General Fund Deficit / (Surplus) for the year after transfer to/ (from) Earmarked Reserves	225	261	36

Divisional net expenditure, excluding Capital Financing Costs and IAS 19 accounting entries for Pension Adjustments, was £17.285m, £342k lower than the revised budget of £17.627m.

The following commentary outlines the reasons for the main variances in spend. The reasons for variances are often the same across Divisions. Bearing this in mind the analysis is subjective – i.e. the type of expenditure or income which led to the variance.

- Employee costs

The employee costs were £20.190m, £231k under budget. Employee costs include 'wages on-costs' which are used for overhead recovery purposes and recovered through trading operations of the Council.

The direct employee costs (excluding this recharge mechanism) are £18.481m, £102K over budget. The additional costs are a result of establishing a provision of £150k to process Equal Pay claims. In accordance with accounting practice the provision has been charged to those service areas from where a claim has been received. Should the provision not be fully required at a later date, the service will be credited accordingly. This is discussed further within note 22 to the accounts that provides a more detailed explanation of the Provisions.

- Premises related costs

Overall premises related costs were £2.147m, £141k under budget. Rent payable has been re-negotiated in respect of the Business Incubation Units and the Market Hall, reducing expenditure by £85k. National Non Domestic Rates (NNDR) income was £27K less than anticipated. Water Utility costs were £23k less than budget, in part due to refund for overcharged services relating to playing fields.

- Transport related costs

Transport related costs were £3.504m, £126k over budget. Fuel costs rose sharply during the period resulting in an overspend of £66k. Plant hire charges were higher than budget but were principally recovered as part of the Management and Operate Partnership with Nottinghamshire County Council.

- Supplies and Services

Supplies and Services costs were £10.855m, £538k under budget. A number of areas contributed to the under spend:-

- Payments made to Contractors were £355k less than budget. This reflects some projects being work-in-progress with further costs to be incurred in 2011/12.
- Revenue projects totalling £232k managed mostly by the Crime and Disorder Partnership and the Alliance for Enterprise Partnership have yet to be concluded. Some external funding has been received to support this expenditure. Where there are no conditions or conditions of grants have been met, unspent income has been placed in the Revenue Grants Reserve or the Partnership Reserve to fund conclusion of the Projects.
- Fees, publicity costs and printing and stationery costs were £83K, £68k and £30K less than budget.

The under spend has in part been offset by an increase to the bad debt provision by £78k to account for likelihood of non-recovery of sundry debts. In future years contributions to the provision should reduce as non-recoverable debts are being charged directly in-year to the relevant service. Insurance claim costs of £155K are included here but the costs have been met from contributions from the insurance company and the insurance reserve.

- Agency Payments (Housing Benefit payments and Government Grant Subsidy).

Agency payments were £40.266m, £429k higher than budget. Agency payments relate mainly to Housing and Council Tax Benefit payments.

Housing and Council Tax Benefits paid were £40.095m, £443k higher than budgeted. The Council receives government subsidy in respect of these payments. The amount received was £39.107m, which was £365k higher than budgeted resulting in a net overspending of £78k.

- Income

Income for the period was £79.775m, £129k in excess of the budget, £163k in excess of budget after adjusting for subsidy payments (see paragraph above) and on-cost recharges. The majority of income was received from Nottinghamshire County Council further to work completed under the Manage and Operate Partnership with a £94k increase in fees and charges income.

There was also a £150K reduction in rent received from commercial lettings and markets rents and Land Charges income was reduced by £83K further to the creation of a provision.

- Expenditure relating to Capital Assets and the Financing thereof

There was slippage in the capital programme that is discussed later that reduced the costs of capital financing in the year, by £209K.

- Funding

Government grants were £66K more than planned due to late changes in the settlement for Area Based Grant.

- Transfer to/from Earmarked Reserves

The Council budgeted (net) to contribute £254k from earmarked reserves to support the general fund. At outturn the Council made a net contribution of £399k to earmarked reserves, representing a variance of £653k.

- Net General Fund Position

The Council projected a net deficit position of £225k. The actual position was a £261k deficit, an overall overspending of £36k.

b. Housing Revenue Account

	Revised Budget £'000	Actual Expenditure £'000	Variance £'000
Income			
Rents, Charges and Contributions	(22,096)	(22,198)	(102)
Housing Subsidy Received	(2,020)	(2,154)	(134)
Interest and Investment Income	(188)	(115)	73
Total Income	<u>(24,304)</u>	<u>(24,467)</u>	<u>(163)</u>
Expenditure			
Borrowing and Capital Financing Charges	6,140	3,013	(3,127)
Repairs and Maintenance	6,708	6,370	(338)
Supervision and Management	6,022	5,497	(525)
Interest Payable and Appropriations	4,063	4,165	102
Other Expenditure	1,389	1,411	22
Transfer to/from Major Repairs Reserve	(1,792)	1,435	3,227
Total Expenditure	<u>22,530</u>	<u>21,891</u>	<u>(639)</u>
Surplus for the year	<u><u>(1,774)</u></u>	<u><u>(2,576)</u></u>	<u><u>(802)</u></u>

A positive variance relating to housing subsidy received has occurred as a result of prior year adjustments to subsidy entitlements being made in year.

Housing Revenue Account reforms planned to be effective from April 2012 mean subsidy will no longer be payable. Instead, a one off reallocation of debt that is sustainable over 30 years will be made and rents collected locally will be retained and reinvested locally, departing from the current redistributive system.

Investment income is lower than budgeted as a result of returns being lower than originally forecast.

Repairs and maintenance shows a variance as Ashfield Homes Limited have repaid their under spend on the variable fee they receive under the management agreement.

Supervision and management also shows a variance due to the repayment of under spent management fee under the protocol between the Council and Ashfield Homes Limited.

The Housing Revenue Account is self-financing and cannot be subsidised by the General Fund. As a result of the variations highlighted above the transfer to this Account is £2.576m for 2010/11 and the working balance at 31st March 2011 is £15.886m.

c. Capital Expenditure and Financing

Scheme	Capital programme £000's	Actual Expenditure £000's	Variance £000's
Housing Revenue Account			
Major Works (Decent Homes)	4,430	4,700	(270)
Windows	740	731	9
External Doors (Door Security)	650	666	(16)
Management Fee	648	634	14
External Rendering	410	497	(87)
Disabled adaptations	350	378	(28)
Analogue to Digital Works	420	373	47
Loft Insulation	350	320	30
Warwick Close Demolition	287	270	17
Other HRA Schemes (less than £100k each)	518	383	135
Total Housing Revenue Account	8,803	8,952	(149)
General Fund			
Annesley Recreation Ground & Parish Hall	200	0	200
Council Offices New Boiler and Alarm	200	164	36
Works In Progress	1,541	1,007	534
Revenue Expenditure From Capital Under Statute (REFCUS)	1,350	909	441
Vehicles	460	414	46
Other General Fund Schemes (less than £100k each)	767	486	281
Total General Fund	4,518	2,980	1,538
Total Expenditure	13,321	11,932	1,389
Funding			
Capital Receipts	(355)	(285)	(70)
Government Grants and Other Contributions	(2,761)	(1,604)	(1,157)
Major Repairs Reserve	(8,203)	(8,332)	129
Revenue Contributions	(450)	(453)	3
Borrowing	(1,552)	(1,258)	(294)
Total Funding	(13,321)	(11,932)	(1,389)

- Housing Revenue Account

There has been some rescheduling of work in respect of refurbishment to Council Dwellings which has led to more expenditure in 2010/11 than initially planned. Unforeseen work and the extreme winter weather conditions have increased the amount of work required to bring the properties to the required standards. Whilst there is an overspend of £151,000, it is expected that overall Housing Revenue Account Expenditure will be within the budget set for the four year capital programme cycle 2010/11 to 2013/14.

- **General Fund**

Many of the schemes planned for completion in 2010/11 have been delayed predominantly due to the extreme winter weather.

The Council's current and future decisions on capital investment and the basis for preparing the Capital Programme for the General Fund and the Housing Revenue Account are in accordance with the principles outlined in the Capital Strategy.

- **Funding**

The funding requirement for the capital programme has reduced as a direct result of the lower than anticipated capital expenditure in the year. Capital Receipts were lower than expected this was due to a planned disposal not taking place.

Existing cash resources (predominately Major Repairs Allowance) were used to support the funding shortfall on the Housing Revenue Account element of the capital programme. As a result there has been no increase in long term borrowing requirements during the year.

The Council can borrow for any purpose for which it is legally entitled to incur expenditure. The Council sets its borrowing limits annually based upon tests of affordability and prudence. The current borrowing limit is £140m with an operational boundary of £125m. The outstanding debt as at 31st March 2011 is £80.954m.

d. Valuation of Assets

- **Impairment of Council Dwelling Assets**

Impairment has increased significantly in 2010/11, predominantly due to a change in the East Midland Adjustment Factor from the previous 50% of the market value of council dwellings to 34% of the market value. The Adjustment Factor is used to reduce the valuation of social housing from the market level to a level which reflects the Government's assessment of valuation taking account right to buy and other factors. This represents a reduction in value of approximately £74.7m. Along with the change in adjustment factor there has been a downturn in property values in the East Midlands of 2.8% which represents a reduction in value of £4.6m.

A desktop valuation of all council dwellings was undertaken at 31/03/2011 which has required that capital expenditure of £9m on council dwellings is to be impaired. The total impairment in the year is £88.3m of which £6.6m has been written off against the Revaluation Reserve.

- **Impairment of General Fund Assets**

A review of the non current asset register has been undertaken and this has resulted in assets being removed where their ownership cannot be substantially proven. The value of these assets is approximately £3.5m. Other assets which have either been demolished or revalued total £0.8m.

- Depreciation

An increase in the value of land as a proportion of the total value of a Council Dwelling at 31/03/2010 has resulted in a large reduction in the depreciable amount of the Council Dwellings i.e. the building element.

e. Material Assets Acquired and New Liabilities Incurred

During the financial year, the Alliance for Enterprise Partnership awarded an interest free loan of £260k. As the Accountable Body for the Partnership the loan is required to be included within the Council's Balance Sheet. As the likelihood of repayment and repayment date is uncertain the loan has been fully impaired. No other new material liabilities have been incurred.

f. Provisions

There has been an increase in provisions of £256k, principally to account for the following:-

- Equal pay - This relates to unsettled legal claims received in respect to Equal Pay (£150k).
- Local Land Charges – This arises from the government's decision to revoke the Personal Search fee and the possibility of claims for refunds in respect of fees collected in previous years (£100k)

This results in an increase in the cost of services. Should conditions change and the full provision not be required, the reduction in provision will be credited back to services budgets.

g. Pension adjustment

The Council is a member of the Nottinghamshire County Council Pension Fund. As at 31st March 2011, the Pensions Reserve deficit was £38.187m, compared with £65.420m at 31st March 2010. An adjustment of £27.233 is therefore reflected in the accounts.

4. The impact of the current economic climate on the Council and the services it provides

a. Impact on the Council's expenditure and income against its budget plans

Due to the current economic climate there have been significant reductions in the Council's financial settlements. Formula Grant, the main source of government support has reduced from £10m to £8.7m in 2011/12 and is provisionally expected to reduce to £7.6m in 2012/13.

Although new grants are anticipated to offset the reductions by £0.5m per annum, the overall position is one where the Council needs to make cumulative savings in the region of £4m by the end of 2013/14.

In terms of services, although there has been an increase in the number of residents claiming Housing and Council Tax Benefits and a small increase in cases of homelessness, these have not yet impacted on resource requirements.

A number of externally funded and partnership schemes have been brought to a close, and the impact of these is fully accounted for in the 2011/12 budget.

b. The adequacy of balances and reserves to withstand future pressures

The Council's budgeting has been of a prudent nature for a number of years, and the balance in reserves is estimated to be around £3.5m at 31 March 2012 which is as initially forecast as part of the February 2011 budget report.

The Council has provisional plans in place to achieve the required savings identified in a) above and ensure that the general reserves do not fall below the pre-agreed minimum balance of £1.5 million.

c. How the value of the Council's assets (or liabilities) might be affected

Part of the funding of the Capital Programme is dependent on the sale of assets, so given current land and property values; it may be that borrowing has to increase to fund future capital commitments. However, the Council's Capital Strategy, agreed in November 2010, has set limits on future borrowing, which prevents the revenue impact increasing to unaffordable levels.

The Council's debt portfolio is under review, so that early action can be taken to write off debts, which due to the economic situation, may not be paid.

5. Changes to Accounting Policies

As outlined in the introductory paragraph, new accounting standards, International Financial Reporting Standards (IFRS) have been adopted for the financial year 2010/11. These standards originally developed within the private sector are now being applied across all UK public sector bodies.

IFRS requires financial statements to give a true and fair view of the financial position, financial performance and cash flows of a council. Emphasis is placed upon the substance of transactions rather than the legal form and qualitative aspects of financial statements.

Changes to Accounting Policies have been applied in the following areas;

- Accrual of short term accumulated benefits such as holiday pay. It should be noted however that this accrual is reversed out when determining the general fund balance.
- Certain leases are now held on balance sheet. This arises from considering the substance of the transaction.

- The new term “cash equivalents” to include cash and certain short term investments.
- The treatment of government grants which are now released to the Comprehensive Income and Expenditure Statement once the conditions of the grant are met rather than the deferring the credit to match the life of the asset to which the grant relates.
- The reclassification of tangible non-current assets into certain new categories.
- Componentisation now applies and this is to reflect where parts of an asset depreciate at significantly different rates to the main asset therefore impacting upon valuation.

Further detail on the IFRS transition adjustment to the 2009/10 accounts is provided under note 1. IFRS applies retrospectively so opening balances have been adjusted including those for the financial year 2008/09; this ensures comparatives between years are valid.

6. Public Inspection of Accounts

Members of the public have a statutory right to inspect the accounts before the annual audit of the accounts is completed. The availability of the accounts for inspection is advertised in the local press.

The Statement of Responsibilities for the Statement of Accounts

Responsibilities of the Council

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Deputy Chief Executive;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the amended audited Financial Statements.

I confirm that the amended Financial Statements were approved by the Audit Committee meeting held on
26th September 2011.

Signed on behalf of Ashfield District Council:

Councillor Mr R Buttery
Chairman of the Accounts & Audit Committee

Responsibilities of the Deputy Chief Executive

The Deputy Chief Executive is responsible for the preparation of the Council'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 2010/11 ("the Code of Practice").

In preparing this Statement of Accounts, the Deputy Chief Executive 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 Deputy Chief Executive has also

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

I confirm that the Statement of Accounts presents a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2011.

D. Greenwood, C.P.F.A.
Deputy Chief Executive
30th June 2011

Audit Certificate and Opinion

Independent auditor's report to the Members of Ashfield District Council

Auditor Report attached to end of the Statement of Accounts.

Statement of Accounting Policies

1. General Principles

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

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

2. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Supplies are recorded as expenditure when they are consumed; where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract unless the difference is immaterial; and
- Where revenue and expenditure have 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 debts may not be settled, the balance of debtors is

written down and a charge made to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than one working day.

Cash Equivalents are short term investments that are of a highly liquid nature. The Council has deemed that deposits held within call accounts are categorised as Cash Equivalents unless they are held as part of the Council's investment strategy in which case they are treated as short term investments.

In the cash flow statement, cash and cash equivalents are shown net of any bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4. Exceptional Items

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

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

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

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

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

6. Charges to Revenue for Non Current Assets

Service revenue accounts, support services and trading accounts are charged with the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses, to the extent that there are no accumulated gains in the Revaluation Reserves against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.

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

7. Employee Benefits

a. Benefits payable During Employment

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

b. Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

c. Post Employment Benefits

Most employees of the Council contribute to the Nottinghamshire Pension Fund, the Local Government Pension Scheme administered by Nottinghamshire County Council. The scheme provides defined benefits (retirement lump sums and pensions) earned as employees work for the Council.

The Nottinghamshire Pension Fund is accounted for as a defined benefit scheme:

- The liabilities of the 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 including mortality rates, employee turnover rates and projections of projected earnings for current employees.
- The assets of the Fund attributable to the Council are included in the Balance Sheet at their fair value on the following revised basis:

Asset Category	Basis of Valuation
Quoted Securities	Current Bid Price
Unquoted Securities	Professional estimate
Unitised Securities	Current Bid Price
Property	Market Value

- The change in the net pension liability is analysed into seven components:
 - i. Current Service Cost - the increase in liabilities as result of years of service earned this year - allocated to the revenue accounts of services for which the employees worked;
 - ii. Past Service Cost - the increase in liabilities arising from current year decisions whose affect relates to years of service earned in earlier years - debited to the Surplus or Deficit on Provision of Services as part of Non-Distributed Costs.
 - iii. Interest Costs - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure section within the Comprehensive Income and Expenditure Statement.
 - iv. Expected Return on Assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long term return - credited to the Financing and Investment Income and Expenditure section within the Comprehensive Income and Expenditure Statement.
 - v. Gains/Losses on Settlement and Curtailment – the result of actions to relieve the Council of liabilities or events that reduce the expected future

service or accrual of benefit of employees - debited or credited to the Surplus or Deficit on Provision of Services within the Comprehensive Income and Expenditure Statement as part of non-distributable costs.

- vi. Actuarial Gains and Losses – changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pension Reserve.
- vii. Contributions paid to the Fund – cash paid as employer's contributions to the pension fund.

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

viii. Discretionary Benefits

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

8. Events after the Balance Sheet Date

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

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

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts. For the purposes of consideration, Post Balance Sheet

events can occur up to approval of the Statements by the Accounts and Audit Committee.

9. Financial Instruments

a. Financial Liabilities

Borrowing

Borrowing is classed as either a long-term liability, if it is repayable after 12 months or longer, or a current liability, if it is repayable within 12 months. Borrowing is shown in the Balance Sheet at amortised cost, using the effective interest rate that applies to the individual loans that comprise the total borrowing held by the Council, plus where appropriate, the amount of external interest accrued on loans where an effective interest calculation has not been made. This applies generally to outstanding PWLB loans, where the rate of interest on the loan does not vary over the life of the loan. Generally, the interest that is charged to the Comprehensive Income and Expenditure Statement financing section is the amount due in the year under the loan agreement, except where this is adjusted under effective interest rate calculations to meet the requirements of the 2010/11 Code.

The Council has decided not to re-finance its borrowing in the current financial climate to avoid paying significant premiums to its lenders. This position is kept under review as loans move nearer maturity and in the light of the prevalent interest rates at that time.

Gains and Losses on Debt Re-structuring

For gains and losses on debt re-structuring arising after 1st April 2007, the full value of the gain or loss will be recognised in Surplus or Deficit on Provision of Services within the Comprehensive Income and Expenditure Statement in the year the repurchase or settlement is made. However, where a loan with the same lender is modified, i.e. where the net present value on the replacement loan varies by no more than 10% of the original loan and the exchange of loans takes place on the same day, then the effect of the resulting premium or discount can be charged to Net Operating Costs over the term of the replacement loan, rather than in the year the premium or discount arises.

Creditors

Creditors are recognised when a contractual arrangement is entered into between the Council and a supplier to provide goods and services for an agreed price. The value of the creditors recognised in the Balance Sheet represents the current value of the outstanding liabilities of the Council at 31st March 2011 as a proxy for amortised cost.

b. Financial Assets

Loans and Receivables

Loans and receivables are assets that have fixed or determinable payments but are not quoted in an active market. They are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Investments are classed as either long-term assets, if repayable after 12 months or longer, or current assets, if repayable within 12 months. Investments are shown in the Balance Sheet at amortised cost, using the effective interest rate that applies to the individual loans that comprise the total borrowing held by the Council. The amount shown in the Balance Sheet represents the outstanding principal due to be repaid to the Council and the interest that is credited to the Comprehensive Income and Expenditure Statement is the amount receivable in the year under the loan agreement.

Soft Loans

Soft loans arise where the Council provides a loan facility at less than market rates. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Debtors (including mortgages)

Debtors are recognised when a contractual arrangement is entered into between the Council and a debtor to provide goods and services for an agreed price. The value of the debtors recognised in the Balance Sheet represents the current value of the outstanding debts owed to the Council at 31 March 2011 as a proxy for short term debtors.

10. Government Grants and Contributions

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

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

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

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

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

Area Based Grant

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

11. Intangible Assets

Expenditure on assets that do not have a physical substance but are identifiable and controlled by the Council are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

These assets are held at cost and written off over their economic lives to the relevant service lines within the Comprehensive Income and Expenditure Statement. Where there is an indication that the asset is impaired any loss recognised will also be charged to the relevant service. Software development costs that are directly attributable to bringing a computer system or other computer operated machinery into use are treated as being of the cost of the related hardware, rather than as a separate intangible asset. During 2010/11 no assets met the 'Intangible Assets' definition.

12. Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

(a) Joint Crematorium Committee

The Council is a constituent member of a joint crematorium committee with neighbouring authorities of Mansfield and Newark and Sherwood District Councils. Current activities are split between all the councils based on the number of residents of each district area cremated. The balance sheet is apportioned based on an average of the last 5 years cremations from each area. The Council's share of running costs and income has been included in the Comprehensive Income and Expenditure Statement and the share of assets included within the Balance Sheet using these apportionments. Due to the nature of the relationship of the Council within the committee Group Accounts are not required for this entity. Information on the Council's share of the income and expenditure and associated assets and liabilities is shown in note 41 to the Core Financial Statements.

(b) Ashfield Homes Limited

The Council has a 100% interest in Ashfield Homes Limited through the issues of a single £1 share. The Company was formed on 26th September 2001 to carry out the housing management function on behalf of the Council with effect from 1st April 2002. Group Accounts are prepared to include the activities of this company as it is fully controlled by the Council.

13. Inventories and Long Term Contracts

Inventories are included on the balance sheet at the lower of cost and net realisable value. The cost of inventories is assigned by average cost price, except for canteen stocks which are valued at average selling price.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

14. Investment Properties

Following the guidance of the International Accounting Standard 40 with regard to investment properties, it has been established the Council does not hold any properties for investment purposes, as the premises leased to third parties are primarily for job creation and economic development, not capital appreciation or rental growth.

15. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant and equipment from the lessor to the lessee. All other leases are classified as operating leases.

a. Operating Leases

The Council as Lessee

The Council acts as lessee for equipment leases only.

Rentals payable under operating leases are charged to the relevant service revenue account on a straight line basis over the term of the lease.

The Council as Lessor

The Council does act in the capacity as lessor for the leases of land and properties it owns. Rents due under operating leases are accounted for on a straight line basis as they become due. Land and property leased under operating leases are held as non-current assets within the Balance Sheet and valued in accordance with appropriate valuation practices.

b. Finance Leases

The Council as Lessee

Plant and Equipment held under finance leases are recognised on the Balance Sheet at the lower of the fair value of the asset at the lease inception and the present value of the minimum lease payments. The value of the asset is matched by a liability to pay the finance lessor.

Lease payments are apportioned between a capital repayment to write down the finance lease liability, and a financing charge.

Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to the depreciation charge being applied over the lease term.

The Council is not required to raise Council tax to cover depreciation on leased assets. Rather, a prudent annual contribution is made from the revenue fund toward the cost of the capital investment. Adjusting transfers are made to the Capital Adjustment Account within the Movement in Reserves statement to reflect the difference between the two charges.

The Council as Lessor

The Council does not have any finance leases where it acts as lessor.

16. Overheads and Support Services

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

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

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

17. Property, Plant and Equipment

Assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis are classed as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it yields benefit to the Council for more than one financial year. Expenditure that maintains but does not extend the previously assessed standard of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Property, Plant and Equipment may also include assets held under finance leases, which have been capitalised and included in the Balance Sheet at a value reflecting the fair value of the asset.

A de-minimis asset value of £10,000 has been set and expenditure on new assets of less than this amount is charged to the service revenue account as a proxy for depreciation, unless the expenditure forms part of a larger scheme.

Measurement

Assets are initially measured at cost, which comprises all expenditure that is directly attributable to bringing an asset into working condition for its intended use. The Council does not capitalise borrowing costs incurred whilst assets are under construction

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

Asset Category	Basis of Valuation
Property, Plant and Equipment	Fair value determined in the existing use of the asset
Dwellings	Fair value in the existing use value for social housing
Infrastructure, community assets and assets under construction	Depreciated historic cost once the asset becomes operational

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate for fair value. Where assets have a short useful life then depreciated historical cost is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued where there have been material changes in their value, but as a minimum every 5 years. The Council's housing stock is re-valued annually by applying an appropriate housing price index to a series of beacon values at the start of the financial year.

Increases in valuations are matched by a credit to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

Where decreases in value are identified they are accounted for by a debit to the Revaluation Reserve to the extent that an accumulated gain has been recorded against that asset; where there is no balance or an insufficient balance on the revaluation reserve for that asset the write down of the asset value is charged against the relevant service within the Comprehensive Income and Expenditure Statement.

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

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where there is an indication that there is a material impairment in the value of an asset when compared to the carrying value an impairment loss is recognised. The impairment loss is written down to the revaluation reserve to the extent that any balance for that asset is held within the revaluation reserve. Where there is no balance or an insufficient balance then the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than continued service use then it is reclassified as an asset held for sale. The asset is re-valued immediately before classification and then carried at the lower of this amount or fair value less costs of disposal. Where there is a subsequent decrease in the valuation determined on classification to Asset held for sale then a loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in the fair value of assets held for sale are only recognised to the extent that they reverse a previous loss recognised within the Comprehensive Income and Expenditure Statement. Depreciation is not charged on Assets Held for Sale.

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

Amounts received in excess of £10,000 are categorised as capital receipts. 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 is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Capital Receipt Reserve within the Movement in Reserves Statement.

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment over a period of their estimated useful lives; freehold land is determined to have a infinite economic life and is not depreciated, asset under construction are not depreciated until they become operational in providing services. Depreciation is calculated using the straight line method, except for Council Housing which has been depreciated by the Major Repairs Allowance (MRA) taking assumed residual values into consideration.

Assets are depreciated over the estimated economic life of the asset which has been assessed as being the following periods:

Council dwellings	40 years
Other HRA assets	10 - 50 years
Other Buildings	10 - 50 years

Vehicles, plant and equipment	3 - 10 years
Infrastructure	10 - 40 years
Community Assets	20 years

Revaluation gains are also depreciated. The difference between the depreciation on the current value and that which would have been charged on the historic value is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

The Council allocates the costs of an individual asset to its various components to calculate depreciation charges where the value of the asset exceeds £500K and more than one individual component exceeds 20% of the asset value. The impact on depreciation charges for assets below the threshold is not considered material. The componentisation is based on the following elements of the asset:-

- Boilers and heating systems
- Lifts
- Roofs
- Windows and doors

In terms of Council Dwellings, these assets are collectively valued in excess of £500K. However, when comparing the value of depreciation charged on a component basis compared to the current 40 year life straight-line methodology, the difference is not considered material. Council Dwellings are therefore not currently subject to componentisation but the policy is to be reviewed on an annual basis.

18. Provisions, Contingent Liabilities and Contingent Assets

a. 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 benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year; where it becomes more likely than not that a transfer of economic benefits will not be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

b. Contingent Liabilities

A Contingent Liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent Liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent Liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

c. Contingent Assets

A Contingent Asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent Assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

19. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue account in that year to score against the surplus or deficit on provision of services. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

The level of reserves and balances is reviewed annually to ensure they are appropriate. The General Fund Balance, Earmarked Reserve and Reserves arising from Capital Receipts together with Capital Grants Unapplied are deemed to be usable reserves in that they may be used to fund future expenditure.

A separate earmarked reserve has been established for the Local Enterprise Growth Initiative (LEGI). The funds here belong to the Council and two other members of the Alliance for Enterprise Partnership (Mansfield District Council and Bolsover District Council). Although the Council is the Accountable Body expenditure must be approved by the Executive Board of the Partnership.

Certain reserves are kept to manage the accounting processes for capital non-current assets and retirement benefits and other accounting requirements, these are termed unusable reserves and are not available to be used to fund future expenditure.

20. Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service revenue account in the year. Where the Council has decided to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the General Fund Balance by the Movement in Reserve Statement so there is no impact on the level of Council tax.

21. Value Added Tax

Value Added Tax (VAT) is excluded from all income and expenditure received and paid by the Council except where it is classed as irrecoverable by HM Revenue and Customs.

22. The Collection Fund

The Council includes its share of the accrued Council Tax due for the year within its Comprehensive Income and Expenditure Statement. The difference between this sum and the local precept for Council and parish activities is reversed through the General Fund Balance to ensure only the level of Council Tax required to pay for Council activities is credited to the General Fund in the year. The balance is taken to the Collection Fund Adjustment Account, within the Balance Sheet.

Amounts collected on behalf of the other preceptors of Nottinghamshire County Council, Nottinghamshire Police Authority and Nottinghamshire Fire Authority are treated as either debtors or creditors depending upon the respective share of the Collection Fund attributable to these bodies at 31st March.

The Core Financial Statements

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into useable reserves (i.e. those that can be applied to fund expenditure or reduce taxation) and other reserves.

- The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council tax setting and dwellings rent setting purposes.

- The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Movement in Reserves Statement (Continued)

The movement in reserves statement for 2010/11 is set out below.

	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Housing Major Repair Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Reserve £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2010	5,632	4,900	13,311	5,652	1	7,560	37,056	137,500	174,556
Surplus or (deficit) on provision of services (accounting basis)	1,645		(76,877)				(75,232)		(75,232)
Other Comprehensive Expenditure and Income							0	14,787	14,787
Total Comprehensive Expenditure and Income	1,645	0	(76,877)	0	0	0	(75,232)	14,787	(60,445)
Adjustments between accounting basis & funding basis under regulations	(1,353)	0	79,452	(4,078)	12	628	74,661	(74,660)	1
Net Increase / (Decrease) before Transfers to/from Earmarked Reserves	292	0	2,575	(4,078)	12	628	(571)	(59,873)	(60,444)
Transfers to / from Earmarked Reserves	(552)	552					0	0	0
Increase / (Decrease) in Year	(260)	552	2,575	(4,078)	12	628	(571)	(59,873)	(60,444)
Balance at 31 March 2011	5,372	5,452	15,886	1,574	13	8,188	36,485	77,627	114,112
Notes		Note 23a	HRA	HRA Note 4	Note 23c	Note 23b		Note 24	

Movement in Reserves Statement (Continued)

The movement of reserves for 2009/10 for comparison purposes is set out below

	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Housing Major Repair Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Reserve £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2009	<u>4,133</u>	<u>5,859</u>	<u>10,007</u>	<u>4,968</u>	<u>0</u>	<u>5,879</u>	<u>30,846</u>	<u>176,661</u>	<u>207,507</u>
Surplus or (deficit) on provision of services (accounting basis)	(2,284)	0	(2,784)			0	(5,068)	0	(5,068)
Other Comprehensive Expenditure and Income		0				0	0	(27,882)	(27,882)
Total Comprehensive Expenditure and Income	<u>(2,284)</u>	<u>0</u>	<u>(2,784)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(5,068)</u>	<u>(27,882)</u>	<u>(32,950)</u>
Adjustments between accounting basis & funding basis under regulations	2,824	0	6,088	684	1	1,681	11,278	(11,278)	0
Net Increase / Decrease before Transfers to Earmarked Reserves	540	0	3,304	684	1	1,681	6,210	(39,161)	(32,951)
Transfers to / from Earmarked Reserves	959	(959)				0	0	0	0
Increase / Decrease in Year	<u>1,499</u>	<u>(959)</u>	<u>3,304</u>	<u>684</u>	<u>1</u>	<u>1,681</u>	<u>6,210</u>	<u>(39,161)</u>	<u>(32,951)</u>
Balance at 31 March 2010	<u><u>5,632</u></u>	<u><u>4,900</u></u>	<u><u>13,311</u></u>	<u><u>5,652</u></u>	<u><u>1</u></u>	<u><u>7,560</u></u>	<u><u>37,056</u></u>	<u><u>137,500</u></u>	<u><u>174,556</u></u>
Notes		Note 23a	HRA	HRA Note 4	Note 23c	Note 23b		Note 24	

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Expenditure	2009/10			2010/11		Note
	Income	Net Expenditure		Expenditure	Income	
£'000	£'000	£'000		£'000	£'000	
11,618	(11,328)	290	Central Services to the Public	14,104	(13,020)	1,084
18,084	(4,659)	13,425	Cultural, Environmental and Planning Services	20,217	(4,954)	15,263
6,677	(5,220)	1,457	Highways, Roads and Transport Services	7,977	(5,732)	2,245
23,183	(24,040)	(857)	Housing Revenue Account	20,514	(24,353)	(3,839)
29,697	(27,919)	1,778	Other Housing Services	33,891	(31,755)	2,136
3,403	(253)	3,150	Corporate and Democratic Core	3,739	(411)	3,328
3,048	0	3,048	Non Distributed Costs	272		272
			Exceptional Items:			
84	(1,165)	(1,081)	Income from VAT			0
			Past service costs of pensions	(8,464)		(8,464)
			Impairment of Housing Stock	76,879		76,879
95,794	(74,584)	21,210	Cost Of Services	169,129	(80,225)	88,904
			Other Operating Expenditure			
		185	Net (Surplus) / Deficit on Trading Undertakings			814
		174	Parish Council Precepts			186
		610	Contribution to Housing Pooled Capital Receipts			526
		(36)	Net Loss or Gain on sale of Fixed Assets			(255)
		22,143	Total Operating Expenditure			90,175

Comprehensive Income and Expenditure Statement (Continued)

2009/10 Net Expenditure £'000		2010/11 Net Expenditure £'000	Note
	Financing and Investment Income and Expenditure (Analysis)		
4,260	Interest Payable and Other Charges	4,201	Note 10
(342)	Interest Receivable and Investment Income	(163)	
(90)	Other Income	(101)	
2,622	Pensions Interest Cost and Expected Return	2,009	Note 37
<u>6,450</u>		<u>5,946</u>	
<u>28,593</u>	Net Operating Expenditure	<u>96,121</u>	
	Taxation and Non-Specific Grant Income (Analysis)		
(4,028)	Government Grants	(2,611)	Note 9
(4,564)	Capital Grants Received	(2,230)	Note 9
(9,172)	Contribution from NNDR Pool	(10,017)	Note 9
(5,850)	Demands on the Collection Fund	(5,939)	
89	Adjustment to Demands on Collection Fund	(92)	
<u>(23,525)</u>		<u>(20,889)</u>	
<u>5,068</u>	(Surplus) or Deficit on Provision of Services	<u>75,232</u>	
1,583	Surplus or deficit on revaluation of fixed assets	6,069	
0	Other Reserve movement		
26,299	Actuarial (gains) / losses on pension assets / liabilities	(20,856)	Note 37
<u>27,882</u>	Other Comprehensive Income and Expenditure	<u>(14,787)</u>	
<u>32,950</u>	Total Comprehensive Income and Expenditure	<u>60,445</u>	

Balance Sheet as at 31st March 2011

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories.

1. Usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
2. Those that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Restated As at 31st March 2009 £'000	Restated As at 31st March 2010 £'000		Note	As at 31st March 2011 £'000
320,964	310,665	Property, Plant & Equipment	Note 11	223,338
	0	Intangible Assets	Note 13	0
5,057	1	Long Term Investments	Note 15	1
177	152	Long Term Debtors	Note 18	240
<u>326,198</u>	<u>310,818</u>	Long Term Assets		<u>223,579</u>
7,296	6,153	Short Term Investments	Note 15	6,900
158	96	Inventories	Note 16	88
8,347	11,819	Short Term Debtors	Note 18	8,532
1,766	6,198	Cash and Cash Equivalents	Note 19	4,081
	0	Assets held for sale	Note 20	160
<u>17,567</u>	<u>24,266</u>	Current Assets		<u>19,761</u>
(183)	(1,397)	Bank Overdraft	Note 19	(960)
(10,049)	(6,039)	Short Term Borrowing	Note 15	(36)
(6,160)	(6,062)	Short Term Creditors	Note 21	(8,208)
(38)	(42)	Finance Lease repayable within 12 months	Note 15	(45)
0	(174)	Provisions	Note 22	(193)
<u>(16,430)</u>	<u>(13,714)</u>	Current Liabilities		<u>(9,442)</u>
(251)	(209)	Finance Lease repayable in excess of 12 months	Note 15	(164)
(38,364)	(65,420)	Pension Liability	Note 37	(38,187)
(277)	(223)	Provisions	Note 22	(460)
0	0	Capital Grants Receipts in Advance		0
(80,910)	(80,940)	Long Term Borrowing	Note 15	(80,954)
(26)	(21)	Deferred Capital Receipts	Note 38	(21)
<u>(119,828)</u>	<u>(146,813)</u>	Long Term Liabilities		<u>(119,786)</u>
<u>207,507</u>	<u>174,557</u>	Net Assets		<u>114,112</u>

Balance Sheet (Continued)

Restated As at 31st March 2009 £'000	Restated As at 31st March 2010 £'000		Note	As at 31st March 2011 £'000
		Usable Reserves		
(4,133)	(5,632)	General Fund Balance		(5,372)
(5,859)	(4,900)	Earmarked Reserves	Note 23	(5,452)
(10,007)	(13,310)	Housing Revenue Account	HRA SMB	(15,886)
(4,968)	(5,652)	Major Repairs Reserve	HRA Note 4	(1,574)
	(1)	Usable Capital Receipts Reserve	Note 23	(13)
(5,879)	(7,560)	Capital Grants Unapplied Account	Note 23	(8,188)
<u>(30,846)</u>	<u>(37,055)</u>			<u>(36,485)</u>
		Unusable Reserves		
(20,066)	(17,826)	Revaluation Reserve	Note 24	(11,539)
(196,114)	(186,314)	Capital Adjustments Account	Note 24	(105,339)
38,364	65,420	Pensions Reserve	Note 24	38,187
141	174	Accumulated Absences Account	Note 24	193
(48)	43	Collection Fund Revenue Account	Note 24	(50)
0	0	Collection Fund Adjustment Account	Note 24	0
1,062	1,001	Financial Instruments Adjustment Account	Note 24	921
<u>(176,661)</u>	<u>(137,502)</u>			<u>(77,627)</u>
<u>(207,507)</u>	<u>(174,557)</u>	Total Reserves		<u>(114,112)</u>

Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or income generated from services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of borrowing to the Council. Further explanation supporting the Cash Flow can be found at Note 25.

2009/10 £'000		2010/11 £'000	Note
(5,068)	Net surplus or (deficit) on the provision of services	(75,232)	
18,255	Adjustment to surplus or deficit on the provision of services for noncash movements	91,276	Note 25
(7,632)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(3,053)	Note 25
<u>5,555</u>	Net Cash flows from operating activities	<u>12,991</u>	
(2,610)	Net Cash flows from Investing Activities	(8,713)	Note 25
273	Net Cash flows from Financing Activities	(5,958)	Note 25
<u>3,218</u>	Net increase or decrease in cash and cash equivalents	<u>(1,680)</u>	
1,583	Cash and cash equivalents at the beginning of the reporting period	4,801	Note 19
<u><u>4,801</u></u>	Cash and cash equivalents at the end of the reporting period	<u><u>3,121</u></u>	Note 19

Notes to the Core Financial Statements

1. IFRS Transition Restatement

Following the changes in accounting policies arising from the adoption of International Financial Reporting Standards (IFRS) there have been certain significant changes to the prior period values as presented within the 2009/10 accounts. To ensure comparatives are properly presented both the 2009/10 and 2008/09 accounts have been restated to apply the current IFRS policies.

The presentation and format of the primary financial statements have also been revised under IFRS policies; this may result in no direct comparative between previously reported financial statements and those presented for this financial year.

The following extracts from the 2009/10 financial statements summarise the effect on the 2009/10 restatement arising from these changes to accounting policies

The adjustments highlight certain lines that have changed within the presented 2009/10 accounts, together with relevant totals; the extracts below do not therefore necessarily total in themselves.

Summarised Position Relating to the Restatement arising from the adoption of IFRS

2009/10 as previously stated £'000		Leasing arrangements £'000	Accounting for Grant Income £'000	Impairment £'000	Other IFRS adjustments £'000	Short Term Absences £'000	2009/10 Restated £'000
	Extracts from the Income and Expenditure Account						
26,727	Net Operating Expenditure	13	2,282	(445)	(16)	32	28,593
(18,960)	Non Specific Grant Income		(4,564)				(23,524)
<u>7,767</u>	(Surplus) or Deficit on Provision of Services	<u>13</u>	<u>(2,282)</u>	<u>(445)</u>	<u>(16)</u>	<u>32</u>	<u>5,069</u>

2009/10 as previously stated £'000		Leasing arrangements £'000	Accounting for Grant Income £'000	Impairment £'000	Other IFRS adjustments £'000	Short Term Absences £'000	2009/10 Restated £'000
Extracts from the Balance Sheet							
310,361	Property, Plant and Equipment	304					310,665
12,351	Short Term Investment				(6,198)		6,153
0	Cash and Cash Equivalents				6,198		6,198
(5,830)	Current Creditors		(233)				(6,063)
0	Finance lease Liability	(251)					(251)
(223)	Provisions					(174)	(397)
(8,481)	Capital Grants Deferred Account		8,481				0
(8,101)	Unapplied Capital Contributions		8,101				0
158,327	Net Assets	53	16,350	0	0	(174)	174,556
(4,591)	Earmarked Reserves		(310)				(4,901)
(177,780)	Capital Adjustment Account	(53)	(8,481)				(186,314)
0	Capital Grants Unapplied		(7,560)				(7,560)
0	Accumulated Absences Reserve					174	174
(158,327)	Total Reserves	(53)	(16,350)	0	0	174	(174,556)

Leasing Arrangements

Under IFRS leasing arrangements are more likely to be determined as finance leases. A finance lease gives rise to an asset being recorded on the balance sheet together with an associated liability for future lease payments. Once 'on balance sheet' the asset is depreciated and is subject to revaluation as other assets. The finance lease liability is reduced as lease payments are made.

Accounting for Grant Income

Under the previous accounting treatment the Capital Grants Deferred account was the accumulated balance of capital grants received that had funded assets held on the balance sheet; the grant income was released to the revenue account to match the depreciation charge. Under IFRS the treatment is to recognise Capital grant income when the conditions of the grant have been

met and release to the revenue account at this point. The adjustment above is to remove the historic accumulated balance from this account.

Unapplied Capital Contributions are recognised as reserves on the balance sheet when the conditions of the grant have been met, but not applied to fund capital expenditure. This recognises the ability to use this reserve to fund future capital expenditure. Similarly unspent revenue grants are taken to Earmarked reserves when the conditions of the grant have been met rather than held as a creditor.

Impairment

Under IFRS impairment losses arising from economic consumption are charged to the revaluation reserve to the extent that a balance exists. The entry reverses the previous policy of charging to the provision of services.

Cash Equivalents

Cash Equivalents is a new balance sheet heading and is to include both cash and highly liquid short term investments (which are considered as the 'equivalent' of cash), such as call accounts and short term deposits.

Compensated Absences

Compensated absences, primarily accrued but not taken holiday pay, are recognised as a provision on the balance sheet to the extent that an entitlement has been earned but not taken at the balance sheet date. The balance is offset into a new reserve account to avoid a charge being raised to the general fund.

Right to Buy

Right to buy properties are those properties where the tenant has a right to buy however these properties are not actively marketed. There is great uncertainty about the completion of right to buy purchases as the tenant has the option to withdraw. The right to buy is not seen as a normal commercial transaction where properties are actively sort to be disposed of for the purposes of obtaining capital receipts. Typically at year end there may be two properties that may be in the pipeline for sale with a value of circa £50K-£60K.

2. Accounting standards to be adopted

Heritage Assets: Impact of Adoption of the New Standard on the Financial Statements – Effective for the Financial Year 2011/12.

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 has introduced a change in accounting policy in relation to the treatment of Heritage Assets, which will need to be fully adopted in the Council's 2011/12 financial statements.

Although not yet adopted, the Council is required to disclose information relating to the likely impact of the accounting change to the financial statements for 2011/12.

The new standard will require that 'heritage assets' be defined as a separate class of assets which are disclosed separately on the face of the Council's Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by an authority principally for their contribution to knowledge or culture. The heritage assets are the collections of assets and artefacts either exhibited or stored in the Council's museum.

The current position at Ashfield District Council is as follows:-

- The Council holds artwork, statues and a range of ceramics;
- The expected value of these assets, greater than the current de-minimis value of £10,000 is expected to be between £200,000 and £300,000;
- The assets are not currently included within the Financial Statements.

The Council anticipates that it will be able to recognise its heritage assets on the Balance Sheet using as its base the detailed insurance valuations (which are based on market values) although valuations will be sought where it is appropriate to do so.

Heritage assets held by the Council will have indeterminate lives and a high residual value therefore the Council does not consider it appropriate to charge depreciation for the assets.

As these assets have not yet been recognised in the Balance Sheet this will require a corresponding increase in the Revaluation Reserve of between £200,000 and £300,000, i.e. a revaluation gain.

3. Critical Judgements in Applying accounting policies

In applying the accounting policies as set out at the Statement of Accounting Policies the Council has had to make critical judgements about complex transactions and those involving uncertainty about future events.

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not as yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities.

4. Assumptions made about the future and sources of uncertainty

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

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

a. Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £118,000 for every year that useful lives had to be reduced.

b. Provisions

The Council has made a provision of £150,000 for the settlement of claims for back pay arising from the Equal Pay issue, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable. An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £15,000 to the provision needed.

c. Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. This detailed at note 37.

d. Arrears

At 31 March 2011, the Council had a balance for sundry debtors of £2.009m. A review of significant balances suggested that an impairment of doubtful debts of 5% (£100,450) was appropriate.

5. Material Items of Income and Expense

a. Pensions

There is a negative past service cost of £8.464m identified in the Comprehensive Income and Expenditure Statement as a result of the change in basing annual pension increases on the Consumer Prices Index rather than the Retail Prices Index.

b. Impairment of Council Housing Stock

Impairment has increased significantly in 2010/11, predominantly due to a change in the East Midland Adjustment Factor from the previous 50% of the market value of council dwellings to 34% of the market value. The Adjustment Factor is used to reduce the valuation of social housing from the market level to a level which reflects the Government's assessment of valuation taking account right to buy and other factors. This represents a reduction in value of approximately £74.7m. Along with the change in adjustment factor there has been a downturn in property values in the East Midlands of 2.8% which represents a reduction in value of £4.6m.

A desktop valuation of all council dwellings was undertaken at 31/03/2011 which has required that capital expenditure of £9m on council dwellings is to be impaired. The total impairment in the year is £88.3m of which £6.6m has been written off against the Revaluation Reserve.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Deputy Chief Executive (Resources), whose role includes being the Chief Financial Officer, on 30th June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. For the purposes of consideration, Post Balance Sheet events can occur up to approval of the Statements by the Accounts and Audit Committee on 26 September 2011. There were no post-balance sheet events in 2010/11.

7. Adjustment between accounting basis and funding basis under statute

This note details the adjustments that are made to the financial position as identified within the Comprehensive Income and Expenditure Statement in accordance with proper accounting practice to the resources that are specified by statutory provision as being available to the District Council to meet future capital and revenue expenditure.

Statement for Current Financial Period 2010/11

	General Fund Balance	Housing Revenue Account	Housing Major Repair Reserves	Capital Receipts Reserve	Capital Grants Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Adjustment Account						
Charges for depreciation and impairment of non current assets	(2,801)		1,435			(1,366)
Revaluation losses on Property Plant and Equipment	(4,251)	(81,694)				(85,945)
Impairment from non enhancing capital expenditure						
Capital Grants and Contributions	2,230				(628)	1,602
Revenue Expenditure Funded from Capital under Statute	(895)					(895)
Carrying Value of non current assets written off on disposal	42	213				255
Statutory Provision for the financing of capital investment	1,164					1,164
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(526)					(526)
Capital Expenditure charged against the General Fund	3	450				453
	(5,034)	(81,031)	1,435		(628)	(85,258)
Capital Receipts Reserve						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement				(297)		(297)
Use of the Capital Receipts reserve to finance new expenditure				811		811
Government Capital Receipts Pool				(526)		(526)
				(12)		(12)

	General Fund Balance	Housing Revenue Account	Housing Major Repair Reserves	Capital Receipts Reserve	Capital Grants Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Pension Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	3,384					3,384
Employers pension contribution payable in the year	2,993					2,993
	<u>6,377</u>					<u>6,377</u>
Collection Fund Adjustment						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	93					93
Accumulating Short term Compensated Absences Account						
Amount by which staff remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from that chargeable in the year in accordance with statutory requirements	(19)					(19)
Major Repairs Reserve						
Reversal of Major Repair Allowance credited to the HRA			(4,254)			(4,254)
Use of the Major Repair Reserve to finance new capital expenditure			8,332			8,332
Excess of Depreciation Charged to HRA Compared to the Major Repairs Allowance Element of Housing Subsidy		1,435	(1,435)			
		<u>1,435</u>	<u>2,643</u>			<u>4,078</u>
Financial Instrument Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements						
Amortisation of Premiums and Discounts		144				144
Financial Instruments - Reconciliation to Amortised Costs	(64)					(64)
	<u>(64)</u>	<u>144</u>				<u>80</u>
	<u>1,353</u>	<u>(79,452)</u>	<u>4,078</u>	<u>(12)</u>	<u>(628)</u>	<u>(74,661)</u>

Statement for Prior Financial Period 2009/10

	General Fund Balance	Housing Revenue Account	Housing Major Repair Reserves	Capital Receipts Reserve	Capital Grants Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Adjustment Account						
Charges for depreciation and impairment of non current assets	(3,315)		(705)			(4,020)
Revaluation losses on Property Plant and Equipment	(2,473)	(5,681)				(8,154)
Impairment from non enhancing capital expenditure						
Capital Grants and Contributions	4,564				(1,681)	2,883
Revenue Expenditure Funded from Capital under Statute	(1,105)					(1,105)
Carrying Value of non current assets written off on disposal	16	54				70
Statutory Provision for the financing of capital investment	860					860
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(610)					(610)
Capital Expenditure charged against the General Fund	144	100				244
	(1,919)	(5,527)	(705)		(1,681)	(9,832)
Capital Receipts Reserve						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,612)			2,612		
Use of the Capital Receipts reserve to finance new expenditure	2,613			(2,613)		
Unattached Receipts	74					74
Transferred Asset Principal Repayment - NCC	(16)					(16)
	59			(1)		58
Pension Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,844)					(3,844)
Employers pension contribution payable in the year	3,087					3,087
	(757)					(757)

	General Fund Balance £'000	Housing Revenue Account £'000	Housing Major Repair Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Reserve £'000	Movement in Unusable Reserves £'000
Collection Fund Adjustment Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(90)					(90)
Accumulating Short term Compensated Absences Account Amount by which staff remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from that chargeable in the year in accordance with statutory requirements	(33)					(33)
Major Repairs Reserve Reversal of Major Repair Allowance credited to the HRA			(4,209)			(4,209)
Use of the Major Repair Reserve to finance new capital expenditure			3,525			3,525
Excess of Depreciation Charged to HRA Compared to the Major Repairs Allowance Element of Housing Subsidy		(705)	705			
		(705)	21			(684)
Financial Instrument Adjustment Account Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements						
Amortisation of Premiums and Discounts						
Financial Instruments - Reconciliation to Amortised Costs	(84)	144				144
	(84)	144				(84)
	(2,824)	(6,088)	(684)	(1)	(1,681)	(11,278)

8. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Corporate Management Group on the basis of budget reports analysed across service divisions. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:-

- No charges are made in relation to capital items, for example depreciation or impairment of assets
- The cost of retirement benefit is based upon cash flows rather than current service cost of benefits accrued in year
- Internal charges are raised to directorates but are reversed for statutory account presentation

The out turn for the financial year as presented in the management budgetary reports is as follows:

	Grants	Other Income	Internal Recharges	Total Income	Employee Costs	Premises Expenses	Transport Related Expenses	Supplies & Services	Transfer Payments	Central Recharges	Total Costs	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive Officer	(451)	(67)	(1,729)	(2,247)	1,660	6	49	974	0	2,078	4,769	2,522
Community and Economic Promotion	(875)	(1,062)	(1,435)	(3,372)	1,468	255	52	2,863	0	1,677	6,316	2,943
Land and Property	0	(1,338)	(3,616)	(4,954)	2,399	1,215	83	538	0	3,252	7,489	2,534
Health and Housing	(285)	(366)	(2,016)	(2,667)	1,683	63	90	325	0	1,941	4,102	1,435
Deputy CEO (Resources)	(41,288)	(970)	(4,338)	(46,595)	2,851	7	34	750	40,266	3,828	47,736	1,140
Revenues, IT and Customer Services	(449)	(294)	(1,908)	(2,651)	1,173	0	4	2,423	0	401	4,002	1,351
Neighbourhood Services	(46)	(7,205)	(10,037)	(17,288)	8,954	600	3,191	2,981	0	6,921	22,648	5,360
Total	(43,395)	(11,302)	(25,079)	(79,775)	20,190	2,147	3,504	10,855	40,266	20,098	97,061	17,285

The figures for 2009/10 for comparison purposes are:

	Grants	Other Income	Internal Charges	Total Income	Employee Costs	Premises Expenses	Transport Related Expenses	Supplies & Services	Transfer Payments	Central Recharges	Total Costs	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive Officer	(579)	(31)	(1,894)	(2,504)	2,289	7	47	1,344	0	2,023	5,709	3,206
Community and Economic Promotion	(632)	(655)	(1,316)	(2,603)	1,349	478	59	3,134	0	1,508	6,528	3,925
Land and Property	(5)	(1,670)	(3,336)	(5,011)	2,432	1,042	85	579	0	2,733	6,871	1,861
Health and Housing	292	(1,083)	(1,905)	(2,695)	1,494	68	81	491	0	1,879	4,012	1,317
Deputy CEO (Resources)	(38,649)	(623)	(4,421)	(43,693)	2,506	(101)	31	639	37,595	4,213	44,883	1,190
Revenues, IT and Customer Services	(323)	(57)	(2,008)	(2,388)	1,129	0	5	2,298	0	376	3,808	1,419
Neighbourhood Services	(97)	(6,522)	(10,748)	(17,367)	8,939	603	3,404	5,761	0	4,307	23,015	5,648
Total	(39,993)	(10,640)	(25,628)	(76,261)	20,138	2,097	3,711	14,246	37,595	17,039	94,827	18,565

The following reconciliation shows how the figures in the analysis provided within the management account reports relate to the amounts included in the Comprehensive Income and Expenditure Statement. The reconciliation is prepared to the Group account position, this is as required.

	2010/11	2009/10
	£'000	£'000
Cost of Services in Service Analysis	17,285	18,565
Services not included in main analysis	75,451	(1,408)
Amounts not reported to management	(2,576)	0
Exceptional items	0	(1,081)
Capital items	7,944	3,464
Amounts reported below the Net cost of Service	(814)	(20)
Adjustments arising from transition to IFRS	0	1,690
Pension Adjustments under IAS 19	(8,386)	0
Net Cost of Services in comprehensive Income and Expenditure Statement	<u>88,904</u>	<u>21,210</u>

This reconciliation shows how the figures in the analysis provided within the management account reports relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included within the Comprehensive Income and Expenditure Statement.

2010/11

	Services Analysis	Services not in analysis	Amounts not included in analysis but included in I & E	Amounts included in analysis but not included in I & E	Amounts reported below the Net Cost of Service	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reconciliation to Subjective Analysis								
Fees, Charges & Other Service Income	(36,380)	(1,816)	(24,468)	25,079	755	(36,831)	(857)	(37,688)
Group Companies	0	0	0	0	0	0	(10,825)	(10,825)
Interest and Investment Income	0	0	0	0	0	0	(163)	(163)
Income from Council Tax	0	0	0	0	0	0	(5,939)	(5,939)
Government Grants and Contributions	(43,395)	0	0	0	0	(43,395)	(15,559)	(58,954)
Total Income	(79,775)	(1,816)	(24,468)	25,079	755	(80,226)	(33,343)	(113,568)
Employee expenses	20,190	0	0	0	0	20,190	(2,726)	17,464
Other Service Expenses	56,772	332	13,506	(4,980)	(1,569)	64,060	1,569	65,630
Support Service Recharges	20,098	0	0	(20,098)	0	0	0	0
Group Company Costs	0	0	0	0	0	0	17,620	17,620
Depreciation, Amortisation and Impairment	0	76,935	7,944	0	0	84,879	0	84,879
Interest Payments	0	0	0	0	0	0	4,201	4,201
Precepts & Levies	0	0	0	0	0	0	186	186
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	526	526
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	(255)	(255)
Total operating expenses	97,061	77,267	21,450	(25,079)	(1,569)	169,129	21,121	190,251
Surplus or deficit on the provision of services	17,285	75,451	(3,018)	0	(814)	88,904	(12,222)	76,682

2009/10

	Services Analysis	Services not in analysis	Amounts not included in analysis but included in I & E	Amounts included in analysis but not included in I & E	Amounts reported below the Net Cost of Service	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reconciliation to Subjective Analysis								
Fees, Charges & Other Service Income	(36,268)	(24,970)	(1,165)	24,899	797	(36,707)	(797)	(37,504)
Group Companies	0	0	0	0	0	0	(11,321)	(11,321)
Interest and Investment Income	0	0	0	0	0	0	(417)	(417)
Income from Council Tax	0	0	0	0	0	0	(5,760)	(5,760)
Government Grants and Contributions	(39,993)	0	0	0	0	(39,993)	(13,200)	(53,193)
Total Income	(76,261)	(24,970)	(1,165)	24,899	797	(76,700)	(31,495)	(108,195)
Employee Expenses	20,138	23,510	0	0	0	43,648	6,902	50,550
Other Service Expenses	57,649	52	84	(24,899)	(817)	32,069	817	32,886
Support Service Recharges	17,039	0	0	0	0	17,039	0	17,039
Group Company Costs	0	0	0	0	0	0	6,907	6,907
Depreciation, Amortisation and Impairment	0	0	3,464	0	0	3,464	0	3,464
Interest Payments	0	0	0	0	0	0	4,233	4,233
Precepts & Levies	0	0	0	0	0	0	174	174
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	610	610
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	(36)	(36)
IFRS Transitional Adjustments	0	0	0	0	1,690	1,690	0	1,690
Total operating expenses	94,826	23,562	3,548	(24,899)	873	97,910	19,607	117,517
Surplus or deficit on the provision of services	18,565	(1,408)	2,383	0	1,670	21,210	(11,888)	9,322

9. Grants Income

The Council received the following government grants, contributions and donations to the Comprehensive Income and Expenditure Statement within 2010/11.

	2010/11 £'000	2009/10 £'000
Credited to Services		
Council Tax Benefit Subsidy	10,514	10,389
Rent Allowances Subsidy	16,542	15,277
Non HRA Rent Rebates	12,254	11,804
Administration Grant	1,043	1,086
Other Revenue Grants	285	99
Housing Revenue Account Subsidy	2,229	2,621
Anti-Social Behaviour Grant	13	22
Building Safer Communities Grant	0	238
Waste Performance & Efficiency	0	85
Homelessness Grants	31	87
Choice Based Lettings	0	0
Concessionary Fares	449	294
Total	43,360	42,002
Credited to Taxation and Non Specific Grant Income		
Area Based Grant	1,102	1,275
Revenue Support Grant	1,455	2,117
LABGI Grant	0	47
Reward Grant	54	146
Capital Grants and Contributions	2,230	4,564
Housing Planning Delivery Grant	0	443
Net National Non Domestic Rates receipts	10,017	9,172
Total Grants	14,858	17,764

The Council has received a number of grants, contributions and donations that have not been recognised as income as they have conditions attached to them that have as yet not been complied with. The balances at the end of the period are identified.

10. Interest Payable and Other Charges

	2010/11 £'000	2009/10 £'000
Loan Interest	4,057	3,936
General Fund	121	596
Consolidate out HRA/GF items	23	(300)
Lease Payments	0	27
Joint Crematorium Committee	0	1
Total interest Payable and Other Charges	4,201	4,260

11. Tangible Non-current Assets

	Housing Revenue Account	Land and Buildings	Community Assets	Vehicles, Plant and Equipment	Infra- structure	Surplus Assets	Assets under Construction	Total
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1st April 2010	271,505	49,508	1,571	15,573	6,761	2,676	1,075	348,669
Additions	8,952	178		527			1,367	11,024
Disposals	(489)			(59)		(7)		(555)
Reclassifications	(300)	1,011				365	(1,076)	0
Transferred to Assets Held for Sale						(160)		(160)
Revaluations / (Impairments)								
Recognised in the Revaluation Reserve		63				486		549
Recognised in Provision of Services		(246)	(73)	(232)	(3,363)	(337)		(4,251)
As at 31st March 2011	<u>279,668</u>	<u>50,514</u>	<u>1,498</u>	<u>15,809</u>	<u>3,398</u>	<u>3,023</u>	<u>1,366</u>	<u>355,277</u>
Depreciation and Impairments								
As at 1st April 2010	(25,519)	(2,598)	(38)	(7,151)	(2,053)	(644)		(38,004)
Charge for the year	(2,819)	(1,121)	(73)	(1,438)	(169)	(1)		(5,621)
Disposals								
Reclassifications								
Revalue / (Impairments)								
Recognised in the Revaluation Reserve	(6,618)							(6,618)
Recognised in Provision of Services	(81,695)							(81,695)
As at 31st March 2011	<u>(116,651)</u>	<u>(3,719)</u>	<u>(111)</u>	<u>(8,589)</u>	<u>(2,222)</u>	<u>(645)</u>		<u>(131,938)</u>
Balance Sheet Net Amount at 31st March 2011	<u>163,017</u>	<u>46,795</u>	<u>1,387</u>	<u>7,220</u>	<u>1,176</u>	<u>2,378</u>	<u>1,366</u>	<u>223,338</u>

The tangible non-current assets at 31st March 2010 for comparative purposes are set out below

	Housing Revenue Account	Land and Buildings	Community Assets	Vehicles, Plant and Equipment	Infra-structure	Surplus Assets	Assets under Construction	Total
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1st April 2009	274,880	49,180	760	14,620	6,704	4,420	1,001	351,565
Additions	4,095	498	559	1,989	57	58	1,352	8,608
Disposals	(660)	(55)	-	(1,052)	-	-	-	(1,767)
Reclassifications	135		257			886	(1,278)	
Transferred to Assets Held for Sale								
Revaluations / (Impairments)								
Recognised in the Revaluation Reserve	(1,264)	111		16		(446)		(1,583)
Recognised in Provision of Services	(5,681)	(226)	(5)			(2,242)		(8,154)
As at 31st March 2010	<u>271,505</u>	<u>49,508</u>	<u>1,571</u>	<u>15,573</u>	<u>6,761</u>	<u>2,676</u>	<u>1,075</u>	<u>348,669</u>
Depreciation and Impairments								
As at 1st April 2009	(20,583)	(1,407)	(5)	(6,400)	(1,887)	(321)		(30,603)
Charge for the year	(4,965)	(1,191)	(33)	(1,634)	(166)	(240)		(8,229)
Disposals	(54)			882				828
Reclassifications	83					(83)		
Revalue / (Impairments)								
Recognised in the Revaluation Reserve								
Recognised in Provision of Services								
As at 31st March 2010	<u>(25,519)</u>	<u>(2,598)</u>	<u>(38)</u>	<u>(7,152)</u>	<u>(2,053)</u>	<u>(644)</u>		<u>(38,004)</u>
Balance Sheet Net Amount at 31 st March 2010								
	<u>245,986</u>	<u>46,909</u>	<u>1,533</u>	<u>8,421</u>	<u>4,708</u>	<u>2,032</u>	<u>1,075</u>	<u>310,665</u>

12. Tangible Non Current Asset Valuations

The following table shows the progress of the Council's rolling programme for the revaluation of non-current assets. The purpose of the rolling programme is to ensure that all assets valued at current value are re-valued at least every five years. Council assets are valued by the Council's Matthew Kirk (FRICS), who determines the valuations on the basis set out in the Statement of Accounting Policies and in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. The table shows the annual movement in asset values arising from the revaluation programme.

	Housing Revenue Account £'000	Land and Buildings £'000	Community Assets £'000	Vehicles, Plant and Equipment £'000	Infra- structure £'000	Surplus Assets £'000	Assets under Construction £'000	Total £'000
Net book value of assets 31st March 2011	163,017	46,795	1,387	7,220	1,176	2,378	1,366	223,338
Valued at historical cost	(376)	(3,356)	(1,387)	(7,220)	(1,176)		(1,366)	(14,881)
	<u>163,393</u>	<u>50,151</u>	<u>2,774</u>	<u>14,439</u>	<u>2,352</u>	<u>2,378</u>	<u>2,733</u>	<u>238,219</u>
Valued at current value:								
31st March 2011 by the Estates Manager (MRICS) employed by ADC	160,889	2,379				449		163,717
31st March 2010 by the Estates Manager (MRICS) employed by ADC		3,953				1,400		5,353
31st March 2009 by the Estates Manager (MRICS) employed by ADC	1,752	36,473				529		38,754
Crematorium Valuation 2008/09		633						633
	<u>162,641</u>	<u>43,438</u>				<u>2,378</u>		<u>208,457</u>

13. Intangible Non-current Assets

Intangible non-current assets relate to the purchase of software licences, which are written off over a 3 to 5 year period depending on the assumed life of the software.

	2010/11 £'000	2009/10 £'000
Original Cost	0	75
Written off to 1st April 2009	0	(75)
Balance at 31st March	0	0

14. Gains and Losses from the Sale of Assets

The Comprehensive Income and Expenditure Statement include gains and losses from the sale of Council assets. The value of the gains and losses for 2009/10 is as follows:

	2010/11 £'000	2009/10 £'000
Council house sales	(213)	(45)
Other housing revenue account assets	0	0
General fund assets	(42)	9
Total	(255)	(36)

15. Financial Instruments

a. Financial liabilities held at amortised cost

	Long Term		Short Term	
	31st March 2011 £'000	31st March 2010 £'000	31st March 2011 £'000	31st March 2010 £'000
Financial Liabilities				
Borrowings at Amortised Cost	80,954	80,940	36	6,039
Finance Leases	164	209	45	42
Trade Creditors			256	448
Total Financial Liabilities	81,118	81,149	337	6,529

b. Financial Assets – Loans and receivables held at amortised cost

	Long Term 31st March 2011 £'000	31st March 2010 £'000	Short Term 31st March 2011 £'000	31st March 2010 £'000
Loans and Receivables				
Investments	1	1	6,900	6,153
Trade Debtors	136	139	1,873	1,057
	<hr/>	<hr/>	<hr/>	<hr/>
Total Loans and Receivables	137	140	8,773	7,210

c. Gains and Losses on Financial Instruments

	2010/11 £'000	2009/10 £'000
Interest Expense		
Liabilities measured at 'Amortised Cost'	4,026	3,997
Interest Income		
Loans and Receivables	(116)	(299)
	<hr/>	<hr/>
Net Gain / (Loss) for the Year	3,910	3,698

d. Fair Value of Assets and Liabilities carried at Amortised Cost

- Financial liabilities and financial assets (represented by loans and receivables) are carried in the Balance Sheet at amortised cost. PWLB centrally disclose the fair values to be utilised.

	31st March 2011		31st March 2010	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities				
PWLB	31,706	34,127	31,707	32,066
Money Market	49,131	54,164	49,064	44,884
Other Local Authorities	117	117	169	169
	<u>80,954</u>	<u>88,408</u>	<u>80,940</u>	<u>77,119</u>
Short Term Borrowing	36	36	6,039	6,039
	<u>36</u>	<u>36</u>	<u>6,039</u>	<u>6,039</u>
	<u>80,990</u>	<u>88,444</u>	<u>86,979</u>	<u>83,158</u>
Loans and Receivables				
Money Market over 12 months				
Other Securities	1	1	1	1
Direct Short Term Investments	6,900	6,900	1,063	1,063
Money Market less than 12 months			5,090	5,090
	<u>6,901</u>	<u>6,901</u>	<u>6,154</u>	<u>6,154</u>

e. Investments

	31st March 2011 £'000	31st March 2010 £'000
Short Term Investments:		
Direct Short Term Investment	6,005	
Investments of Joint Crematorium Committee	895	1,063
City Deposit Brokers Managed Fund		5,090
	<u>6,900</u>	<u>6,153</u>
Long Term Investments:		
Other Securities	1	1
City Deposit Brokers Managed Fund		
	<u>1</u>	<u>1</u>
Total Investments	<u>6,901</u>	<u>6,154</u>

Under the Council's accounting policy on Cash Equivalents, instant access accounts are deemed to be classified as cash equivalents within the balance sheet and cash flow statements while short term investments (including 3 months and less) remain classified as investments.

Soft Loan

During the financial year, the Alliance for Enterprise Partnership awarded an interest free loan of £260,000 to Roseland Community Energy Trust Ltd. As the Accountable Body for the Partnership the loan is required to be included within the Council's Balance Sheet. As the likelihood of repayment and repayment date is uncertain the loan has been fully impaired. In respect to Financial Instruments the loan has been accounted for in accordance with the Accounting Policy and the Code.

16. Inventories

A breakdown of the balance sheet figure is given below

	Balance at 31st March 2010 £'000	Receipts In Year £'000	Payments In Year £'000	Balance at 31st March 2011 £'000
Stocks	96	555	(563)	88
Work in Progress	0			0
	96	555	(563)	88

	Balance at 31st March 2009 £'000	Receipts In Year £'000	Payments In Year £'000	Balance at 31st March 2010 £'000
Stocks	137	50	(91)	96
Work in Progress	21		(21)	0
	158	50	(112)	96

17. Investment Property

The Council does not hold any property for investment purposes. The estate of industrial units is held as part of the Council's regeneration activities.

18. Debtors

A detailed analysis of the balance sheet figure is given below:

	31st March 2011 £'000	31st March 2010 £'000 Restated
Central Government Bodies	1,856	2,292
Other Local Authorities	1,713	1,521
NHS Bodies	0	0
Public Corporations and trading funds	0	0
Other entities and individuals	5,794	9,198
Provision for Bad Debt	(831)	(1,192)
	<u>8,532</u>	<u>11,819</u>
Long Term Debtors:		
Mortgages	(2)	2
Car Loans	66	62
Advances to Housing Associations	83	88
Nottinghamshire County Council	93	0
Loan/ Grant	256	0
Provision for Bad Debt	(256)	0
	<u>240</u>	<u>152</u>

The long term loan to Nottinghamshire County Council which has not been recognised in previous years is in respect of transferred assets following a reorganisation of local services.

19. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31st March 2011 £'000	31st March 2010 £'000
Cash Overdrawn	(960)	(1,397)
Bank Current Accounts	0	0
Short Term Deposits	4,081	6,198
	<u>3,121</u>	<u>4,801</u>

20. Assets Held For Sale

The Comprehensive Income and Expenditure Statement contains the following amounts for assets held for sale. It is in respect of the former Belper House Hostel site. This was done in accordance with International Reporting Standard (IFRS) 5 Non-Current Assets Held for Sale and Discontinued Operations.

	31st March 2010/11 £'000	31st March 2009/10 £'000
Assets Held for Sale	160	0
	160	0

21. Creditors

A detailed analysis of the balance sheet figure is given below:

	31st March 2010/11 £'000	31st March 2009/10 £'000 Restated
Central Government Bodies	828	308
Other Local Authorities	944	2,025
NHS Bodies	0	0
Public Corporations and trading funds	497	0
Other entities and individuals	5,939	3,729
	8,208	6,062

22. Provisions

The Council has created provisions in respect of a number of issues that will probably result in a cost to the Council. These are analysed below for 2009/10 and 2010/11 for comparative purposes.

	Balance at 31st March 2010 £'000	Receipts In Year £'000	Payments In Year £'000	Balance at 31st March 2011 £'000
Accumulated Absences	(174)	(19)		(193)
Equal Pay Claims	0	(150)		(150)
Local Land Charges Fees	0	(100)		(100)
Insurance Funds				
Liability	(142)		29	(113)
Property	(81)	(15)		(96)
Computer	0	(1)		(1)
	<u>(397)</u>	<u>(285)</u>	<u>29</u>	<u>(653)</u>

	Balance at 31st March 2009 £'000	Receipts In Year £'000	Payments In Year £'000	Balance at 31st March 2010 £'000
Accumulated Absences	(141)	(33)		(174)
Equal Pay Claims				0
Local Land Charges Fees				0
Insurance Funds				
Liability	(115)	(27)	0	(142)
Property	(21)	(60)	0	(81)
Computer				
	<u>(277)</u>	<u>(120)</u>	<u>0</u>	<u>(397)</u>

a. Accumulated Absences

The provision represents the value of employee benefits, mainly flexi time and annual holiday entitlement not taken at 1 April 2011. This is a short term liability.

b. Equal Pay Claims

The Single Status Agreement (1997) and a Pay and Grading Agreement (2004) between employers and trades unions require all local authorities to undertake a Job Evaluation and Single Status review.

The Council has not yet implemented pay, terms and conditions which comply with these agreements and as a result fourteen claims for equal pay have been lodged with the Employment Tribunal against the Council. The probable cost to the Council is considered to be £150,000 for which provision has been made.

c. Local Land Charges Search Fees

The provision of £100,000 arises from the Government's decision to revoke the Personal Search fee and the possibility of claims for refunds in respect of fees collected in previous years.

d. Insurances

At the end of the year the Council had a £210,000 insurance provision which is maintained to meet its outstanding liability (within the policy excess) for claims in line with the reserves calculated by the Council's Insurers. Most claims come to fruition within 1-2 years. The factors affecting these values can change and the Insurance Companies regularly review the reserves. The insurance provision's main risk is that several incurred but not reported claims could affect its adequacy. Over and above this provision the Council also maintains additional insurance funds.

23. Usable Reserves

Movements in the Councils usable reserves are detailed in the Movement in Reserves Statement and the following note.

a. Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances to earmarked reserves for future expenditure plans.

	Balance at 31st March 2011 £'000	Movements in Year £'000	Balance at 31st March 2010 £'000	Movements in Year £'000	Balance at 31st March 2009 £'000
Corporate Improvement	413	(129)	542	200	342
District Planning Enquiry	135	(20)	155	35	120
Elections	123		123	38	85
Harold Farr Bequest	14		14		14
Enforcement Fund	0	(200)	200		200
Concessionary Fares Fund	81		81		81
Corporate Change and Renewal Fund	1,450	(105)	1,555	685	870
Lammas Renewal Reserve	250	250	0		
LEGI Reserve	647	647	0		
Joint Crematorium Reserve	1,327	154	1,173	137	1,036
Insurance Related Funds	719	(29)	748	66	682
Closed Reserves	0		0	(2,192)	2,192
Revenue Grant Released	293	(16)	309	72	237
	5,452	552	4,900	(959)	5,859

b. Capital Grants Unapplied Reserve

This reserve details the amounts received in unspent capital grant and contribution income that does not have material conditions attached and is therefore available for future capital expenditure purposes.

	2010/11 £'000	2009/10 £'000
Opening Balance	7,560	5,879
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	2,230	4,564
Application of Capital Grants and Contributions within the period and adjusted through the Capital Adjustment Account	(1,602)	(2,883)
Closing balance	8,188	7,560

c. Capital Receipts Reserve

	2010/11 £'000	2009/10 £'000
Opening Balance	1	0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	297	(2,612)
Government Capital Receipts Pool	526	0
Use of the Capital Receipts reserve to finance new expenditure	(811)	2,613
Closing Balance	13	1

24. Unusable Reserves

The unusable reserves arise from accounting entries and cannot be used to finance expenditure. The table below contains an analysis of the unusable reserves.

	Balance at 31st March 2011 £'000	Movements in Year £'000	Balance at 31st March 2010 £'000	Movements in Year £'000	Balance at 31st March 2009 £'000
Revaluation Reserve	(11,539)	6,287	(17,826)	2,240	(20,066)
Capital Adjustment Account	(105,339)	80,975	(186,314)	9,800	(196,114)
Pensions Reserve	38,187	(27,233)	65,420	27,056	38,364
Accumulated Absences Reserve	193	19	174	33	141
Collection Fund Revenue Account	(50)	(93)	43	91	(48)
Collection Fund Adjustment Account					
Financial Instruments Adjustment Account	921	(80)	1,001	(61)	1,062
	(77,627)	59,875	(137,502)	39,159	(176,661)

a. Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downward
- depreciated at the higher than cost carrying value
- disposed of and the gains are realised

	2010/11	2009/10
	£'000	£'000
Opening Balance	(17,826)	(20,066)
Asset Impairment	6,618	1,583
Revaluation of Assets	(549)	
Adjustment between current value depreciation and historic cost depreciation	193	506
Write out of revaluation on disposal; property, plant and equipment	25	151
Closing Balance	<u><u>(11,539)</u></u>	<u><u>(17,826)</u></u>

The reserve contains revaluation gains accumulated since 1 April 2007, the date that the reserve was created; prior to this date revaluation gains were consolidated into the Capital Adjustment account.

b. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for the financing of these assets under statutory provision.

The table below identifies the transactions posted to this account during the period.

	2010/11	2009/10
	£'000	£'000
Opening Balance	(186,314)	(196,114)
<u>Adjustments between accounting basis & funding basis under regulations</u>		
Charges for depreciation and impairment of non current assets	1,367	4,020
Revaluation losses on Property Plant and Equipment	85,946	8,153
Capital Grants and Contributions	(1,590)	(1,885)
Revenue Expenditure Funded from Capital under Statute	895	107
Carrying Value of non current assets written off on disposal	555	939
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(811)	(1,009)
Statutory Provision for the financing of capital investment	(1,164)	(860)
Capital Expenditure charged against the General Fund	(453)	(244)
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	526	610
Unattached Receipts	0	(74)
Transferred Asset Principal Repayment - NCC	0	16
Reversal of Major Repair Allowance credited to the HRA	4,254	4,209
Use of the Major Repair Reserve to finance new capital expenditure	(8,332)	(3,525)
<u>Other Reserve Movements</u>		
Adjustment between current value depreciation and historic cost depreciation	(193)	(506)
Write out of revaluation on disposal; property, plant and equipment	(25)	(151)
Closing Balance	<u>(105,339)</u>	<u>(186,314)</u>

c. Pensions Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding those benefits in accordance with statutory provision.

The debit balance on the Pension Reserve shows a substantial shortfall in the resources the Council has set aside to meet the benefits earned by past and current employees.

	2010/11	2009/10
	£'000	£'000
Opening Balance	65,420	38,364
Actuarial (gains) or losses on pension assets and liabilities	(20,856)	26,299
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,384)	3,844
Employers pension contribution payable in the year	(2,993)	(3,087)
Closing Balance	38,187	65,420

d. Accumulated Absences Reserve

The Accumulated Absences Account absorbs the difference that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in year.

	2010/11	2009/10
	£'000	£'000
Balance Brought Forward	174	141
Movement in Year	19	33
Closing Balance	193	174

e. Financial Instruments Adjustment Account

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expense relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	2010/11	2009/10
	£'000	£'000
Opening Balance	(1,001)	(1,062)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	80	61
Closing Balance	(921)	(1,001)

25. Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

25a. Net Cash Flows from Operating Activities

	2010/11 £'000	2009/10 £'000
Net Surplus or (Deficit) on the Provision of Services-	(75,232)	(5,068)
Adjust net surplus or deficit on the provision of services for non cash movements:		
Depreciation and Impairment	91,566	15,937
Soft Loans (non Subsidiary)-Interest adjustment credited to I+E Account during year	4	0
Adjustments for effective interest rates	(79)	0
Increase/Decrease in Interest Creditors	90	0
Increase/Decrease in Creditors	1,957	(1,965)
Increase/Decrease in Debtors	3,296	2,350
Increase/Decrease in Inventories	8	62
Pension Liability	(6,377)	757
Contributions to/(from) Provisions	256	88
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	555	1,026
	<u>91,276</u>	<u>18,255</u>
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities:		
Capital Grants credited to surplus or deficit on the provision of services	(2,230)	(4,564)
Proceeds from the sale of short and long term investments	0	(2,060)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(823)	(1,008)
	<u>(3,053)</u>	<u>(7,632)</u>

25b. Net Cash Flows from Operating Activities (Interest)

Operating activities within the cashflow statement include the following cash flows relating to interest:

Ordinary interest received	48	57
Soft Loans (non Subsidiary)-Interest adjustment credited to I+E Account during year	4	0
Interest Received	<u>52</u>	<u>57</u>
Interest charge for year	(35)	(33)
Adjustments for differences between Effective Interest Rates and actual interest payable	(79)	0
Other interest:		
Opening Creditor	90	0
Closing Creditor	0	0
Interest Paid	<u>(24)</u>	<u>(33)</u>

25c. Net Cash Flows from Investing Activities

	2010/11 £'000	2009/10 £'000
Purchase of Property, Plant and Equipment, investment property and intangible assets	(11,024)	(8,805)
Purchase of short and long term investments	(747)	(981)
Long term loans granted	5	0
Proceeds from the sale of property plant and equipment, investment property and intangible assets	823	1,008
Other capital cash receipts	0	1,604
Capital Grants Received	2,230	4,564
Other capital cash receipts in advance	0	0
Total Cash Flows from Investing Activities	<u>(8,713)</u>	<u>(2,610)</u>

25d. Cash Flow - Financing Activities

	2010/11 £'000	2009/10 £'000
Cash receipts of short and long term borrowing	11,525	35,033
Billing Authorities - Council Tax and NNDR adjustments	0	0
Repayment of Short-Term and Long-Term Borrowing	(17,525)	(34,655)
Other receipts from financing activities	0	(1,386)
Other payments for financing activities	0	1,319
Payments for the reduction of a finance lease liability	42	(38)
Total Cash Flows from Financing Activities	(5,958)	273

26. Trading Operations

Trading undertakings are maintained by the Council to meet the Regeneration objective. The markets section has had a reduction in income from £453,474 in 2009/10 to £381,663 in 2010/11, resulting in a greater loss than the previous year.

The value of the council's industrial estate has reduced by £544,584 due to erroneous assets that could not be substantiated and were written off to zero. There is also a loss of government grant release due to accounting changes to implement IFRS, which resulted in a loss of income in 2010/11 which was £146,413 in 2009/10.

	2010/11 Expenditure £'000	2010/11 Income £'000	Net Expenditure £'000	2009/10 Net Expenditure £'000
Markets	530	(382)	148	58
Industrial Estates	1,039	(373)	666	127
Net (Surplus) / Deficit	1,569	(755)	814	185

27. Agency Services

The Council undertakes highways work under the Manage and Operate Partnership (MOP) in partnership with neighbouring Authorities and Nottinghamshire County Council.

The Council has a Management Contract with Selston Parish Council. The Council is paid on a recharge basis by Selston Parish Council and includes a charge for some general services connected with the general management of the contract. The charge to Selston Parish Council for the contract for 2010/11 was £10,000.

	2010/11 £'000	2009/10 £'000
Costs of Highways agency incurred on behalf of Nottinghamshire County Council	5,045	4,548
Receipts in relation to Highways Agency	(5,016)	(4,367)
Net (Surplus)/Deficit	<u>29</u>	<u>181</u>

	2010/11 £'000	2009/10 £'000
Expenditure incurred on behalf of Selston Parish Council	168	174
Receipts from Selston Parish Council	(168)	(174)
Net (Surplus)/Deficit	<u>0</u>	<u>0</u>

28. Members Allowances

The total amount paid under the members' allowances scheme during the year was £400,495 (£399,726 in 2009/10).

29. Officers' Remuneration

The disclosure of senior officer's remuneration under Regulation 4 of the Accounts and Audit (England) Regulations 2011 is as follows:

Post	Salary £	Bonuses £	Expenses £	Compensation for Loss of Office £	Benefits in Kind (e.g. Car Allowances) £	Total Remuneration Exc. Pension Contributions £	Pension Contributions £	Total Remuneration £
Chief Executive Note 1	91,250		1,198		3,512	95,960	20,440	116,400
Deputy Chief Executive (Resources) Note 2	75,100		2,518		1,201	78,819	16,721	95,540
Head of Land and Property Services	61,534		355		1,239	63,128	13,784	76,912
Head of Customer, Revenue and IT Services	61,534				1,239	62,773	13,784	76,557
Head of Health and Housing Note 3	20,677		200		416	21,293	4,632	25,925
Head of Neighbourhood Services	61,534		525		1,333	63,392	13,784	77,176
Head of Community and Economic Promotion	59,990		1,212		1,239	62,441	13,438	75,879
Assistant Chief Executive (Governance)	53,160		126		1,239	54,525	11,908	66,433

Note 1 Chief Executive Officer annual salary from 01/04/10 to 30/09/10 £90,000.
Chief Executive Officer annual salary from 01/10/2010 changed to £92,500

Note 2 Deputy Chief Executive (Resources) commenced 12/04/10, full year salary £77,000 plus £17,248 Employers pension contributions.

Note 3 Head of Health & Housing left the Council 01/08/10, salary for full year £61,533.96 plus £13,783.56 Employers pension contributions.

The information for 2009/10 on a similar basis for comparative purposes is:

Post	Salary £	Bonuses £	Expenses £	Compensation for Loss of Office £	Benefits in Kind (e.g. Car Allowances) £	Total Remuneration Exc. Pension Contributions £	Pension Contributions £	Total Remuneration £
Deputy Chief Executive (inward facing) Note 1	51,609			55,000	15,811	122,420	11,405	133,825
Chief Executive Note 2	85,039		1,289		2,208	88,536	18,786	107,322
Head of Land and Property Services	61,534	1,231	1,744		1,164	65,673	13,599	79,272
Head of Customer, Revenue and IT Services	61,534		11		1,164	62,709	13,599	76,308
Head of Health and Housing	59,823		231		1,258	61,312	13,258	74,570
Head of Neighbourhood Services	59,990		127		1,164	61,281	13,258	74,539
Head of Community and Economic Promotion	56,020	1,169	1,007		1,164	59,360	12,917	72,277

The number of other employees whose remuneration, excluding employers' pension contributions, was £50k or more in bands of £5,000 was as follows. This includes all senior management from the above tables; there was one additional officer whose remuneration for 2010/11 includes compensation for loss of employment taking their total remuneration for 2010/11 over the disclosure threshold of £50k.

Remuneration (£)	2010/11	2009/10
50,000 – 54,999	2	0
55,000 – 59,999	1	1
60,000 – 64,999	4	3
65,000 – 69,999	0	1
70,000 – 74,999	0	0
75,000 – 79,999	1	0
80,000 – 84,999	0	0
85,000 – 89,999	0	1
90,000 – 94,999	0	0
95,000 – 99,999	1	0
100,000 – 119,999	0	0
120,000 – 124,999	0	1

30. Audit Costs

The analyses of the fees payable to the Audit Commission with regard to external audit services are:

	2010/11 £'000	2009/10 £'000
External audit services carried out by the appointed auditor	144	130
Other Services	0	0
Statutory Inspection	8	8
Certification of Grant Claims	28	26
	<u>180</u>	<u>164</u>

31. Related Party Transactions

The Council is required to disclose material transactions with related parties bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. The disclosure of these transactions allows readers to assess the extent to which there exists the possibility that the Council might have been constrained in its ability to operate independently or might have secured the ability to influence another party's ability to bargain freely with the Council.

a. Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operate, provides the majority of its funding in the form of grants and prescribes the terms of many transactions that the Council has with other parties (e.g. Council Tax bills, Housing Benefits). Details of grants received from government departments are set out in Note 9 of the accounts.

b. Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2010/11 is shown in Note 28.

During 2010/11, following Contract Procedure Rules works and services to the value of £11,493.23 including VAT were commissioned from one company in which two Members had an interest. One Member leases 6 properties and another Member leases 1 property from the Council.

Three Members have declared an interest in Ashfield Citizens Advice Bureau to whom the Council made payments to totalling £76,056; £52,310 being a grant and £23,746 for services provided. One Member has declared an interest in a voluntary organisation 'Our Centre' for £19,150. In addition, the Council made payments to a range of other voluntary organisations totalling £7,970 in which 7 members declared an interest. No grants were made to organisations whose senior management included close members of the families of Members.

The Board of Ashfield Homes Ltd, an arms length housing management company wholly owned by the Council included at 31st March 2011 members of Ashfield District Council on its Board. These were Councillor J.M. Bulmer, Councillor J.F. Dymock, Councillor J.M.A. Wilmott and Councillor W.T. Nuttall. The related party transactions are shown as part of the Group Accounts.

The Council is jointly responsible for the operation of the Mansfield and District Joint Crematorium Committee along with Mansfield District Council and Newark and Sherwood District Council. Details of the Council's share of transactions are shown at Note 41. There are three elected members of the Council who are also members of the Committee.

Payments totalling £260,605 were made to Parish Councils

- £168,530 relating to the precept and a further £65,000 in parish aid grant was paid to Selston Parish Council;
- £17,835 relates to the precept and a further £10,240 in parish aid grant was paid to Annesley and Felley Parish Council.

During 2010/11 there were two elected members of the Council who are also parish councillors; one a member of Selston Parish Council and the other a member of Annesley and Felley Parish Council.

In all instances where payments are involved, proper consideration of declarations of interest has been given. The relevant members did not take part in any discussion or decision relating to payments. Details of all transactions are recorded in Register of Members' Interests, which is available for public inspection

The disclosure note has been prepared using the Council's Register of Members Declarations of Interest and appointments made by the Council in addition to a specific declaration obtained in respect of related party transactions.

c. Officers

During 2010/11, the Chief Executive declared a pecuniary interest in accordance with section 117 of the Local Government Act 1972 as a Director of a voluntary organisation, Ashfield Voluntary Action. The Council has paid the charity for services totalling £11,000 and made a grant payment of £200. The Chief Executive did not take part in any discussion, decision or administration relating to these transactions.

One party interest was declared regarding grant funding awarded to a local church organisation of £8,000. Funding was awarded by the Crime and Disorder Partnership for which the Council is the Accountable Body. The party involved declared an interest when the grant was being considered and did not take part in the decision when the grant was awarded.

During 2010/11, the services of four companies were procured to manage services of the Council. The directors of these companies were members of the

Corporate Management Team. The payments for each related party interest were £31,080, £40,581, £51,800 and £69,455 inclusive of VAT respectively.

32. Capital Financing Requirement

	2010/11 £'000	2009/10 £'000
Opening Capital Financing Requirement	105,777	103,989
Capital Investment		
Operational Assets	11,024	8,608
Non Operational Assets	0	0
REFCUS	895	1,051
Leasing	253	38
Other	0	0
	<u>12,172</u>	<u>9,697</u>
Sources of Finance		
Capital Receipts	285	451
Government Grants and Other Contributions	1,604	2,829
Major Repairs Reserve	8,332	3,525
Minimum Revenue Provision	1,164	860
Revenue Contributions	453	244
Adjustment to Prior Years	(499)	
	<u>11,339</u>	<u>7,909</u>
Closing Capital Financing Requirement	106,610	105,777
Movement in the Year	833	1,788
Explanation of Movement in the Year		
Increase in Underlying Need to Borrow (unsupported by Government Financial Assistance)	1,498	2,648
Adjustment to prior Years	499	0
Minimum Revenue Provision	(1,164)	(860)
	<u>833</u>	<u>1,788</u>

33. Assets held as Lessee

a. Operating Leases

The Council was committed at the 31st March 2010 to making payments of £16,000 under operating leases in 2010/11 comprising the elements in the table below:

	Vehicles, Plant and Equipment	Total
	£'000	£'000
Total Rentals Paid in 2009/10	71	71
Outstanding Undischarged Leasing Obligations		
Leases expiring in 2010/11	16	16

b. Finance Leases

The Council has commitments to make future payments under finance leases which comprise payments in settlement of the long term liability and future financing costs.

	As at 31st March 2011 £'000	As at 31st March 2010 £'000
Finance Lease Liabilities		
Current	45	42
Non Current	164	209
Finance Costs Payable in Future Years	52	75
	<u>261</u>	<u>326</u>

The minimum lease payments will be payable over the following years.

	As at 31st March 2011 £'000	As at 31st March 2010 £'000
Within one year	65	65
Between one and five years	196	261
	<u>261</u>	<u>326</u>

The assets acquired under this lease, lifeline monitoring equipment, are carried at the following net amount within the balance sheet.

	As at 31st March 2011 £'000	As at 31st March 2010 £'000
Equipment	<u>253</u>	<u>304</u>

34. Assets held as Lessor

With regard to the Council's activity as a lessor, the gross value of assets held for use in operating leases as at 31st March 2011 and 2010 was £8.459m (these properties were subject to accumulated depreciation of £0.898m 2011 and £0.676m 2010). The net book value of these assets is £7.561m in 2011 and £7.783m in 2010.

The future minimum lease payments receivable under non-cancellable leases in future years are

	2010/11 £'000	2009/10 £'000
Within 1 Year	254	400
Between 2 and 5 Years	318	133
Later than 5 Years	102	32
	<u>674</u>	<u>565</u>

35. Impairment

During 2010/11 the Council recognised impairment losses as detailed in the following table:

	2010/11 £'000	2009/10 £'000
Impairment Losses recognised within the surplus or Deficit of the provision of services	85,946	8,153
Impairment Losses recognised in Other Comprehensive Income and expenditure and taken to the Revaluation Reserve	6,069	2,547
	<u>92,015</u>	<u>10,700</u>

36. Termination Benefits

The Council terminated the contracts of a number of employees in 2010/11, incurring liabilities of £109,569 (£165,160 in 2009/10). Of this total, £22,659 was paid to the Planning Policy and Projects Manager, in the form of compensation for loss of office as disclosed in Note 29 as the 1 member of staff with remuneration of over £50,000, who is not a Senior Officer. The remaining £86,910 is payable to 10 officers who were made redundant as part of the Council's rationalisation of Services to improve service delivery and make efficiency savings. These services include Land and Property, Finance and Cultural Services.

37. Retirement Benefits

a. Participation in pension schemes

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

The Council participates in the Local Government Pension Scheme administered locally by Nottinghamshire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and the employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

The latest available membership data is shown in the table below.

	Number at 31st March 2011	Salaries/ Pensions £'000	Average Age
Active members	523	10,822	45
Deferred pensioners	413	731	44
Pensioners	620	3,156	70

b. Transactions relating to retirement benefits

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

	2010/11 £'000	2009/10 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	2,895	959
Loss (gain) on curtailments	176	263
Financing and Investment Income		
Interest cost	5,729	5,289
Expected return on scheme assets	(3,720)	(2,667)
Charge to the Income and Expenditure Statement -	5,080	3,844
Surplus or Deficit on Provision of Services		

Movement on the General Fund Balance:

reversal of net charges made for retirement benefits in accordance with IAS 19	3,384	(3,844)
Actual amount charged against the General Fund		
Balance for pensions in the year:		
employers' contributions payable to scheme	2,993	3,087

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement – Surplus or Deficit on the Provision of Services, actuarial gains of £20.856m (£26.299m loss in 2009/10) were included in Other Comprehensive Income and Expenditure. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is a loss of £38.187 (£65.420m loss in 2009/10).

c. Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	2010/11 £'000	2009/10 £'000
Opening Defined Benefit Obligation	120,675	80,162
Current service cost	2,895	959
Past Service Cost	(8,464)	0
Interest cost	5,729	5,289
Contributions by scheme participants	726	719
Actuarial (gains) and losses	(20,923)	37,435
Losses/ (gains) on Curtailment	176	263
Benefits paid (net of transfers in)	(4,151)	(3,863)
Unfunded pension costs	(284)	(289)
Closing Defined Benefit Obligation	96,379	120,675

Reconciliation of fair value of the scheme assets:

	2010/11	2009/10
	£'000	£'000
Opening fair value of Scheme assets	55,255	41,798
Expected rate of return	3,720	2,667
Actuarial gains and (losses)	(67)	11,136
Employer contributions	2,993	3,087
Contributions by scheme participants	726	719
Benefits paid	(4,435)	(4,152)
Closing fair value of Scheme assets	58,192	55,255

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest 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.

The actual return on scheme assets in the year was £4.340m (2009/10: £13.803m).

Reconciliation of opening and closing surplus

	2010/11	2009/10
	£'000	£'000
Deficit at beginning of year	(65,420)	(38,364)
Current Service Cost	(2,895)	(959)
Employers Contributions	2,709	2,798
Unfunded pension payments	284	289
Past Service Costs	8,464	0
Other finance income	(2,009)	(2,622)
Settlement or curtailments	(176)	(263)
Actuarial (losses)/ gains	20,856	(26,299)
Closing fair value of scheme deficit	(38,187)	(65,420)

The movement in the actuarial (loss) or gain is recognised within Other Comprehensive Income and Expenditure.

	2010/11	2009/10
	£'000	£'000
Actual return less expected return on pension scheme assets	621	11,136
Experience gain	546	345
Changes in assumptions underlying the present value of the scheme liabilities	19,689	(37,780)
Actuarial (loss)/ gain in pension scheme	20,856	(26,299)
Decrease/ increase in irrecoverable surplus	0	0
Actuarial gain (loss) recognised within Other Comprehensive income and expenditure	20,856	(26,299)

d. Scheme history

	2006/07	2007/08	2008/09	2009/10	2010/11
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities	(86,830)	(94,494)	(80,162)	(120,675)	(96,379)
Fair value of assets	53,995	51,479	41,798	55,255	58,192
Surplus/(deficit) in the scheme	(32,835)	(43,015)	(38,364)	(65,420)	(38,187)

* For consistency the assets are shown at bid price (estimated where necessary) for the periods prior to 31st March 2009.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £38.187m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy because the deficit on the pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Pension Scheme by the Council in the year to 31st March 2012 are £2.526m.

e. Projected Pension Expenses

The projected pension expenses for the year to 31st March 2012 are:

	£' 000
Service Cost	2,297
Interest Cost	5,270
Return on Assets	(3,929)
Total	3,638

Employer Contributions	2,526
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These figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31st March 2011. These projections are based on the assumptions as at 31st March 2011, as described in the actuary's report.

f. Basis for estimating assets and liabilities

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 on assumptions about mortality rates, salary levels, etc. The County Council Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1st April 2007.

The principal assumptions used by the actuary have been:

	2010/11	2009/10
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.30%	7.40%
Gilts	4.40%	4.50%
Other Bonds	5.50%	5.50%
Property	6.80%	6.90%
Cash	3.00%	3.00%
<i>Mortality assumptions:</i>		
Longevity at 65 for current pensioners:		
Men	18.5	20.3
Women	22.6	23.91
Longevity at 65 for future pensioners:		
Men	20.5	21.22
Women	24.5	24.91
Financial Assumptions:		
Increase in Retail Price Index	3.50%	3.90%
Increase in Consumer Price Index	2.70%	
Rate of increase in salaries	5.00%	5.40%
Rate of increase in pensions	2.70%	3.90%
Rate for discounting scheme liabilities	5.50%	5.50%
Take-up of option to convert annual pension into retirement lump sum	50.00%	50.00%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Employer Asset Share - Bid Value (Table on Page 4)

	31st March 2011		31st March 2010	
	£'000		£'000	
Equities	42,480	73.00%	37,574	68.00%
Gilts	4,073	7.00%	4,973	9.00%
Other Bonds	2,328	4.00%	3,315	6.00%
Property	6,983	12.00%	8,288	15.00%
Cash	2,328	4.00%	1,105	2.00%
	58,192	100.00%	55,255	100.00%

g. History of experience of gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2011:

	2006/07	2007/08	2008/09	2009/10	2010/11
	%	%	%	%	%
Differences between the expected and actual return on assets	2.1	(10.8)	(30.8)	20.2	(0.1)
Experience gains and losses on liabilities	0.0	0.1	0.0	0.3	1.3

38. Contingent Liabilities

a. Insurance

During 1992/93, Municipal Mutual Insurance (MMI), who had been the Council's main insurers ceased accepting new business. As at 31st March 2010 the estimate for the claim outstanding was £6,000 – there were 2 claims outstanding at 31st March 2011. The total amount paid under this scheme of arrangement since 1992/93 has been £434,000. If MMI funds ran out this would be subject to claw-back, however no such claw-back is anticipated by them at this time.

The Independent Insurance Company who was the Council's Liability Insurer between 1992 and 1998 has been forced into liquidation. As at the 31st March 2011 there were no claims outstanding. However, if any further claims arise then it is likely that the whole or at least part of this amount would fall to the Council.

b. Ashfield Homes Limited

The Council is the parent company and sole owner of Ashfield Homes Limited (AHL). In the event of the Management Agreement between the Council and AHL ending, all assets and liabilities of AHL would transfer to the Council. This includes all liabilities relating to pension obligations. The Council has specifically indemnified AHL in respect of these. It is expected that any pension fund deficit

will be reduced by continued additional employers' contributions. The actuarial valuation of the pension fund deficit for AHL at 31st March 2011 was £2.861m.

c. Equal Pay Issues

- **Equal Pay Claims prior to resolution of the current Job Evaluation / Single Status exercise**

These have been dealt with by the creation of a provision; details appear within note 22.

- **Equal Pay Claims following resolution of the current Job Evaluation / Single Status exercise**

The review referred to above has been in progress since September 2010, under which all the Council's jobs will be evaluated and all employment terms and conditions reviewed to ensure that, in the future, the grading and terms and conditions of employees will not give rise to equal pay claims.

The review will be completed in financial year 2011/12.

However, once the review has been completed there remains the potential for individual employee groups to make retrospective equal pay claims covering the period of up to six years prior to the implementation date. Given the process has not concluded it is not presently possible to quantify the nature or quantum of any claim that may arise but the Council has given consideration as to how it may fund any such claims that may materialise. The Corporate Change and Renewal Fund Reserve is available for this purpose.

d. Butler's Hill Development - Possibility of Contaminated Soil

In the corresponding section in the 2009/10 Statement of Accounts, reference was made to the possibility of contaminated soil having been brought to this development site. At that time there was the possibility that remedial works may have needed to be carried out, which would have had a cost implication for the Council.

Having investigated the pollution levels at the site, the Environment Agency wrote to the Council on 17 November 2010, stating that they were "generally satisfied that the site poses minimal risks to the environment at this time."

As the situation stands the Council believes that this no longer gives rise to a contingent liability.

e. Kings Mill Reservoir – De-silting

The Council has a responsibility towards the removal of silt from the Kings Mill Reservoir, which it owns. Investigations are at an early stage so the cost is difficult to quantify at this stage.

Other organisations have an involvement with the reservoir, and opportunities for grant funding are being pursued.

It is likely that the Council will have to make future provision in its capital programme for its contribution towards resolving this problem.

39. Contingent Assets

a. Sale of Garden Road Allotments

As part of the agreement to the sale of Garden Road Allotments a £400,000 topsoil allowance is being held in an escrow agreement by Eversheds LLP. The work has now been completed; however the final sum is in dispute. The Council is making efforts to resolve the issue at present. It is likely that the outcome will be decided by an independent expert. The cost of the work will be within the £400,000 and any agreed sum will be paid directly to the contractor with the balance due to the Council.

b. VAT Reclaim

The Council received a payment of £1,081,000 in 2009/10 and a further payment of £64,354 in 2010/11 in respect of overpaid VAT, as a result of the Fleming & Condé Nast ruling.

The ruling relates to a variety of activities going back as far as 1973 where VAT on income was accounted for and in respect of which Her Majesty's Revenues and Customs now accept that VAT was not due.

Additionally, the Council is claiming, along with other local authorities, that it would be more appropriate to receive compound interest instead of the simple interest the Council has received as part of the settlement. If successful, this claim could result in another significant sum in excess of £1m being received.

The progress of the Council's claim will largely be determined by ongoing litigation involving other taxpayers. The arguments are complex, and European Law is involved, and therefore the Council's consultants believe that this may not be resolved until 2013 at the earliest.

40. Deferred Credits

The balance on this account represents the capital income still to be received from the sale of Council houses where deferred payments have been agreed. It equates to long-term debtors – Council house sales.

	2010/11 £'000	2009/10 £'000
Balance Brought Forward	(21)	(26)
Receipts in Year	0	5
Balance Carried Forward	<u>(21)</u>	<u>(21)</u>

41. Joint Crematorium Committee

The Council's share of income, expenditure, assets and liabilities in respect of the Joint Crematorium Committee is as follows;

	2010/11 £'000	2009/10 £'000
Gross Income	(502)	(460)
Gross Expenditure	351	327
Net Surplus	<u>(151)</u>	<u>(133)</u>
Total Assets at Year End	2,036	1,798
Total Liabilities at Year end	<u>62</u>	<u>5</u>
Net Assets at Year End	<u>1,974</u>	<u>1,793</u>

42. Nature and Extent of Risks Arising from Financial Instruments

a. Credit Risk

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised by an investment policy which requires that deposits are not made with financial institutions unless they meet minimum standards. It also imposes a maximum amount which can be invested with each financial institution.

The credit criteria in respect of financial assets held by the Council are as detailed below:

Financial Asset Category		Criteria	Maximum Investment
Deposits with banks	Short Term	Minimum F1	£5m per counter-party
	Long Term	Minimum A	£5m per counter-party
Deposits with building societies	Short Term	Top 15 by asset value	£5m per counter-party
	Long Term	Top 15 by asset value	£5m per counter-party

The following analysis summarises the Council's potential exposure to credit risk, based on experience of default and failure to collect over the last 5 financial years, adjusted to reflect current market conditions.

	Amount at 31st March 2011	Historical Experience of default	Historical experience adjusted for market conditions at 31st March 2011	Estimated maximum exposure to default and uncollectability
	£'000	%	%	£'000
Deposits with banks and financial institutions	4,081	0.0	0.5	20
Bonds	0	n/a	0.0	0
Customers	2,009	9.3	8.0	161

The Council does not allow credit for its customers, and at the 31st March 2011, £2.009m was due for payment. The past due amount can be analysed by age as follows:

	31st March 2011 £'000	31st March 2010 £'000
Less than 2 months	984	940
2 to 6 months	317	89
6 to 12 months	572	28
More than 1 year	136	139
	2,009	1,196

b. Liquidity Risk

The Council manages its cash flow on a daily basis to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. 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 Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

An analysis of the long term borrowings included in the balance sheet is shown below

Source of Loan	Ranges of Interest Rates Payable %	Carrying Amount	
		31st March 2011 £'000	31st March 2010 £'000
Public Works Loan Board	4.25% to 9.875%	31,707	31,707
Money Market	3.76% to 7.95%	49,131	49,064
Other Local Authorities	4.51%	117	169
		80,955	80,940
		31st March 2011 £'000	31st March 2010 £'000
Maturity Within:			
1-2 years	4.51% to 7.63%	10,675	109
2-5 years	7.95%	2,031	12,646
5-10 years	4.5% to 9.875%	17,258	17,257
More than 10 years	3.76% to 9.25%	50,991	50,928
		80,955	80,940

c. Market Rate Risk

The impact of a one percent rise in interest rates at 31st March 2011 is minimal as regards interest payable and nil on interest receivable. This is due to not usually using variable rate deals. However, the fair value of financial liabilities would decrease. This is a memorandum item only and would not change the Balance Sheet or other accounts.

d. Price Risk

The Council does not invest in equity shares and is not a shareholder in any businesses (other than AHL Ltd). The Council is not therefore exposed to any losses arising from movements in the price of shares.

e. Foreign Exchange Risk

The Council has no financial assets or liability denominated in foreign currency and therefore has no exposure to gains or losses arising from movements in exchange rates.

43. Trust Funds

The District Council acts as the sole trustee to the Teversal Community Centre and Recreation Ground. Funds are on deposit with Co-operative Bank plc and the day to day activities are included within the Council's ledger. Balances at the year end are transferred between the Council's main account and the Community Centre account, any balances due are carried as a debtor or creditor on the balance sheet. The annual return is completed and audited by the Council and sent to the Charity Commission by the end of January in the year following the year of account. The Community Centre's accounts have been evaluated and excluded from the group accounts.

The purpose of Teversal Community Centre is for the “Provision and maintenance of a community centre and recreation ground for the use of the inhabitants of Teversal, Stanton Hill, Skegby and the neighbourhood thereof without distinction of political, religious or other opinions including use for meetings, lectures and classes and for other forms of recreation and leisure time occupation, with the object of improving the conditions of life for the said inhabitants”.

In the financial year 2010/11 the gross expenditure was £35.00 with a gross income of £12,528.53. The trust has assets of £134,656 as at the balance sheet date.

There are a number of smaller trust funds where the Council acts as the sole trustee. A review of these funds is currently being undertaken to determine their relevance and the extent of the Council’s responsibilities in its capacity as trustee. None of these funds are included in the balance sheet or within the group accounts.

The purpose of the Beecroft Charity is for “the purchase of coal for poor people living in Sutton in Ashfield”. There has been no expenditure in respect of this charity within the last year. There are no other assets or liabilities relating to this trust fund apart from the bank balance.

The William Barratt Prize fund exists for the purchase of “prizes for swimming for children attending elementary school”. There has been no expenditure in respect of this charity within the last year. There are no other assets or liabilities relating to this trust fund apart from the bank balance.

Analysis of current bank activity:

Name of Trust Fund	Balance as at 31st March 2010 £	Income £	Expenditure £	Balance as at 31st March 2011 £
Teversal Community Centre and Recreation Ground	38,963	12,529	35	51,457
Beecroft Charity	267	0	0	267
William Barratt Prize Fund	233	0	0	233
Wansley Hall Trust Fund	403	0	0	403
	<u>39,866</u>	<u>12,529</u>	<u>35</u>	<u>52,360</u>

There are three recreation charities that the Council are also sole trustees for where no bank account exists. These are:

- Sutton-in-Ashfield Recreation Grounds 2006 Trust which includes responsibility for a part of Sutton Lawn, part of Priestsic Road recreation ground and part of the Lammas recreation ground.

- Kirkby-in-Ashfield Recreation Ground, Lord Francis Park, responsibility extends to only a part of the Lord Francis Park recreation ground.
- Skegby Recreation Ground, responsibility extends to only a part of the Skegby recreation ground.

In each case the value of the parcels of land would be low as they are parts of larger recreational areas which can not be used for any other purpose. At present there is no valuation of the land areas attributable to the trusts. There are no other assets or liabilities relating to these trusts.

Governance arrangements need establishing for each of these.

There are two other trust funds which the Council have an apparent responsibility to and their current status is being investigated. They are:

- William Booth's Charity for the Poor, which holds investment units that generate income. The income from this charity should be used by the trustees in making payments to, or for the benefit of residents in Annesley Woodhouse experiencing hardship. This charity was removed from the Charities Register on 12th February 2004 but has not yet been wound up. The charity holds 174 units administered by CCLA Investment Management Limited and the last valuation of these units within the financial year, as at the 31st December 2010 was £1,754.88.
- Wansley Hall Trust Fund does not appear on the Charity Commission's database, and there are no legal documents in relation to this being a trust. The balance on this bank account is £403 as at 31st March 2011 (£403 as at 31st March 2010).

Supplementary Financial Statements

Housing Revenue Account – Income and Expenditure Statement

2009/10 £'000		2010/11 £'000	Note
	Income		
(20,477)	Dwelling Rents (gross)	(20,895)	
(155)	Non-dwelling Rents (gross)	(155)	
(1,035)	Charges for Services and Facilities	(808)	
(96)	Contribution Towards Expenditure	(340)	
(2,748)	HRA Subsidy Receivable (including MRA)	(2,154)	Note 9
470	Sums directed by the Secretary of State that are income in accordance with IFRS	0	
(24,041)	Total Income	(24,352)	
	Expenditure		
6,481	Repairs and Maintenance	6,370	
5,663	Supervision and Management	5,408	
43	Rents, Rates, Taxes and other charges	36	
824	Rent Rebate Subsidy Limitation	842	
10,125	Depreciation and impairments of fixed assets	84,514	
28	Debt Management Costs	50	
19	Increase in the Bad Debt Provision	119	
23,183	Total Expenditure	97,339	
(858)	Net Cost of HRA Services as included in the whole authority Comprehensive Income & Expenditure Account	72,987	
52	HRA share of Corporate and Democratic Core	53	
(806)	Net Cost of HRA Services	73,040	
(46)	Gain or loss on sale of HRA non current assets	(213)	
3,936	Interest payable and similar charges	4,165	
(300)	Interest and investment income	(115)	
0	Pensions Interest Cost and expected return on Pensions assets	0	
2,784	(Surplus) or deficit for the year on HRA services	76,877	

The HRA Income and Expenditure statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the movement on the HRA Statement.

Statement of Movement on the HRA Balance

2009/10 £'000		2010/11 £'000	Note
(10,007)	Balance on the Housing Revenue Account at the end of the previous year	(13,310)	
2,784	(Surplus) or deficit for the year on the HRA Income and Expenditure Account	76,877	
	Adjustments between accounting basis and funding basis under statute		
	Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the year		
(5,680)	Impairment of fixed assets charged to HRA	(81,695)	
54	Gain or (loss) on sale of HRA fixed assets	213	
	Net (Increase) or decrease in the HRA Balance before transfers to or from reserves:		
(705)	Transfer from Major Repairs Reserve	1,435	Note 4.
144	Amortisation of Premiums and Discounts	144	
0	Voluntary set aside for debt management		
100	Capital expenditure funded by the HRA	450	
(6,087)	Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	(79,453)	
(3,303)	Increase or Decrease in the year to the Housing Revenue Account Balance	(2,576)	
(13,310)	Balance Carried forward	(15,886)	

Notes to the Housing Revenue Account

1. The number and types of dwellings in the housing stock

	As at 31st March 2011 Number	As at 31st March 2010 Number
Houses and bungalows	4,728	4,742
Low rise flats	1,810	1,810
Medium rise flats	473	473
Total Dwellings	7,011	7,025
 Garages and Garage Plots	 679	 682

2. Housing stock valuations

Description	As at 31st March 2011 £'000	As at 31st March 2010 £'000
Operational assets		
- Council Dwellings	160,888	243,765
- Other land and buildings	2,129	2,221
Total	163,017	245,986

3. Vacant Possession Value of Council Dwellings

	As at 31st March 2011 £'000	As at 31st March 2010 £'000
Market value - Vacant possession	473,200	487,530
Existing use value for social housing	160,888	243,765
Difference	312,312	243,765

The 'difference' between the market value and the Balance Sheet value for dwellings represents the economic cost to the Government of providing Council housing at less than open market rents. The vacant property adjustment factor for the East Midlands is 34% for 2010/11.

4. Major Repairs Reserve

During 2001/02 the Council established a Major Repairs Reserve. The reserve is utilised to fund capital expenditure on Council properties.

	2010/11 £'000	2009/10 £'000
Balance brought forward	(5,652)	(4,968)
Financing of HRA Capital Expenditure	8,332	3,525
Transfer to HRA Reserve	(1,435)	705
Less Depreciation	(2,819)	(4,914)
Balance Carried Forward	(1,574)	(5,652)

5. Capital Expenditure

	2010/11 £'000	2009/10 £'000
Operational assets		
Dwellings	8,952	3,828
Other land and buildings	0	703
Total Operational Assets	8,952	4,531
Funded by:		
Unsupported borrowing	0	799
Capital receipts and grants	170	107
Contributions from Revenue	450	100
Major Repairs Reserve	8,332	3,525
Total Funding	8,952	4,531

6. Capital Receipts from Disposal of Assets

	2010/11 £'000	2009/10 £'000
Disposal of dwellings	721	817
Disposal of other land and buildings	0	0
Disposal of non-operational assets	0	0
Mortgage Repayments	0	0
Total from Disposals	721	817

7. Depreciation in the year ending 31st March

	2010/11 £'000	2009/10 £'000
Operational assets		
- Dwellings and garages	2,736	4,891
- Other land and buildings	83	23
Total	2,819	4,914

8. Impairment

Impairment has increased significantly in 2010/11, predominantly due to a change in the East Midland Adjustment Factor from the previous 50% of the market value of council dwellings to 34% of the market value. The Adjustment Factor is used to reduce the valuation of social housing from the market level to a level which reflects the Government's assessment of valuation taking account right to buy and other factors. This represents a reduction in value of approximately £74.7m. Along with the change in adjustment factor there has been a downturn in property values in the East Midlands of 2.8% which represents a reduction in value of £4.6m.

A desktop valuation of all council dwellings was undertaken at 31/03/2011 which has required that capital expenditure of £9m on council dwellings is to be impaired. The total impairment in the year is £88.3m of which £6.6m has been written off against the Revaluation Reserve.

9. Housing Subsidy for the year ending 31st March

	2010/11 £'000	2009/10 £'000
Expenditure		
Management allowance	3,802	3,466
Maintenance allowance	7,066	6,803
Major repairs allowance	4,253	4,209
Charges for capital	6,318	6,234
Total Expenditure	21,439	20,712
Notional Rent income	(19,267)	(18,112)
Net Subsidy	2,172	2,600
Adjustment for previous years	(18)	148
	2,154	2,748

10. Pension Contribution

A contribution of £335,000 has been made for 2010/11 to the back funding costs relating to employees transferred to Ashfield Homes Limited.

11. Rent Arrears

	As at 31st March 2011 £'000	As at 31st March 2010 £'000
Current tenants	279	249
Former tenants	224	256
Total rent arrears	503	505
Overpayments	(120)	(110)
Total arrears	383	395
Deduct - Provision for bad debts	(193)	(229)
Net arrears	190	166

The provision for bad debts has reduced as at 31st March 2011 as this is now calculated based upon an aged debt analysis of both current and former tenant arrears.

12. Subsidy Limitation

Council tenants on low incomes can receive financial assistance with their rent under the Housing Benefit Scheme. Approximately 64% of tenants rent was met by housing benefit during 2010/11 (62% in 2009/10).

The cost of housing benefits was transferred to the General Fund with effect from the 1st April 2004. The housing revenue account reimburses the General Fund for benefits not funded by Central Government due to rent rebate subsidy limitation. During 2010/11, this amounted to £842,000.

Collection Fund

2009/10 £'000		2010/11 £'000	Note
	INCOME		
45,365	Income from Council Tax	45,735	
	Transfers from General Fund:		
9,789	Council Tax Benefits	10,344	Note 6
150	Charitable Relief	171	Note 6
28,196	Income Collectable from Business Ratepayers	29,226	Note 2
	Contributions:		
0	Towards Previous Years Collection Fund Deficit	0	
<u>83,500</u>	Total Income	<u>85,476</u>	
	EXPENDITURE		
54,746	Precepts and Demands	56,006	Note 4
	Business Rates:		
28,215	Payment to National Pool	29,270	Note 2
131	Costs of Collection	127	Note 2
	Bad and Doubtful Debts/ Appeals:		
425	Write Offs	581	
829	Provisions	(266)	
	Contributions		
0	Adjustment of Previous Years Community Charge	0	
0	Distribution of Surplus	669	
<u>84,346</u>	Total Expenditure	<u>86,387</u>	
846	Movement on Fund Balance - Increase in (Surplus)/ Deficit	911	
(462)	Balance at 1st April	384	
<u>384</u>	Balance at 31st March	<u>1,295</u>	

Notes to the Collection Fund

1. General

This account represents the statutory requirement contained in section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) for billing authorities to establish a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-domestic (Business) rates.

The surplus or deficit on the Collection Fund is distributed between the Council (as billing authority), Nottinghamshire County Council, Nottinghamshire Police Authority and Nottinghamshire Fire Authority on the basis of estimates of the year-end balance on the 15th January each year. Any remaining surplus or deficit on the Collection Fund is carried forward to the following financial year and will influence the level of Council Tax to be raised for that year.

The deficit on the fund at 31st March 2011 was £1.295m

2. Income from Business Ratepayers

National Non-Domestic Rates (NNDR) is paid by businesses. The Government specifies an annual rate in the pound, 41.4p in 2010/11 (48.5p in 2009/10) and local businesses pay an annual NNDR bill calculated by multiplying the rateable value of their premises by this annual rate; there are reliefs for small businesses. The Council is responsible for collecting NNDR from businesses within its area but pays the proceeds into a NNDR pool administered by the Government. The Government then redistributes the sums paid into the pool to local authorities based on a fixed amount per head of population.

Non-Domestic rateable value as at 31st March 2011 was £77.2m. The NNDR income collected in 2010/11, after reliefs and provisions, was £29.025m (£28.346m in 2009/10).

These transactions are reflected in the Collection Fund accounts as follows:

	2010/11	2009/10
	£'000	£'000
Business Rates Income	29,226	28,196
Add:		
Transfers from General Fund	171	150
	29,397	28,346
Less:		
Cost of Collection Allowance	127	131
	29,270	28,215
Net Contribution to National Pool	29,270	28,215

The Council received £10.016m from the NNDR pool in 2010/11, which, as part of Formula Grant, is credited directly to the Income and Expenditure Account.

3. Council Tax

The Council set a band D Council Tax of £172.53 for the financial year 2010/11 (£169.14 in 2009/10).

The Council tax base, which is used in the tax calculation, is based on the number of chargeable dwellings in each valuation band, adjusted for dwellings where exemptions or discounts apply, converted to an equivalent number of band D dwellings.

The tax base for the year was 35,102.4 as shown below.

	Total Net No. of Dwellings	Ration to Band "D"	Band "D" Equivalents
Disabled Persons Relief	58.50	5/9	32.50
Band "A"	24,580.75	6/9	16,387.20
Band "B"	9,534.75	7/9	7,415.90
Band "C"	7,322.00	8/9	6,508.40
Band "D"	3,210.75	1	3,210.80
Band "E"	985.25	11/9	1,204.20
Band "F"	349.50	13/9	504.80
Band "G"	106.00	15/9	176.70
Band "H"	8.25	2	16.50
Total	<u>46,155.75</u>		<u>35,457.00</u>
Less Provision for Bad Debts			354.57
Council Tax Base for 2010/11			<u><u>35,102.43</u></u>

The Band D Council Tax, including parish precepts, is calculated as follows:

Council requirement from the Collection Fund	<u>£6,056,188</u>
Divided by Council Tax Base	35,102.43
 Equals Band D equivalent	 £172.53

4. Precepts and Demands

The Council also collects tax on behalf of other authorities.

	2010/11 £'000	2009/10 £'000
Nottinghamshire County Council	41,883	41,268
Nottinghamshire Police Authority	5,620	5,285
Nottinghamshire Fire Authority	2,447	2,343
Ashfield District Council	5,870	5,676
Selston Parish Council	169	163
Annesley/ Felley Parish Council	17	11
	56,006	54,746

5. Distribution of the Collection Fund Balance

	2010/11 £'000	2009/10 £'000
Nottinghamshire County Council	972	284
Nottinghamshire Police Authority	130	41
Nottinghamshire Fire Authority	57	18
Ashfield District Council	136	41
	1,295	384

6. Transfers from General Fund

The Council is required to make certain transfers from its General Fund into the Collection Fund.

	2010/11 £'000	2009/10 £'000
Council Tax Benefits	10,344	9,789
NNDR Charitable Relief	171	150
	10,515	9,939

Group Accounts

Group Accounting Policies

1. General

The accounting policies of Ashfield Homes Limited are congruent where appropriate with the Council with one minor exception in respect of the valuation of stocks. The variation is not material to require any restatement.

Group Explanatory Foreword

1. General

The Council has 100% interest in Ashfield Homes Limited (AHL). This company was formed on the 26th September 2001 and commenced business to undertake the Housing Management function on behalf of the Council on 1st April 2002. The following group financial statements show the consolidated position of the Council and its interest in AHL.

2. Other entities

The Council has no other interests as the 31st March 2011.

3. Voting rights and ownership

The Council has 4 voting representatives on the board of AHL out of a total of 12 members. AHL is limited by guarantee and does not have share capital. In the event of AHL being wound up, residual assets would be transferred to the Housing Revenue Account after settlement of outstanding debts and liabilities. If assets were insufficient the Council's liability is limited to £1.

4. Turnover

The turnover of AHL in 2010/11 was reported to be £10.825m.

5. Independent Auditors

The AHL accounts have been audited by KPMG LLP, 2 Cornwall Street, Birmingham B3 2DL. There were no qualification issues arising. The accounts should be formally approved at a board meeting which is expected to take place on the 5th July 2011.

6. Accounts

Further information about AHL's accounts is available from:

Company Accountant,
Ashfield Homes Limited,
Broadway,
Brook Street,
Sutton-in-Ashfield,
Nottinghamshire,
East Midlands,
NG17 1AL.

Group Movement in Reserves Statement

	Council's Usable Reserves £'000	Council's Unusable Reserves £'000	Total Council Reserves £'000	Council's Share of Subsidiaries £'000	Total Group Reserves £'000
Balance at 31 March 2010	37,055	137,502	174,557	1,288	175,845
Surplus or (deficit) on provision of services (accounting basis)	(75,232)	0	(75,232)	(202)	(75,434)
Other Comprehensive Expenditure and Income	0	14,787	14,787		14,787
Total Comprehensive Expenditure and Income	(75,232)	14,787	(60,445)	(202)	(60,647)
Adjustments between Group Accounts and Authority Accounts	74,661	(74,660)	0		0
Net Increase / Decrease before Transfers	(571)	(59,873)	(60,445)	(202)	(60,647)
Balance at 31 March 2011	36,484	77,629	114,112	1,086	115,198

Group Movement in Reserves Statement

	Council's Usable Reserves £'000	Council's Unusable Reserves £'000	Total Council Reserves £'000	Council's Share of Subsidiaries £'000	Total Group Reserves £'000
Balance at 31 March 2009	<u>30,846</u>	<u>176,661</u>	<u>207,507</u>	<u>1,154</u>	<u>208,661</u>
Surplus or (deficit) on provision of services (accounting basis)	(5,068)	0	(5,068)	4,414	(654)
Other Comprehensive Expenditure and Income	0	(27,882)	(27,882)	(4,280)	(32,162)
Total Comprehensive Expenditure and Income	<u>(5,068)</u>	<u>(27,882)</u>	<u>(32,950)</u>	<u>134</u>	<u>(32,816)</u>
Adjustments between Group Accounts and Authority Accounts	11,277	(11,277)	0		0
Net Increase / Decrease before Transfers	<u>6,209</u>	<u>(39,159)</u>	<u>(32,950)</u>	<u>134</u>	<u>(32,816)</u>
 Balance at 31 March 2010	 <u>37,055</u>	 <u>137,502</u>	 <u>174,557</u>	 <u>1,288</u>	 <u>175,845</u>

Group Comprehensive Income and Expenditure Statement (Continued)

2009/10 Net Expenditure £'000		2010/11 Net Expenditure £'000
	Financing and Investment Income and Expenditure (Analysis)	
4,565	Interest Payable and Other Charges	4,414
(351)	Interest and Investment Income.	(163)
(90)	Other Income	(101)
610	Contribution to Housing Pooled Capital Receipts	526
(36)	Net Loss or Gain on sale of Fixed Assets	(255)
2,317	Pensions Interest Cost and Expected Return	1,796
7,015		6,217
	Taxation and Non-Specific Grant Income (Analysis)	
(4,027)	Government Grants	0
(4,983)	Capital Grants and Contributions	(2,611)
(9,172)	Contribution from NNDR Pool	(2,230)
(5,850)	Demands on the Collection Fund	(10,017)
89	Adjustment to Demands on Collection Fund	(5,939)
4	Group Tax Expenses	(92)
(23,939)		(20,889)
234	(Surplus) or Deficit on Provision of Services	82,027
1,583	Surplus or deficit on revaluation of fixed assets (Reserve movement not investment)	6,069
30,579	Actuarial (gains) / losses on pension assets / liabilities	(25,591)
32,162	Other Comprehensive Income and Expenditure	(19,522)
32,396	Total Comprehensive Income and Expenditure	62,505

Group Balance Sheet

As at 31st March 2010 £'000		As at 31st March 2011 £'000	Note
310,691	Property, Plant & Equipment	223,369	Note 11
0	Intangible Assets	0	
1	Long Term Investments	1	
152	Long Term Debtors	240	
<u>310,844</u>	Long Term Assets	<u>223,610</u>	
6,153	Short Term Investments	6,900	Note 15
357	Inventories	364	
11,331	Short Term Debtors	7,212	
8,684	Cash and Cash Equivalents	6,838	
0	Assets held for sale	160	
<u>26,525</u>	Current Assets	<u>21,474</u>	
(1,400)	Bank Overdraft	(975)	
(6,039)	Short Term Borrowing	(36)	
(6,550)	Short Term Creditors	(8,834)	
(42)	Finance Lease repayable within 12 months	(45)	
	Provisions	(193)	
<u>(14,031)</u>	Current Liabilities	<u>(10,083)</u>	
(209)	Finance Lease repayable in excess of 12 months	(164)	Note 15
(65,420)	Pension Liability	(38,187)	
(419)	Provisions	(477)	
0	Capital Grants Receipts in Advance	0	
(80,940)	Long Term Borrowing	(80,954)	
(21)	Deferred Capital Receipts	(21)	
<u>(147,009)</u>	Long Term Liabilities	<u>(119,803)</u>	
<u>176,329</u>	Net Assets	<u>115,198</u>	
Reserves:			
(37,540)	Usable Reserves	(36,485)	
(137,501)	Unusable Reserves	(77,627)	
(1,288)	Reserves - Group Entities	(1,086)	
<u>(176,329)</u>	Total Reserves	<u>(115,198)</u>	

Group Cash Flow Statement

2009/10		2010/11
£'000		£'000
(354)	Net surplus or (deficit) on the provision of services	(82,027)
13,981	Adjustment to surplus or deficit on the provision of services for noncash movements	98,355
(7,632)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(3,053)
<u>5,995</u>	Net Cash flows from operating activities	<u>13,275</u>
(2,610)	Net Cash flows from Investing Activities	(8,738)
273	Net Cash flows from Financing Activities	(5,958)
<u>3,658</u>	Net increase or decrease in cash and cash equivalents	<u>(1,421)</u>
3,645	Cash and cash equivalents at the beginning of the reporting period	7,284
<u><u>7,284</u></u>	Cash and cash equivalents at the end of the reporting period	<u><u>5,863</u></u>

Group Segmental Report

The results of Ashfield Homes Limited do not form part of the Councils standard management budgetary reports. The results of AHL together with consolidation adjustments are therefore a further reconciling item between the segment report as identified within the single entity accounts and the results as presented within the Group Comprehensive Income and Expenditure Accounts.

	2010/11 £'000	2009/10 £'000
Cost of Services in Service Analysis	17,285	18,565
Services not included - Impairment	80,186	(1,406)
Amounts not reported to management	(2,576)	0
Exceptional items	0	(1,081)
Capital items	7,944	3,464
Amounts reported below the Net cost of Service	(814)	(20)
Subsidiary Company Results	2,060	(4,411)
Adjustments arising from transition to IFRS	0	1,688
Pension Adjustments under FRS 17	(8,386)	0
Net Cost of Services in Group Comprehensive Income and Expenditure Statement	95,699	16,799

The reconciliation of the Group Segmental Report to the Group Comprehensive Income and Expenditure Account for 2010/11 is set out below

	Total Single Entity £'000	Subsidiary Amounts £'000	Consolidation adjustments £'000	Group Total £'000
Reconciliation to Subjective Analysis				
Fees, Charges & Other Service Income	(37,688)	(10,825)	580	(47,933)
Interest and Investment Income	(163)			(163)
Income from Council Tax	(5,939)			(5,939)
Government Grants and Contributions	(58,954)			(58,954)
Total Income	(102,744)	(10,825)	580	(112,989)
Employee Expenses	22,199	(4,735)		17,464
Other Service Expenses	65,630	17,620	(580)	82,670
Support Service Recharges	0			0
Depreciation, Amortisation and Impairment	84,879			84,879
Interest Payments	4,201			4,201
Precepts & Levies	186			186
Payments to Housing Capital Receipts Pool	526			526
Gain or Loss on Disposal of Fixed Assets	(255)			(255)
Total operating expenses	177,366	12,885	(580)	189,671
Group surplus or deficit on the provision of services	74,622	2,060	0	76,682

The reconciliation of the Group Segmental Report to the Group Comprehensive Income and Expenditure Account for 2009/10 from comparative purposes is set out below

	Total Single Entity £'000	Subsidiary Amounts £'000	Consolidation adjustments £'000	Group Total £'000
Reconciliation to Subjective Analysis				
Fees, Charges & Other Service Income	(37,504)	(11,321)	10,476	(38,349)
Interest and Investment Income	(417)			(417)
Income from Council Tax	(5,760)			(5,760)
Government Grants and Contributions	(53,193)			(53,193)
Total Income	(96,874)	(11,321)	10,476	(97,719)
Employee Expenses	46,270	4,280		50,550
Other Service Expenses	32,886	6,907	(10,476)	29,317
Support Service Recharges	17,039			17,039
Depreciation, Amortisation and Impairment	3,464			3,464
Interest Payments	4,233			4,233
Precepts & Levies	174			174
Payments to Housing Capital Receipts Pool	610			610
Gain or Loss on Disposal of Fixed Assets	(36)			(36)
IFRS Transitional Adjustments	1,690			1,690
Total operating expenses	106,330	11,187	(10,476)	107,041
Group surplus or deficit on the provision of services	9,456	(134)	0	9,322

Notes to the Group Accounts

With the exception of the Cash Flow Statement, to provide consistency with the single entity presentation, there are no specific notes provided for the group accounts as they are not materially different from the Council's notes. The accounts of Ashfield Homes Limited along with the notes are available from the address given in note 6 on the Group Accounts Explanatory Foreword.

1. Cash Flow Statement Notes:

2009/10 £'000	1a. Net Cash Flows from Operating Activities	2010/11 £'000
(9,782)	Net Surplus or (Deficit) on the Provision of Services	(82,027)
	Adjust net surplus or deficit on the provision of services for non cash movements:	
15,961	Depreciation and Impairment	91,586
	Soft Loans (non Subsidiary)-Interest adjustment credited to I+E	
0	Account during year	4
0	Adjustments for effective interest rates	(79)
51	Increase/Decrease in Interest Creditors	87
(1,810)	Increase/Decrease in Creditors	2,405
2,363	Increase/Decrease in Debtors	3,336
121	Increase/Decrease in Inventories	(7)
(3,828)	Pension Liability	216
88	Contributions to/(from) Provisions	252
1,026	Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	555
0		
<u>13,972</u>		<u>98,355</u>
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities:	
(4,564)	Capital Grants credited to surplus or deficit on the provision of services	(2,230)
(2,060)	Proceeds from the sale of short and long term investments	0
(1,008)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(823)
<u>(7,632)</u>		<u>(3,053)</u>

2009/10 £'000	1b. Net Cash Flows from Operating Activities (Interest)	2010/11 £'000
	Operating activities within the cashflow statement include the following cash flows relating to interest:	
66	Ordinary interest received	54
0	Soft Loans (non Subsidiary)-Interest adjustment credited to I+E Account during year	4
<u>66</u>	Interest Received	<u>58</u>
(33)	Interest charge for year	(35)
0	Adjustments for differences between Effective Interest Rates and actual interest payable	(79)
0	Other interest:	0
0	Opening Creditor	90
0	Closing Creditor	0
<u>(33)</u>	Interest Paid	<u>(24)</u>

2009/10 £'000	1c. Cash Flows from Investing Activities	2010/11 £'000
(8,824)	Property, Plant and Equipment Purchased	(11,049)
(981)	Purchase of short and long term investments	(747)
0	Long term loans granted	5
1,008	Proceeds from the sale of property plant and equipment, investment property and intangible assets	823
0	Proceeds from short-term and long-term investments	0
1,604	Other capital cash receipts	0
4,564	Capital Grants Received	2,230
0	Other capital cash receipts in advance	0
<u>(2,629)</u>	Total Cash Flows from Investing Activities	<u>(8,738)</u>

2009/10 £'000	1d. Cash Flows from Financing Activities	2010/11 £'000
35,033	Cash receipts of short and long term borrowing	11,525
0	Billing Authorities - Council Tax and NNDR adjustments	0
(34,655)	Repayment of Short-Term and Long-Term Borrowing	(17,525)
(1,386)	Other receipts from financing activities	0
1,319	Other payments for financing activities	0
(38)	Payments for the reduction of a finance lease liability	42
<u>273</u>	Total Cash Flows from Financing Activities	<u>(5,958)</u>

1e. Cash and Cash Equivalents

	2011 £'000	2010 £'000
Cash and Bank Balances	0	0
Cash Investments - regarded as cash equivalents	6,838	8,684
Bank Overdraft	(975)	(1,400)
	<u>5,863</u>	<u>7,284</u>

Annual Governance Statement

Annual Governance Statement 2010/11

1. Scope of Responsibility

Ashfield District 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. The 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, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

The management of the Council's housing stock is contracted to Ashfield Homes Ltd. For the purpose of assurance, reliance is placed upon the 2010/11 Assurance Statement provided by the management of Ashfield Homes Ltd.

Ashfield District 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 from Ashfield District Council, Council Offices, Urban Road, Kirkby in Ashfield, Nottingham NG17 8DA. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 and 2009.

2. The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council 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 rather than eliminate all risk of failure to achieve policies, aims and objectives. The system can therefore only provide reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised and the management of the risk efficiently, effectively and economically.

The current governance framework has been in place within Ashfield District Council for the year ended 31st March 2011 and up to the date of approval of accounts and except for the details of significant control issues at section 5, accords with proper practice.

3. The Governance Framework

Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area

The Council approved a refreshed Corporate Delivery Plan in January 2010 which established the Council's vision and priorities both internally and externally. The plan was drawn up following extensive consultation with our communities and stakeholders and drives the Council's future budget and service delivery plans. The Corporate Delivery Plan is available on the Council's website.

The Council's vision is further articulated in the Ashfield Sustainable Community and Neighbourhood Renewal Strategy 2006-21 which sets out a vision for the District to which the Council and its partners are committed. The vision is underpinned by aims to improve the economic, social and environmental conditions of the district. This Strategy is currently being refreshed to align with the Nottinghamshire County Council Sustainable Community Strategy.

Divisional Business Plans link directly to the Corporate Delivery Plan and external funding bids and additional expenditure allocations are evaluated against those plans. Progress against the objectives detailed in the Corporate Delivery Plan and associated strategies are monitored by Cabinet, the Council and Chief Officers on a regular basis.

In addition to the above, the Council actively promotes Citizens Panels as a vehicle for formulating a vision and providing feedback on implementation. The Council is also a key player in the Crime and Disorder Reduction Partnership.

Members and officers working together to achieve a common purpose with clearly defined functions and roles.

Functions and roles of the Council, the Cabinet and Committees, Members and officers are clearly defined in its Constitution. This includes schemes of delegation for decision making and also a Member/officer protocol and codes of conduct for members and officers.

A Working Cabinet system has operated successfully throughout the year. The Executive and senior officers discuss issues and options before a formal report is prepared and submitted for approval.

Individual Portfolio holders are nominated by the Leader to have responsibility for the oversight of specific Divisions and receive weekly briefings from the appropriate senior manager usually a Head of Service.

Working relationships with Members at ward level are pro-active. Members and officers also interact in the annual programme of reviews undertaken by the Scrutiny Committee.

Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The regulatory content work is defined in the Constitution and this is underpinned by codes, policies and procedures addressing conduct, standards and governance issues. The Standards Committee has met throughout the year and the Monitoring Officer has advised Council, Committees and Members as appropriate. Training in Financial Regulations continues to be delivered across the Council together with Anti-Fraud and Corruption Awareness training. All new employees are briefed on Financial Regulations, Anti-fraud and Corruption and Whistleblowing policies as part of Induction Training.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The Constitution sets out how the Council operates, how decisions are made and the procedures to be followed to ensure that these are efficient, transparent and accountable to local people. The constitution is periodically updated to reflect changing circumstances within the Council.

Decision making is based on informed assessment with reference to risk and performance management. Advice is received as to potential statutory, policy, financial and equality implications. Scrutiny Committee has met regularly to review Cabinet decisions prior to their implementation.

We develop the capacity and capability of Members and officers to be effective

There is a structured training programme for Members and the Council has achieved the Members' Development Charter.

The annual appraisal system for employees was further revised during the early part of 2011 to support the Council in achieving the desired outcome of CS3 Recognition as an Excellent Council. The aims of the new system include facilitating an environment enabling employees to give their best, as a tool to build trust and help employees feel valued and to ensure that any discrimination or bias is avoided.

The appraisal system is supported by training budgets and an extensive programme of in-house training courses. During the year the Voluntary Improvement Board has continued its work utilising assistance from colleagues in other authorities supplemented by input from a representative from the Local Government Improvement & Development organisation (Previously IDEA). The consultant previously engaged to facilitate the development of a transformational management culture within the Council has continued to assist in this process.

We engage with local people and other stakeholders to ensure robust accountability

The Council has consulted a range of stakeholders when refreshing its corporate strategies (e.g. Corporate Delivery Plan, Sustainable Community Strategy, Local Development Framework) but recognises there are further opportunities where the public could be engaged.

A postal survey was issued to all households in the District in early 2010 to assess the views of the public on the services delivered and to determine where these can be improved. The results were then analysed and separate Customer Insight Reports produced for each element of the survey. These reports will be reviewed by the relevant service area during 2011 and necessary actions taken to address the issues arising.

The Council Corporate Communications Team co-ordinate and improve communication both internally and with external stakeholders. An annual report has also been introduced.

The Neighbourhood Charter sets out clear service standards and is accountable to Area Partnership Groups. During 2010/11 the Charter was updated following the introduction of the Community Protection Service and sets out the purpose of the service and the roles and responsibilities of the Community Protection Officers.

There is engagement and accountability for housing tenants through the Tenants Compact. The Compact was reviewed and updated during 2010/11.

The Council continues to use regular Mori surveys and Citizen's Panels and acts on customer feedback covering both complaints and compliments.

We develop the capacity and capability of Members and officers to be effective

In March 2011, after 18 months in existence, the chair of the Voluntary Improvement Board issued a "sign off report" documenting the good progress made by the Council during the period and concluding the "*authority is in a better and stronger place than it was before*".

The sign off report refers to the Council facing some big challenges in the future in respect of leadership, finance, culture and performance. It additionally comments that the authority must utilise the stronger base it has developed to tackle some long standing issues including Single Status, Housing (the LDF) and approach to planning.

Internal Control Environment

The key elements of the internal control environment include:

- Establishing and monitoring the achievement of the Council's objectives and maintaining a performance management framework and financial strategy.

The Council's objectives are contained in the Corporate Delivery Plan, Community Strategy and other specific Strategies and Plans. Progress against these objectives is monitored by the Council on a regular basis. In addition, all Services have Business Plans which link to the Corporate Delivery Plan and which are monitored on a regular basis. The Scrutiny function is well established and has an agreed programme of scrutiny reviews.

- The facilitation of policy and decision-making through a Constitution and code of conduct.

The Constitution sets out how the Council operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. Responsibility for decision making, the role of full Council, the Cabinet, Committees, Scrutiny Committees/Panels and the process for determining the Council's Key Decisions are defined in the Constitution. Delegations are detailed so that the functions of full Council, Cabinet, Cabinet Portfolio Holders, Committees and officers are specified. The Constitution contains a local Code of Corporate Governance outlining the Council's aims. Council and Committee meetings are open to the public except where personal or confidential matters are being disclosed. The Council publishes a Forward Plan of key decisions to be made.

- Ensuring compliance with established policies, procedures, laws and regulations through the work of the Monitoring Officer, reviews of reports, Internal Audit reviews and ensuring that employees are adequately trained and experienced.

The Council has in place Budget and Policy Framework Procedure Rules which set out how budget and policy decisions are made. Key roles are performed by statutory officers, including the Monitoring Officer and the Section 151 Officer. A regular programme of work is carried out by Internal Audit reviewing compliance with established procedures. Internal Audit operates to the standard set out in the "Code of Practice for Internal Audit in Local Government in the UK". In addition, Scrutiny Committees, External Audit and other external inspection agencies contribute to the review of the Council's compliance with its policies, procedures, laws and regulations.

- Identifying, assessing and managing risks to the Council's objectives by identifying risks and monitoring the controls and action plans aimed at reducing those risks.

A Risk Management framework has been established which aims to embed risk management into the operational management of the Council. A Risk Management Member champion has been appointed via the Finance portfolio. Key risks have been identified in a corporate Risk Register which is linked to a computerised performance management system. A Risk Strategy has been approved by the Cabinet which provides a comprehensive methodology for the management of risk. Key risks are reported to the Council's Divisional Management Teams, Corporate Management Group and the Cabinet. An operational Risk Management Group deals with the reduction of insurance risk.

- Ensuring economical, effective and efficient use of resources and securing continuous improvement by ensuring adherence to the Council's contract procedure rules and procurement strategy and undertaking best value service reviews.

The Council's budget process establishes the resources required to deliver services and objectives, which involves a review of the overall use of resources. A Medium Term Financial Strategy is prepared to ensure that resources are available to meet ongoing commitments. Efficiency Reviews are conducted and the Council's Performance Plan is produced in compliance with annual Best Value requirements. Post implementation reviews have taken place during 2010/11 to compare expected efficiency savings against actual achieved. These were largely achieved. A consultant has been employed during the year to review the Council Procurement Strategy and has produced a report with a number of recommendations. The Council has now entered into a Procurement Consortium with a three neighbouring authorities. However the necessary training to embed the revised Procurement Strategy and Contract Procedure Rules has not been rolled out fully during the period. Therefore this issue has been recorded as a key action at the end of the Statement. Internal Audit's annual plan of work includes reviewing the use of resources.

- The financial management of the Council and reporting is managed through having adequate financial regulations and contract procedure rules, regular financial monitoring and a continuous risk based internal audit of financial systems and the application of specific treasury management policies and procedures.

The Council aims to set a balanced budget with integrated revenue and capital budgets. Appropriate limits have been approved in line with the Prudential Code for Capital Accounting. Budgets are monitored regularly and Members receive financial information which is relevant, understandable and consistent with underlying financial records. Financial reserves are kept under review and the Council maintains an adequate internal audit function. Financial procedures are identified in approved Financial Regulations. There are also Anti-fraud and Corruption and Whistle-blowing policies. The Audit Committee meets regularly to receive relevant reports on internal and external audit issues. A Treasury Management Policy has been adopted and approved by Council. The Council prepares its accounts in accordance with professional guidance and complies with the statutory timetable for publication. A restructure within the Financial Management Section during the year has resulted in a review of existing working practices and a number of changes have been introduced to improve efficiency and accountability.

- The performance management of the Council and the reporting of performance through the performance management framework including the reporting to Elected Members.

The Council's Corporate Delivery Plan reflects national and local priorities and contains targets to be met in achieving its objectives. Targets are included in Divisional Business Plans and individual Personal Development Reviews.

A Corporate Performance Management Framework is in place which includes quarterly reviews by the Corporate Management Team and reports regularly to Cabinet and Scrutiny Committee. For several years, a computerised Performance Management System has been used to enable effective performance monitoring of improvement activity and measures. Due to recent changes of the National Performance Framework, use will be made by all Nottinghamshire partners of the benchmarking module in the Performance Management System, enabling a continuing understanding of comparative performance. Progress against the Corporate Delivery Plan and Corporate Delivery Plan priorities, which includes CAA improvement activity, is regularly monitored and appraised by Corporate Management Team and Cabinet.

4. Review of Effectiveness

Ashfield District Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by:

- Corporate Management Group comprising of the executive managers within the Council who have responsibility for the development and maintenance of the internal control environment;
- Internal Audit;
- External Audit's comments in the Annual Audit Letter;
- Other significant partner organisation's Governance Statements;
- Other review agencies and inspectorates reports.

The following processes have been applied during the year, the totality of which supports the review of effectiveness of the system of internal control:

(a) Decision Making

Full Council approves all the policies.

Full Council approves the annual budget and Council Tax.

Cabinet (Executive) has authority from Full Council to deliver Policy.

Cabinet works to a Forward Plan of Key Decisions.

The work of the Cabinet is scrutinised by the Scrutiny Committee. Decisions made by the Cabinet can be "called in" to be reconsidered.

The Council has an Audit Committee which reviews the work of both Internal and External Audit, agrees the Audit Plan and reviews the adequacy of internal control.

Officers prepare written reports for Cabinet which are appraised in accordance with the Council's policies and forward plans

Separate Committees deal with quasi-judicial matters such as Planning and Licensing issues.

(b) Compliance

The Council's statutory officers are the Chief Executive, the Monitoring Officer and the Section 151 Officer (Deputy Chief Executive - Resources). They are responsible for ensuring that the Council acts within the law and in accordance with established policies and procedures. The Section 151 Officer is specifically responsible for the proper discharge of the Council's financial arrangements and must advise elected Members where any proposal is unlawful or where expenditure is likely to exceed resources.

Chief Officers and senior managers are responsible for ensuring that legislation and policy relating to service delivery and health and safety are implemented.

(c) Internal Audit

- Role of Internal Audit

The primary role of Internal Audit is to independently review, appraise and report on the adequacy and effectiveness of the control environment comprising of risk management, control and governance, and the arrangements made by management and Councillors for securing economic, efficient and effective use of resources.

- Audit Standards

The Internal Audit Service ensures its standards are maintained with due regard to:

- The Code of Practice for Internal Audit in Local Government;
- The Chartered Institute of Public Finance and Accountancy (CIPFA) professional guidelines.

- Operation of Internal Audit

The scope and extent of each audit is governed by the results of an audit risk assessment. The risk assessment is based upon a number of risk factors and this forms the basis of the three-year Strategic Audit Plan. The risk assessment also takes into consideration those risks identified in the Corporate Risk Register and focuses upon the key objectives as identified in the Council's Corporate Delivery Plan. Provision has been made within the plan for I.T. audit. A detailed programme of work is agreed with management and Members. The overall three-year strategy and plan, renewed each year, is formally agreed by senior management and presented to the Audit Committee.

On the conclusion of the assignment, an Audit Report incorporating a plan for implementation of recommendations is agreed and issued to the appropriate Head of Service and the Chief Finance Officer. Quarterly reports summarising

findings and recommendations not implemented have been presented to the Corporate Management Group and to the Audit Committee.

During the year a change has taken place that has resulted in the Chief Audit and Technical Assistant post being re-designated as the Chief Internal Auditor and the post will no longer have responsibility for accountancy related technical issues. The Chief Internal Auditor has direct access and freedom to report to all senior management including the Chief Executive and Members of the Council and is able to provide an independent opinion on the adequacy and effectiveness of the system of internal financial control.

(d) Audit Committee

The purpose of the Audit Committee is to provide independent assurance of the management's arrangements for ensuring a sound system of internal control which facilitates the effective exercise of the Council's functions and ensuring it has appropriate arrangements for the management of risk.

The terms of reference for the Audit Committee take into account CIPFA's Audit Committees – Practical Guidance for Local Authorities.

During the year the Committee considered extending the membership to a co-opted member with a financial background and a report was prepared to consider this issue. After due consideration the members felt they could place reliance on the integrity of the existing Council officers to fully explain any queries arising on finance related issues and the matter was not progressed.

(e) Other explicit review / assurance mechanisms

The Council reviews its Constitution in detail on an annual basis.

The Overview and Scrutiny Committee has carried out a programme of Scrutiny reviews on different services.

Reports are presented to the Cabinet on a minimum of two occasions per year to review the financial position of the Council. One report includes the Medium Term Financial Strategy.

Financial Regulations and Contract Procedure Rules are reviewed by the Council annually.

Assurance is obtained on an annual basis from Chief Officers and Heads of Service as to the adequacy of internal control within their Divisions.

Assurance is gained from the Audit Commission as the Council's External Auditor through the Annual Audit Letter which is presented to Members.

Assurance is also obtained from Ashfield Homes Limited and Mansfield District Council (re Mansfield Crematorium)

5. Significant Internal Control Issues

The following represent the key issues in relation to internal control which remain outstanding as at 15th June 2011.

	Issue	Action
1.	The dissolution of the Local Strategic Partnership has resulted in the Council needing to build a revised infrastructure to improve the consistency and quality of partnerships (including risk management and governance arrangements).	A new post has been created of Partnerships Co-ordinator reporting to the Corporate Services Director in the new management structure. It will be the responsibility of the postholder to address these issues.
2.	Procurement Strategy is in the final stages of being finalised. The new strategy and infrastructure will require embedding to ensure VFM is secured and Contract Procedure Rules followed.	The Council has now joined a procurement consortium with three neighbouring authorities. The Consortium Manager will be responsible for overseeing the successful implementation of systems and procedures.
3.	The reduction in government funding in 2011/12 and future years requires the Council to ensure that budgets are a realistic reflection of Council spending. Budgets will need to be tightly controlled as the Council has an underlying deficit and can no longer rely on funding from reserves to fund overspends.	The revised Medium Term Financial Strategy will be presented to members in July 2011. This will set out the extent of predicted future budget shortfalls and a range of options to be considered for reducing net expenditure over the period 2011-12 to 2014-15.
4.	Inconsistency exists within service areas when using the Creditors System for ordering goods and services. There is significant evidence to indicate that orders are not being placed on the system until the goods / services have been received. This inconsistency affects the effectiveness of the budget monitoring capabilities of the Council.	Following a recent Internal Audit report an Action Plan has been agreed to address these issues during 2012.
5.	Business Continuity arrangements require ownership, update and testing	A new post has been created in the new management structure of Business Contingency & Sustainability Manager reporting to the Corporate Services Director. It

	Issue	Action
		will be the responsibility of the postholder to address these issues.
6.	Planning, organising and developing the workforce effectively is required to support the achievement of strategic objectives.	A Workforce Plan will be presented to members for approval during 2011/12. The Plan will be linked to the decisions adopted by members in relation to 3. above (Budget Strategy)
7.	Despite significant progress during 2010/11, Job evaluation and Single Status have still not been implemented.	The projects will be completed during 2011/12.
8.	Significant changes in previous working practices in the Housing Benefit Service will occur following the findings of the external inspection. An improvement project is currently in progress but the proposed changes have yet to be agreed and tested. It is essential that any changes to procedures & systems will not adversely affect the ability of both internal and external audit to provide assurance of the system.	Any proposed changes will be developed in conjunction with Internal Audit and Accountancy input of views.
9.	Significant progress has been made to monitor the requirements, implementation and enforcement of Section 106 agreements. A framework to ensure effective working practices has been completed and reconciliation to the ledger has been carried out for 2010/11. However the assurance of progress during 2010/11 has yet to be independently verified.	Further Internal Audit testing will be carried out in 2011/12 to verify the controls are working as intended.
10.	A number of the main financial systems were only awarded "Limited Assurance" following review by Internal Audit during 2010/11.	Action Plans to address identified weaknesses in controls have been agreed for all systems and these will be subject to further internal audit testing during 2011/12
11.	At the 31st March 2011, over ninety internal audit recommendations had failed to be implemented by service areas by the agreed date.	Outstanding Audit recommendations will be monitored by the Corporate Management Group on a regular basis.

We have been advised on the implications of the result of the review of effectiveness of the Council's system of internal control by the Deputy Chief Executive (Resources) and where appropriate the Cabinet and the officers within the Corporate Management Group plan to address weaknesses and ensure continuous improvement of the system of internal controls in place.

Councillor J.R. Knight
Leader of the Council

P.G. Marshall
Chief Executive

Date

Date

Glossary of Terms and Abbreviations

Accounting Period – The period of time covered by the accounts that is normally the year commencing on 1st April and finishing on 31st March. The end of the accounting period is the balance sheet date.

Accrual – An amount included in the accounts to cover income or expenditure relating to an accounting period but for which payment has not yet been made or received. The concept is that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid.

Actuarial Gains and Losses – For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or
- the actuarial assumptions have changed

Agency Services – Services, which are performed by the Council, where the authority legally responsible for the service reimburses the Council (the authority doing the work) for the cost of the work.

Amortisation – The reduction in the value of an asset over its useful life.

Arms Length Management Organisation (ALMO) – A related organisation established to manage a specific activity, in this case to manage the Council's housing stock.

Ashfield Homes Limited – An arms length management organisation that manages the Council's housing stock.

Assets Held for Sale – Those assets that are actively being marketed with the expectation that disposal will occur within a 12 month period.

Balance Sheet – A statement of the recorded assets, liabilities and other balances as they stand in monetary terms, at the end of an accounting period.

Billing Authority – A local authority responsible for collecting the Council Tax and National Non-Domestic Rates from within its district boundaries (the Council is a billing authority).

Budget – A statement defining the Council's financial plans over a specified period of time (usually an accounting period 1st April to 31st March).

Business Rates/ National Non Domestic Rates (NNDR) – Income collected from business ratepayers, based on a national rate in the pound set by Central Government multiplied by the rateable value of the premises they occupy. This national rate is collected by local Councils on behalf of Central Government and is redistributed from the NNDR pool among all Local Authorities on the basis of population.

Capital Expenditure – Expenditure on new assets such as land, buildings and other structures or on the enhancement of existing assets so as to significantly prolong their useful life or increase their market value.

Capital Financing – The raising of money to pay for capital expenditure. Methods include borrowing, leasing, using capital receipts, government grants or contributions, major repairs reserve or from revenue contributions.

Capital Financing Charges – The annual costs to services for the use of assets comprising depreciation, leasing charges and other costs of funding capital expenditure.

Capital Receipts – The income from the sale of council houses, buildings, land and other assets. A proportion of capital receipts can be used to finance new capital expenditure, within rules set down by central government, but they cannot be used to finance revenue expenditure.

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

Code – The Code refers to the code of practice on local authority accounting. The code of practice is based upon approved accounting standards and provides the accounting standards under which the Statement of Accounts is prepared. For 2010/11 the Code is based on International Financial Reporting Standards for the first time.

Community Assets – Assets that may have restrictions on their use and disposal. Examples include playing fields and parks.

Council Tax – A tax levied by the local Council, which is the billing authority, on households within its area and distributed to the County Council, Police and Fire Authorities, and to the Council's own General Fund.

Council Tax Bands – All domestic properties in a Local Authority's area are valued by Central Government's Valuation Office Agency, and placed in one of 8 bands ranging from A to H. Each Band is averaged out in relation to Band D, Bands A to C paying less, and Bands E to H paying more on an increasing scale.

Council Tax Benefit – Assistance provided to adults on low incomes to help them pay their council tax bill.

Current Assets – The assets held by an organisation at the balance sheet date that will be used in the next accounting period e.g. inventories, cash and trade receivables.

Current Liability – The liabilities held by an organisation at the balance sheet date that will be repaid within the next year e.g. creditors, overdrafts.

Current Service Cost (Pensions) - The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Defined Benefit Scheme – A pension scheme where the benefits are set independently of the contributions paid and the performance of the investments in the fund.

De Minimis – A term generally used to describe something that is too small to be considered.

Depreciation – The measure of the reduction in value of a non current asset due to age, consumption or other reduction in useful life during the accounting period.

Discretionary Benefits – Retirement Benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers.

Earmarked Reserves – Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.

Expected Rate of Return on Pension Assets – For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Fair Value – The amount for which an asset could be exchanged; or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Financial Instruments – Contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another.

Finance Lease – A lease that transfers all of the risks and rewards of ownership of an asset to the lessee.

Formula Grant - The main grant paid by central government to a local authority towards the costs of all its services.

General Fund – The main revenue fund of the Council. Day to day spending on services is met from this fund. The exception to this is for the provision of Council dwellings which is met from the Housing Revenue Account.

Housing Benefit – Allowances paid to persons on low income to meet, in whole or part, their rent. The Local authority pays the benefit but most of the cost is refunded by central government through rent allowances for private sector tenants and the rent rebate element of housing subsidy for the Council's own tenants.

Housing Revenue Account / (HRA) – This is a statutory account which covers all revenue expenditure and income related to the provision of Council dwellings. It includes an optional sub – division, the Housing Repairs Account.

Housing Subsidy – The Government grant paid to housing authorities towards the cost of providing, managing and maintaining Council dwellings.

Impairment – The reduction in the market value of a non current asset due to significant changes in the market (i.e. Introduction of new technology), obsolescence, or damage, etc.

Intangible Assets – Assets that do not have physical substance but are identifiable and controlled by the Council, e.g. IT software.

Interest Cost (Pensions) – For defined benefit schemes, the expected increase during the period in the present value of the scheme liabilities because the benefits are one

period closer to settlement.

IFRS – International Financial Reporting Standards. Guidelines and rules set by the International Accounting Standards Board (IASB) that companies and organisations can follow when compiling financial statements.

LABGI – Local Authority Business Growth Incentive, money received by the Council to regenerate business.

Long Term Borrowing / investment – Borrowing / investments repayable after more than one year.

Long Term Receivables – Amounts due to the council more than one year after the Balance Sheet date.

Minimum Revenue Provision (MRP) – The minimum amount that must be charged against the Council's revenue accounts each year, as a provision to repay borrowing and finance leases.

Manage and Operate Partnership (MOP) – the agreement to undertake highways work in partnership with neighbouring Authorities and Nottinghamshire County Council.

Net Book Value – The amount at which non-current assets are included in the balance sheet, i.e. their historic value or current valuation less depreciation.

Net Realisable Value – The Open market value of an asset in its existing use.

Non Current Assets – Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year, for example, land, buildings and equipment.

Non – Distributed Costs – Overheads for which no specific user benefits and are not apportioned to services.

Non – Operational Assets – Non-current assets held but not currently used by the Council in delivering services; for example property surplus to requirements or land awaiting sale or redevelopment.

Operating Lease – An operating lease is a rental agreement that places all of the risks and rewards of ownership of an asset with the lessor.

Operational Assets – Non-current assets held and used in delivering services.

Past Service Cost - For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Precept – The amounts of tax that the Council is required to raise through Council Tax on behalf of other authorities for services they provide in the Billing Authority's area.

Precepting Authorities – Those Authorities who are not Billing Authorities, e.g. “major” Authorities such as the County Council and Police and Fire Authorities and “local Precepting Authorities” such as Parish, Town or Community Councils.

Projected Unit Method - An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is one in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners, deferred pensioners and their dependents, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

Provision - An amount set aside to provide for a liability that it is likely will be incurred but the exact amount and the date on which it will arise are uncertain.

Public Works Loan Board (PWLB) – A Central Government agency, that provides loans to Local Authorities.

Related Party Transactions – A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

Reserve – An amount set-aside for a specific purpose in one financial year and used to meet expenditure in future years. There are two types of reserves, usable and unusable reserves. Usable reserves are those reserves that can be applied to fund expenditure or reduce local taxation. Unusable reserves are other reserves, such as the revaluation reserve, that arise from accounting requirements

Residual Value – the net realisable value of an asset at the end of its useful life.

Retirement Benefits – All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Revenue Expenditure Funded from Capital under Statute (REFCUS) – Spending on items normally classed as revenue but which are defined by statute as capital e.g. improvement grants.

Revenue Expenditure – Spending on day-to-day items, including, salaries and wages, premises costs and supplies and services.

Revenue Support Grant (RSG) – Contribution from Central Government towards the cost of local authority services.

Scheme Liabilities – The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities are measured using the projected unit method to reflect the benefits that the employer is committed to provide for service up to the valuation date.

Short Term Borrowing/ Investments – Borrowing and investments repayable on demand or within one year.

Statement of Recommended Practice (SORP) – The previous accounting standards prior to the adoption of IFRS that governed the Statement of Accounts within Local Authority Accounting in the United Kingdom.

Tangible Assets – Assets with physical substance.

Trade Payables (Creditors) – An amount owed by the Council for work done, goods received or services provided but for which payment has not yet been made.

Trade Receivables (Debtors) – An amount owing to the Council but for which money has not yet been received.

Useful Life – The period over which the local authority will derive benefits from the use of a tangible non-current asset.

Vested Rights – In relation to a defined benefit scheme, these are:

- for active members, benefits to which they would unconditionally be entitled on leaving the scheme
- for deferred pensioners, their preserved benefits
- for pensioners, pensions to which they are entitled

They include where appropriate the related benefits for spouses or other dependants.

Work In Progress / WIP – the cost of work done on an uncompleted project as at the Balance Sheet date.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASHFIELD DISTRICT COUNCIL

Opinion on the Authority and Group accounting statements

I have audited the Authority and Group accounting statements of Ashfield District Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the *Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and 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 Ashfield District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Deputy Chief Executive and auditor

As explained more fully in the Statement of the Deputy Chief Executive's Responsibilities, the Deputy Chief Executive is responsible for the preparation of the Authority and Group's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Ashfield District Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

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

Matters on which I report by exception

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

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

Basis of conclusion

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

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

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

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

Conclusion

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

Delay in certification of completion of the audit

The audit cannot be formally concluded and an audit certificate issued until I have completed my consideration of matters brought to my attention by local authority electors. I am satisfied that

these matters do not have a material effect on the financial statements or a significant impact on my value for money conclusion.

Tony Crawley

Officer of the Audit Commission

Rivermead House

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Grove Park

Enderby

Leicestershire

LE19 1SU

September 2011