

NEWARK AND SHERWOOD DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2009-2010

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EXPLANATORY FOREWORD

1 Introduction

The Council's accounts for the year 2009/2010 are set out on pages 1 to 63. These comprise various statutory statements concerning internal controls, the accounts of the District Council and the Group Accounts which combine the accounts with those of Newark and Sherwood Homes Limited.

The accounts have been prepared in accordance with the Statement of Recommended Practice 2009 (the SORP) applicable to local authorities. The SORP designates certain of the financial statements as "core" and requires these to be grouped together in a specified order, to be followed by a consolidated set of notes to the accounts covering all of the core statements. Supplementary statements will be presented (with their own notes) after the notes on the core statements.

The SORP sets out the proper accounting practices required for Statements of Accounts, by section 21(2) of the Local Government Act 2003 prepared in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2003.

The Statement of Accounts provides information on how the Council has used the financial resources available to it and answers the following significant questions:

- How much did the Council's services cost in 2009/2010?
- Where did the money come from?
- What were the major influences on the Council's Income and Expenditure?
- What were the Council's Assets and Liabilities at the close of 2009/2010?

2 Review of 2009/2010

Introduction

The Council incurs both revenue and capital expenditure during the year. Revenue expenditure is generally on items that are consumed within one year, and financed from Government Grants, Council Tax, Council House Rents and various fees and charges. However, capital expenditure is on assets that have a life beyond one year and is financed from supported capital borrowing, proceeds from the sale of assets (capital receipts), capital grants and contributions, major repairs reserve and direct revenue financing.

During the year Council spending has been subject to regular monitoring and scrutiny. Quarterly monitoring reports are considered by Overview and Scrutiny committees and by Cabinet.

2009/2010 has presented the Council with a number of challenges in successfully managing its budgets. The downturn in the economy has significantly impacted on the levels of Income received from Planning and Building Control, however, income has remained buoyant for leisure facilities, car parks and commercial rents. Additional employee costs were incurred in respect of staffing redundancies but the anticipated fuel and energy price increases did not impact during 2009/2010. Heads of Service, in conjunction with portfolio holders, were tasked with identifying savings to address budget deficits for future years.

The General Fund (the Council's Revenue Account)

The Budget for 2009/2010 was achieved with a freeze on the Council Tax giving a Band D Council Tax of £163.48.

The total net expenditure budget for the year was set at £18,911m, representing the net cost of providing the Council's services (including Parish Precepts). The financing of the total net expenditure budget for the year is shown as follows:

	£'000
Government Formula Grant (Revenue Support Grant and re-distributed business rates)	10,141
Council Tax Income	8,770
Total	18,911

The following table identifies significant variances in service expenditure analysed by Portfolio. Comparison of outturn is against the original budget for 2009/2010 i.e. the budget as approved by Council when setting the Council Tax for 2009/2010 prior to the start of the financial year.

	Original Budget £'000	Outturn £'000	Variance £'000
Portfolio			
Strategic and Corporate Policy	4,672	3,238	(1,434)
Safe and Strong	591	427	(164)
Culture and Leisure	3,014	2,888	(126)
Sustainable Development and Regeneration	2,415	2,588	173
Clean and Green	5,743	4,656	(1,087)
Health and Homes	1,634	980	(654)
Total Services	18,069	14,777	(3,292)
Drainage Levy	459	459	0
Movement to/(from) earmarked reserves	(660)	752	1,412
Parish Precepts	2,335	2,335	0
Statutory accounting adjustments	(1,292)	503	1,795
Formula and Other Grant	(10,141)	(10,210)	(69)
Collection Fund	(8,770)	(8,716)	54
Total	0	(100)	(100)

Net Expenditure on the General Fund Portfolios for 2009/2010 was under budget by £3,292k.

The major variances are:

- The budget included a pay increase of 2.75%. The actual increase awarded was 1%.
- The budget for fuel and energy costs was prepared when fuel prices were increasing. Prices did not reach the anticipated high and consequently budget is underspent.
- Income levels for car parks, leisure facilities and commercial properties have remained more buoyant than expected.
- Savings on budget have been transferred to earmarked reserves to mitigate impact on future price increases.

Housing Revenue Account

The Council maintains a separate revenue account for recording all income and expenditure relating to the management and maintenance of its housing stock. This is known as the Housing Revenue account (HRA) and the items to be charged to it are prescribed by statute.

The Housing Revenue Account includes a management fee paid to Newark and Sherwood Homes Ltd to manage the stock owned by the Council under arms length arrangements. The management agreement came into effect on 1 November 2004. The management contract includes a clause whereby Newark and Sherwood Homes Ltd repay any surplus after tax to the District Council relating to the 2009/2010 year which the Council has agreed to re-advance to them on 1 April 2010. This amounted to £1,947,000 and is included in the HRA balance in hand.

In 2009/2010 the Council budgeted for a zero increase in the HRA working balance. The outturn position shows an increase in the working balance of £152k. The key reason for the difference being the increase in the efficiency gain achieved by Newark and Sherwood Homes Ltd

Joint Arrangements – Mansfield Crematorium

Mansfield Crematorium has been recognised as a joint arrangement between Mansfield District Council, Ashfield District Council and Newark and Sherwood District Council. The authority accounts directly for its part of the assets, liabilities, income, expenditure and cash flows held arising from the operations of the crematorium. In 2009/2010 Mansfield Crematorium made a surplus of £281k, £44k of which is attributable to Newark and Sherwood District Council and is shown in the Income and Expenditure Account under Cultural, Environmental and Planning Services.

Capital Expenditure and Income

Capital expenditure can be defined as that which generates an asset that has a useful life of more than one year. The capital account shows the Income and Expenditure transactions the Council makes when it:

- Buys or sells land or property
- Builds new property
- Carries out major repairs to the Council's properties
- Improves the Council's properties
- Provides grants for the above types of activity

	Original Budget £'000	Final Budget £000	Outturn £000
Housing Services	16,407	16,050	14,967
Other Services	7,194	1,959	1,950
Total Capital Expenditure	23,601	18,009	16,917
Borrowing	(12,464)	(11,450)	(10,576)
Other sources of Financing	(11,137)	(6,559)	(6,341)
Total Financing	(23,601)	(18,009)	(16,917)

Of the £1.09m underspend, the principal schemes were:

- Decent Homes programme (£0.54m) due to works to some properties being deferred
- Private sector housing renewals grants (£0.30m) due to lower than expected take-up
- Council owned housing environmental works (0.25m)

Approval has been given to carry forward the underspend into 2010/2011. Further analysis of the principal items of capital expenditure and finance are provided on page 30.

Minimum Revenue Provision

The Local Government Act 2003 requires authorities to set aside an amount from revenue (Minimum Revenue Provision) for the repayment of external loans which have been taken out to fund capital expenditure. In line with CLG Regulations from 2008/09 the Council is required to approve an MRP Statement for each year. For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure (ie Central Government provides revenue to pay for the borrowing), the MRP policy will be the Capital Financing Requirement method outlined in the MRP guidance provided to local authorities by Communities and Local Government as part of the implementation of the Local Authorities (Capital Finance and Accounting) (England)(Amendment) Regulations 2008(SI 2008/414). From 1 April 2008 for all unsupported borrowing the MRP policy will be the Asset Life Method whereby MRP will be based on the estimated life of the assets, in accordance with regulations.

Council Tax Collection

The net collectable amount for 2009/2010 Council Tax was £56.1m, of which £54.8m has been received. This represents a collection rate of 97.6%. Total Council Tax arrears, including costs, amounted to £2.6m as at 31 March 2010 and will be collected during 2010/2011. Council tax is collected on behalf of Nottinghamshire County Council, Nottinghamshire Fire Authority and Nottinghamshire Police Authority. Amounts collected, bad debt write offs and any surplus or deficit on collection are distributed according to precept.

Significance of Pension Liabilities and Assets

The application of Financial Reporting Standard (FRS) 17 has resulted in a pension liability of £53.79m (£31.432m 2008/2009) shown in the Balance Sheet. This amount is matched by a pension reserve, also shown in the Balance Sheet, and therefore has no impact on the Council's overall financial position as at 31 March 2010.

Note 33 on page 38 gives further analysis of the Council's pension liability.

Treasury Management Performance

During the financial year, the Council operated within the treasury limits set out in the Council's Treasury Management and Annual Investment Strategy which was approved on 9 March 2009.

Continuing problems in the financial markets meant that some previously highly rated institutions that had been used for temporarily investing surplus funds were downgraded and at the same time interest rates generally fell to historically low levels. In response the Council reviewed its Treasury Management Strategy and as a result it was decided to reduce exposure to the market by utilising internal balances to finance some capital expenditure and also not to renew maturing debt. Remaining cash that is held for daily cashflow purposes is invested in AAA rated instant access Money Market Funds.

In October 2008 the Icelandic banking sector defaulted on its obligations. At that time the Council had £2m invested in Glitnir. The Council continues to support the actions being taken by the Local Government Association (LGA) on behalf of all Authorities involved to recover deposits in failed Icelandic banks. The LGA is currently working with international legal experts to pursue claims through the Icelandic courts to have Local Authority investors designated preferential creditors. The advice from the LGA remains that the Council can ultimately expect full repayment of its £2m investment.

Interest credited to the Income and Expenditure Account in 2009/2010 was £488,240, which represents an average interest rate of 2.23%. This exceeds the 3 month London Inter-Bank rate (LIBID) of 0.72% for the year and was achieved primarily due to overhanging fixed rate investments made before the general fall in interest rates.

The Council held investments of £11.4m at 31 March 2010 (£19.7m on 31 March 2009).

Reserves and Balances

The General Fund working balance at the end of the financial year is £2,211m which will be carried over into 2010/2011. The working balance is maintained to provide a financial cushion should unexpected events occur that lead to significant unplanned expenditure that would not be met from other sources or by specific Central Government Grants. The current minimum working balance for the General Fund is set at £2.4m.

The Housing Revenue Account working balance of £3,849k represents the existing revenue balance.

The Council holds a number of earmarked reserves to finance future capital and revenue expenditure. The value of specific reserves held at 31 March 2010 is £7,342k (£6,589k at 31 March 2009). A full analysis of earmarked reserves is contained in Note 26 Statement of Movement in Reserves.

Consolidated Group Accounts

The authority is required under the Local Government Act 2003 to produce a set of Group accounts where it has subsidiaries, joint ventures or associates. The criteria for deciding if the authority has such relationships are laid down by the Code of Practice on Local Authority Accounting in the United Kingdom 2009 Statement of Recommended Practice. The SORP has been developed to bring authority accounts in line with the UK Generally Accepted Accounting Principles (UKGAAP) which other reporting bodies have to comply with and to assist users of the accounts to understand better the authority's overall financial position.

3 Statutory Statements

The following Statement of Accounts for Newark and Sherwood District Council present the overall financial position for the Authority for the year ended 31 March 2010, and has been produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, a Statement of Recommended Practice published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Statement of Responsibilities for the Statement of Accounts (page 7) which is required under current Codes of Practice for Local Authority Accounting to be signed by the Chief Financial Officer stating the accounts present a true and fair view of the financial position of the Council.

Annual Governance Statement (pages 8-11) which sets out the framework within which financial control is exercised and the main components of the system including internal audit arrangements. The statement identifies any significant control issues and action being taken to address them. This has to be certified by the Chief Executive and the Leader of the Council.

Auditors Report (pages 12-13) which provides an opinion on the fairness of the accounts presented.

Accounting Policies (pages 14-20) which explain the basis of the preparation of the accounts in relation to all material items and should be read in conjunction with the accounts to provide an overall picture.

Financial Statements

The Statements required by the SORP comprise the following:

- Income and Expenditure Account
- Statement of the Movement on the General Fund Balance
- Statement of Total Recognised Gains and Losses
- Balance Sheet
- Cash Flow Statement
- Notes to Core Statements

These are described in more detail in the notes below.

Income and Expenditure Account (page 21). This account summarises the resources that have been generated and consumed in providing services and managing the Council during 2009/2010. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets consumed and the real projected value of retirement benefits earned by employees in the year. It includes the amounts spent not only on local taxpayer services but also local rent payer services.

Statement of Movement on General Fund (page 22). The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis. The General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. The reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance. The significant differences are:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement Benefits are charged as amounts become payable to the pension fund, rather than as future benefits are earned.

Statement of Total Recognised Gains and Losses (page 23). The Statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to surplus generated on the Income and Expenditure Account it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

Balance Sheet (page 24) which summarises the Council's assets and liabilities together with the sources of funds i.e. what the Council owns, who it owes money to, who owes it money and what reserves it has to meet future spending.

Cash Flow Statement (page 25) which summarises the movement in cash i.e. excluding internal provisions which have no effect on cash.

Notes to Financial Statements (pages 26-48). These are notes relating to the preceding financial statements which explain and provide additional information to figures included in these statements.

Housing Revenue Account (pages 49-53). This reflects a statutory obligation to account separately for the Council's housing landlord function. It shows the major elements of housing revenue expenditure – maintenance, administration and capital financing costs, and how these are met by rents, subsidy and other income.

Collection Fund (pages 54-55). The Account details all monies due from Council Tax and Business Rate payers and payments made to the County Council, Police and Fire Authorities, Parish Councils and the District Council. All business rates, less a deduction for collection costs, are paid into a central government Pool and redistributed to Local Authorities through the Local Government Finance Settlement.

Consolidated Group Accounts (pages 56-63). The District Council has considered the relevant legislation and accounting guidance and has concluded that it will need to prepare Group Accounts. These consolidate the accounts of the District Council with those of Newark and Sherwood Homes Ltd which is wholly owned by the District Council. After due consideration no other third party organisation's accounts need to be consolidated.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

1 The authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance and Asset Management
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Statement of Accounts

Responsibilities of the Head of Finance and Asset Management

2 The Head of Finance and Asset Management is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).

3 In preparing this Statement of Accounts, the Head of Finance and Asset Management has:

- selected suitable accounting policies and then applied them consistently
- made judgments and estimates that were reasonable and prudent
- complied with the local authority SORP.

4 The Head of Finance and Asset Management has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities

Certificate of the Head of Finance and Asset Management

5 This statement of accounts is that upon which the auditor should enter his opinion. It presents a true and fair view of the financial position of the authority at 31st March 2010 and its income and expenditure for the year then ended.

D. Dickinson CPFA, BA

Head of Finance and Asset Management

29 September 2010

SIGNATURE OF CHAIRMAN OF MEETING WHICH APPROVED THE ACCOUNTS

Councillor B. Loughton

Chairman Accounts and Audit Committee

29 September 2010

ANNUAL GOVERNANCE STATEMENT

1 Scope of responsibility

Newark and Sherwood District Council is responsible for ensuring that the Authority's own and, with the addition of Newark and Sherwood Homes, its Group 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. Newark and Sherwood District 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, Newark and Sherwood District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

2 The purpose of the governance framework

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

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

The governance framework has been in place at Newark and Sherwood District Council for the year ended 31 March 2010 and up to the date of approval of the annual report and statement of accounts.

3 The governance framework

The key elements of the District Council's governance framework are as follows:

The District Council has adopted a constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution is subject to periodic change either through national legislation or local decision and the Governance Framework may be amended accordingly.

The Council facilitates policy and decision-making through the Cabinet. Meetings are open to the public except where exempt or confidential matters are being disclosed. In addition, senior officers of the council can make decisions under delegated authority. The Council publishes a Forward Plan which contains details of key decisions to be made by the Council, its committees and Chief Officers under their delegated powers.

The District Council has a cross-departmental Risk Management Group that meets regularly to identify and evaluate all significant risks. A Risk Register is in place and appropriate staff have been trained in the assessment, management and monitoring of risks.

Through reviews by external auditors, external agencies, Internal Audit and its Policy and Performance Team the District Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Services are delivered by trained and experienced people. All posts have a detailed job description and person specification. Training needs are identified through the Performance Appraisal Scheme.

The Council has designated the Strategic Director (Customers and Resources) as Monitoring Officer. It is the function of the Monitoring officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service, the Monitoring Officer will report to the full Council if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration.

The Council has a Standards Committee which promotes and maintains high standards of conduct by members. The standards of behaviour for members and employees are defined through codes of conduct. The Council also has an Anti-Fraud and Corruption Strategy and a Whistleblowing Policy that enables concerns to be raised confidentially by employees or persons doing business with the Council. A complaints system is also operated by the Council to enable comments on services to be received and investigated.

The Council communicates with the community and its stakeholders by means of a quarterly publication, "Voice", through its Internet website and by specific consultation.

4 Review of effectiveness

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

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

The Strategic Director (Customers and Resources) (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution through a dedicated working party comprising, inter alia, all the group leaders, on a regular basis, and has formed a Councillors' Commission to consider any changes resulting from recent legislation.

The Council has three Overview and Scrutiny Committees. They can "call-in" a decision made by Cabinet but not yet implemented, to enable them to consider whether the decision is appropriate. Both overview and scrutiny and, indeed, Cabinet, do on occasion appoint Task and Finish Groups, where appropriate, to explore issues in greater depth. One of the Overview and Scrutiny committees is tasked to examine specifically the Council's external relationships and interactions with our partners and other key stakeholders.

Internal Audit is responsible for reviewing the quality and effectiveness of systems of internal control. A rolling plan is approved by the Head of Finance and reported to the Audit and Accounts Committee. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Chief Officer and service manager. The report includes recommendations for improvements that are included within an action plan and require agreement or rejection by service managers. The Audit and Accounts Committee receives executive summaries of all internal audit reports and is advised of progress in implementing recommendations. Internal Audit reports are considered by the Council's Corporate Management Board.

The Internal Audit Section is subject to regular inspection by the Council's external auditors who place reliance on the work carried out by the section.

Risk management policies and procedures are in place with the objective of ensuring that the risks facing the authority in achieving its objectives are evaluated, regularly reviewed and mitigation strategies developed.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Accounts Committee and a plan to ensure continuous improvement of the system is in place.

Issue	Action	Responsible Officer
<p>Organisational Change In common with all local authorities, the Council will need to make significant changes to its budget to meet changing financial circumstances as a result of the national economic position.</p>	<p>The Council has a change programme led by the Chief Executive and involving all senior officers and Members.</p>	<p>A. Muter Chief Executive</p>
<p>Procurement and Project Management The Council needs to ensure that the requirements for sound procurement procedures and project management techniques are used throughout the organisation.</p>	<p>The Council's Contract Procedure Rules were reviewed and approved in May 2008. Minor amendments are proposed for 2010. Training is ongoing and has also been delivered on procurement and project management procedures. Further training and advice is to be provided to ensure that the requirements of the Council's Contract Procedure Rules are fully met.</p>	<p>D. Dickinson Head of Finance and Asset Management</p>
<p>Awareness of Policies The need to ensure that all staff are aware of the need for and compliance with the relevant policies of the Council, including: Financial Regulations; Section 17 Crime and Disorder; Fraud and Corruption.</p>	<p>The Council's Financial Regulations were approved in May 2008. Minor amendments are proposed for 2010. Training is ongoing as part of the agreed training programme.</p>	<p>D. Dickinson Head of Finance and Asset Management K.White Head of HR, Legal and Democratic Services</p>
<p>Business Continuity In order to maintain the integrity of business continuity plans throughout the Council, assurance needs to be obtained that such plans are robust and current.</p>	<p>All business continuity plans will be reviewed during the course of the year and appropriately tested.</p>	<p>I. Harrison Risk & Resilience Manager</p>
<p>Information Governance and Data Security Technological development has resulted in the amount of data held by the Council increasing significantly and it is necessary to ensure that the Council has appropriate data security standards and procedures in place.</p>	<p>Following the introduction of refreshed desktop equipment and new systems the Council continually considers the data security requirements to ensure that data held by the Council is held appropriately and securely with due regard to its sensitivity. The Council has met the requirements of the Government Connect Programme.</p>	<p>Heads of Service</p>
<p>Housing Stock Options Options for the future management of the Council's housing stock are being considered.</p>	<p>The Council has put in place appropriate Member and officer structures to consider the issues and has established a Stock Options Appraisal Commission.</p>	<p>A. Statham Head of Housing and Environmental Services</p>
<p>Growth Point Newark and Sherwood is a designated housing growth point area. This brings additional responsibilities for the development of housing in the District and the Council has been awarded significant additional funding as a result.</p>	<p>The Council has appointed staff dedicated to the delivery of the Growth Point objectives and has put in place mechanisms to deal with the resultant issues.</p>	<p>C. Walker Head of Planning and Economic Development</p>

<p>Anti-Fraud and Corruption</p> <p>Internal audit reports have identified improvements required to arrangements and policies regarding management anti-fraud and corruption arrangements.</p>	<p>Anti-Fraud and corruption arrangements will be reviewed and key messages disseminated to appropriate staff.</p>	<p>D. Dickinson Head of Finance and Asset Management</p> <p>PC Smith Audit Manager</p>
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We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for proper governance arrangements to be in place. We will undertake ongoing monitoring of the implementation of any improvements that were identified in our review of effectiveness and as part of our next annual review.

Signed



A. Muter
Chief Executive
29 September 2010



AC Roberts
Leader of the Council
29 September 2010

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEWARK AND SHERWOOD DISTRICT COUNCIL

OPINION ON THE ACCOUNTING STATEMENTS

I have audited the Authority and Group accounting statements and related notes of Newark and Sherwood District Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Newark and Sherwood District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

RESPECTIVE RESPONSIBILITIES OF THE HEAD OF FINANCE AND ASSET MANAGEMENT AND AUDITOR

The Head of Finance and Asset Management's responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the Authority and Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

- the financial position of the Authority and its income and expenditure for the year;
- and
- the financial position of the Group and its income and expenditure for the year.

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

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

BASIS OF AUDIT OPINION

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

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

OPINION

In my opinion:

- the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended;
- and
- the Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Group as at 31 March 2010 and its income and expenditure for the year then ended.

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

AUTHORITY'S RESPONSIBILITIES

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

AUDITOR'S RESPONSIBILITIES

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

CONCLUSION

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009 and the supporting guidance, I am satisfied that, in all significant respects, Newark and Sherwood District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

CERTIFICATE

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

J Cornett
District Auditor

Audit Commission
Littlemoor House
Littlemoor
Eckington
Sheffield
S21 4EF

Date: 29 September 2010

ACCOUNTING POLICIES

1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2009/2010 financial year and its position at the year-end of 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009 A Statement of Recommended Practice (the SORP). The accounting convention adopted is historical cost, modified firstly by the revaluation of certain categories of tangible fixed assets and secondly as regards the valuation of stocks. Accounting policies and estimation techniques have been selected and exercised, having regard to the accounting principles and concepts set out in FRS18, specifically the qualitative characteristics of financial information:

- Relevance
- Reliability
- Comparability
- Understandability
- Materiality

and pervasive accounting concepts:

- Accruals
- Going Concern
- Primacy of legislative requirements

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:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- 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 stocks on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

3 Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic 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 authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes more likely than not that a transfer of economic benefits will not now 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.

4 Reserves

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

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent usable resources for the Council - these reserves are explained in the relevant policies below. Details of all reserves are shown in Note 26 Statement of Movement in Reserves.

5 Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

6 Retirement Benefits

The Council fully complies with the requirements of FRS17, Retirement Benefits and recognises the cost of retirement benefits in the revenue account when employees earn them rather than when the benefits are eventually paid as pensions.

Employees of the Council are members of the Local Government Pensions Scheme, administered by Nottinghamshire County Council (the pension fund). The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds.

The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities - professional estimate
- unitised securities - current bid price
- property - market value.

The change in the net pensions liability is analysed into seven components:

- current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
- past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to Net Operating Expenditure in the Income and Expenditure Account
- 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 Net Operating Expenditure in the Income and Expenditure Account
- gains/losses on settlements and curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs

- actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Statement of Total Recognised Gains and Losses
- contributions paid to the pension fund - cash paid as employer's contributions to the pension fund.

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 Statement of Movement on the General Fund Balance 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 amounts payable to the fund but unpaid at the year-end.

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.

7 Value Added Tax

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them.

8 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 2008 (BVACOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

9 Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

10 Tangible Fixed Assets

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

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred. Expenditure under the value of £15,000 is treated as de-minimis.

Measurement: assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- investment properties and assets surplus to requirements - lower of net current replacement cost or net realisable value
- dwellings, other land and buildings - lower of net current replacement cost or net realisable value in existing use
- vehicles, plant and equipment and community assets - depreciated historical cost
- infrastructure assets – are written off in full if they have no tangible value.

Net current replacement cost is assessed as:

- non-specialised operational properties - existing use value
- specialised operational properties - depreciated replacement cost
- investment properties and surplus assets - market value.

Valuation: assets are included in the Balance Sheet at current value on the basis recommended by CIPFA and in accordance with the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the CIPFA Code of Practice on Local Authority Accounting.

Assets included in the Balance Sheet at current value are revalued where they have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

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

- where attributable to the clear consumption of economic benefits - the loss is charged to the relevant service revenue account
- otherwise - written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

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

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustments Account.

Amounts 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 Reserve from the Statement of Movement on the General Fund Balance.

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

The Council has taken advantage of the ability to earmark all sales of non right to buy housing revenue account land and property for the provision of affordable housing. In this way 100% of such sales can be retained.

Depreciation: depreciation is provided for on all fixed assets with a determinable finite life (except for investment properties) by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- Dwellings and Other Buildings – straight line allocation over the life of the property as estimated by the Valuer
- Vehicles, Plant and Equipment – a straight line allocation, taking into account any residual value, over their useful life as advised by a suitably qualified officer
- Infrastructure – straight line allocation over 25 years

Prior to 2009/2010 depreciation on Council dwellings was assumed to be the equivalent of the Major Repairs Allowance.

Where an asset has major components with different estimated useful lives these are depreciated separately.

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

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

11 Charges to Revenue for Fixed Assets

General Fund service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

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

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

12 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of tangible assets has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined 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 Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

13 Leased Assets

Finance leases. Assets acquired under finance leases are capitalised in the authority's accounts, together with the liability to pay future rentals. The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between

- a charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset - the liability is written down as the rent becomes payable) and
- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases. Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

14 Financial Liabilities

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

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

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

15 Financial Assets

Financial assets are classified into two types:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available for Sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments. The Council does not hold any assets of this type.

Loans and Receivables: are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans the Council has made, this means the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans under its Enterprise Scheme to help new businesses at less than market rates (soft loans). Where these are material a loss is recorded in the Income and Expenditure Account in line with statutory guidelines.

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

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

Instruments entered into before 1st April 2006: the Council does not hold any instruments of this type.

16 Stocks

Stocks and stores held in the Council's depots at the year-end are valued on a first in first out basis.

17 Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures 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 investments i.e. at cost less any provision for losses.

Newark and Sherwood Homes Ltd is a wholly owned subsidiary of the authority which manages the housing stock, owned by the Council, under an arms length arrangement and their accounts are consolidated with the authority's in accordance with FRS2.

Mansfield Crematorium has been recognised as a joint arrangement between Mansfield District Council, Ashfield District Council and Newark and Sherwood District Council. The authority accounts directly for its part of the assets, liabilities, income, expenditure and cash flows held arising from the operations of the crematorium.

INCOME AND EXPENDITURE ACCOUNT

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

		2009/2010	2009/2010	2009/2010	2008/2009
		£'000	£'000	£'000	£'000
	Note	Gross Spend	Gross Income	Net Spend	Net Spend <i>Restated</i>
<u>Net Cost of Services</u>					
Central Services to the Public		10,289	(9,318)	971	1,060
Cultural Environment and Planning Services		20,674	(9,912)	10,762	16,204
Highways Roads and Transport Services		1,669	(1,575)	94	254
Housing Services		24,117	(23,400)	717	601
Housing Revenue Account		7,803	(17,587)	(9,784)	51,382
Corporate and Democratic Core		2,245	(77)	2,168	2,625
Non Distributed Costs		1,337	(883)	454	448
Net Cost of Services		68,134	(62,752)	5,382	72,574
<u>Corporate Income and Expenditure</u>					
(Profit)/Loss on Sale of Fixed Assets		372	(332)	40	(107)
Parish Council Precepts		2,335	0	2,335	2,226
(Surplus)/Deficit on Trading Undertakings	2	155	(110)	45	342
Interest Payable		3,734	0	3,734	3,953
Contribution to Housing Pooled Receipts		176	0	176	187
Investment and other Interest		0	(448)	(448)	(1,723)
Provision for Doubtful Debts	25	0	(83)	(83)	12
Losses on Repurchase of Borrowing		0	(26)	(26)	0
Pension Interest Cost and expected return on Pensions Assets	33	4,534	(2,397)	2,137	1,774
Net Operating Expenditure		79,440	(66,148)	13,292	79,238
<u>Principal Sources of Finance</u>					
Council Tax Payers				(8,716)	(8,529)
Government Grants (not attributable to specific services)	3			(1,925)	(1,237)
Distribution from Non Domestic Rate Pool				(8,240)	(8,719)
Local Authority Business Growth Initiative Grant				(45)	(599)
Public Service Award					0
(Surplus)/Deficit for year to Statement on Movement of General Fund Balance				(5,634)	60,154

There have been no acquired operations or discontinued operations in the financial years 2008/2009 and 2009/2010.

STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

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

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

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

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

	2009/2010	2008/2009 <i>Restated</i>
(Surplus)/Deficit for year from Income and Expenditure Account	(5,634)	60,154
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance (see below)	5,534	(59,905)
Net (Increase)/Decrease in the General Fund Balance for the year	(100)	249
General Fund Balance Brought Forward	(2,111)	(2,360)
General Fund Balance Carried Forward	(2,211)	(2,111)

Reconciling Items for the Statement of Movement on the General Fund

	Note	31st March 2010 £'000	31st March 2009 £'000 <i>Restated</i>
<u>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</u>			
Amortisation of Intangible Assets		(7)	(180)
Depreciation and Impairment of Fixed Assets		3,577	(60,852)
Excess of Depreciation charged to HRA Services over the Major Repairs Allowance		(16)	0
Government and Other Grants Deferred Amortisation		1,613	1,449
Revenue Expenditure Funded from Capital under Statute		(992)	(1,547)
Net (Loss)/Gain on sale of Fixed Assets		(40)	107
Impairment on Financial Instrument		131	(18)
Finance Lease Charge			8
Deferred Capital Receipt			(8)
Collection Fund Council Tax Adjustment		(53)	(34)
Premia and Discounts arising from early repayment of debt		209	217
Net Charges made for Retirement Benefits in accordance with FRS 17	33	(3,266)	(3,296)
		1,156	(64,154)
<u>Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year</u>			
Minimum Revenue Provision for Capital Financing		289	252
Capital Expenditure charged in year to the General Fund Balance		75	213
Transfer to Usable Capital Receipts to meet payment to the Housing Capital Receipts Pool		(176)	(187)
Employers Contribution payable to Nottinghamshire County Council Pension Fund	33	3,287	2,653
		3,475	2,931
<u>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</u>			
Housing Revenue Account Balance	26	151	(262)
Net Transfer to/(from) Earmarked Reserves	26	752	1,580
		903	1,318
Net Additional Amount required to be credited to the General Fund Balance for the year		5,534	(59,905)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase/(decrease) in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

	2009/2010 £'000	2008/2009 £'000 <i>Restated</i>
(Surplus)/Deficit on the Income and Expenditure Account	(5,634)	60,154
Actuarial (Gains) and Losses on Pension Fund Assts and Liabilities (Note 33)	22,379	(4,742)
(Surplus)/Deficit arising on Revaluation of Fixed Assets (Note 28)	(2,501)	9,011
Total Recognised (Gains) and Losses for the Year	14,244	64,423
There has been no effect on the Statement of Total Recognised Gains and Losses from the Prior Year Adjustment disclosed in Note 1		

BALANCE SHEET

	Note	31st March 2010		31st March 2009	
		£'000	£'000	£'000	£'000
				<i>Restated</i>	<i>Restated</i>
Intangible Assets					
Software Licences			16		23
Fixed Assets					
<i>Operational Assets</i>					
Council Dwellings		221,301		203,912	
Other Land and Buildings		31,141		31,334	
Infrastructure		0		0	
Vehicles, Plant, Furniture and Equipment		1,126		1,444	
Community Assets		649		294	
<i>Non Operational Assets</i>					
Investment Properties		2,018		1,827	
Assets Under Construction		1,435		143	
Surplus Assets		1,310	258,980	1,641	240,595
Total Fixed Assets	9		258,996		240,618
Long Term Debtors	18		164		178
Long Term Investments greater than 12 months	35		10		10
Total Long Term Assets			259,170		240,806
Current Assets					
Stocks	19	148		156	
Debtors	20	7,824		6,875	
Temporary Investments	35	11,804		20,346	
Cash at Bank and In Hand		291	20,067	135	27,512
Total Assets			279,237		268,318
Current Liabilities					
Borrowing Repayable on Demand within 12 months	35	(7,908)		(6,214)	
Creditors	21	(11,212)		(7,012)	
Cash Overdrawn		0		(33)	
Total Current Liabilities			(19,120)		(13,259)
Total Assets Less Current Liabilities			260,117		255,059
Borrowing Repayable in greater than 12 months	35	(61,776)		(66,304)	
Deferred Liabilities		(113)		(120)	
Developers Costs Deferred	22	(2,206)		(2,805)	
Government Grants and Other Contributions Deferred	23	(4,072)		(4,218)	
Grants and Contributions Unapplied		(3,588)		(1,365)	
Liability Related to Defined Benefit Pension Scheme	33	(53,790)	(125,545)	(31,432)	(106,244)
Total Assets Less Liabilities			134,572		148,815
Revenue Accounts	26		6,060		5,809
Earmarked Reserves	26		7,342		6,589
Collection Fund Adjustment Account			164		217
Capital Receipts Reserve	27		927		2,331
Deferred Capital Receipts			32		39
Pensions Reserve	33		(53,790)		(31,432)
Revaluation Reserve	28		5,943		3,523
Capital Adjustment Account	29		168,349		162,533
Financial Instrument Adjustment Account	30		(455)		(794)
Total Net Worth			134,572		148,815

CASH FLOW STATEMENT

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

	Note	2009/2010		2008/2009	
		£'000	£'000	£'000 <i>Restated</i>	£'000 <i>Restated</i>
<u>Revenue Activities</u>					
Cash outflows					
Cash paid to and on behalf of Employees		14,266		15,086	
Other Operating Costs		43,139		42,027	
Revenue Expenditure funded from Capital		992		1,547	
Housing Benefits paid out		12,670		10,455	
Contribution to Housing Pooled Receipts		176		187	
Parish Precepts		2,335		2,226	
			73,578		71,528
Cash inflows					
Council Tax Income		(8,662)		(7,051)	
Rents		(7,255)		(7,346)	
Distributable amount of NDR from Pool		(8,240)		(8,719)	
Revenue Support Grant		(1,902)		(1,214)	
DWP Grants for Rebates		(30,099)		(26,924)	
Other Government Grants	44	(1,940)		(4,104)	
Cash Received for Goods and Services		(22,004)		(19,982)	
			(80,102)		(75,340)
Revenue Activities Net Cash Flow	40		(6,524)		(3,812)
<u>Returns on Investment and Servicing of Finance</u>					
Cash outflows					
Interest Paid		3,783		3,933	
Cash inflows					
Interest Received		(448)		(1,724)	
			3,335		2,209
<u>Capital Activities</u>					
Cash outflows					
Purchase of Fixed Assets		16,933		16,451	
		16,933		16,451	
Cash inflows					
Sale of Fixed Assets		(332)		(397)	
Capital Grants Received		(7,875)		(2,304)	
Other Capital Cash Income		(756)		(4,834)	
		(8,963)	7,970	(7,535)	8,916
Net Cash (Inflow)/Outflow before Financing			4,781		7,313
<u>Management of Liquid Resources</u>					
Net (Increase)/Decrease in Short Term Deposits	43	(8,542)		(4,974)	
Net (Increase)/Decrease in Other Liquid Resources		779		(876)	
			(7,763)		(5,850)
<u>Financing</u>					
Cash outflows					
Repayments of Amounts Borrowed		18,292		1,564	
Capital Element of Finance Lease Rentals		8		8	
		18,300		1,572	
Cash inflows					
New Loans Raised		(15,507)	2,793	(3,500)	(1,928)
(Increase)/Decrease in Cash and Cash Equivalents			(189)		(465)

NOTES TO THE CORE FINANCIAL STATEMENTS

1 Exceptional Items and Prior Year Adjustments

Under the 2009 SORP changes have been introduced for how the Council accounts for the surplus on the Collection Fund. Billing authorities are now deemed to be acting as agents, collecting council tax on behalf of the major preceptors and itself and collecting non domestic rates on behalf of Central Government. Council tax transactions and balances therefore need to be allocated between the billing authority and major preceptors. Non domestic rate transactions need to be allocated between the billing authority and Central Government. The following prior year adjustments have been made:

- Council Tax Payers income on the Income and Expenditure Account has been reduced by £34k to reflect the difference between the income include in the Income and Expenditure Account and the amount required by legislation to be credited to the General Fund. A corresponding reconciling amount has been included in the Statement of Movement on the General Fund Balance.
- On the Balance Sheet Debtors has been reduced by £1,670k and Creditors increased by £1,668k to reflect the nature of the agency arrangement.
- On the Cash Flow Statement Revenue Activities now only contains the Council's own share of net cash collected from Council Tax Payers.

There are no exceptional or extraordinary items to be reported.

2 Trading Operations

The Council undertakes a small number of Trading Operations. Any forecast surplus of deficit as a result of these services is included in the Council's annual budget and within the Net Cost of Services in the Income and Expenditure Account where appropriate. Catering Services is shown within Corporate Income and Expenditure as a Trading Undertaking.

	2009/2010 Expenditure £'000	2009/2010 Income £'000	2009/2010 (Surplus)/Deficit £'000	2008/2009 (Surplus)/Deficit £'000 <i>Restated</i>
Industrial Estates	1,404	(1,050)	354	(46)
Palace Theatre	1,250	(846)	404	382
Building Control	285	(270)	15	117
Car Parks	522	(1,197)	(675)	(775)
Catering	155	(110)	45	73
	<u>3,616</u>	<u>(3,473)</u>	<u>143</u>	<u>(249)</u>

3 Government Grants

In 2009/2010 Newark and Sherwood District Council received general Government Grants as follows:

	2009/2010 £'000	2008/2009 £'000
Government Grants received in respect of:		
Revenue Support Grant	1,902	1,214
Area Based Grant	23	23
	<u>1,925</u>	<u>1,237</u>

4 Members Allowances

Total allowances paid in 2009/2010 were £286,585 (2008/2009 £274,948) made up of Special Responsibility Payments £90,524 (2008/2009 £84,018), Basic Allowances £169,500 (2008/2009 £159,783) and £26,561 Travel and Subsistence payments (2008/2009 £31,147).

5 Officials' Emoluments

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £5,000 were:-

	Number of Employees 2009/2010	Employees Included in 2009/2010 leaving in same year	Number of Employees 2008/2009
£50,000 to £54,999	2	0	1
£55,000 to £59,999	0	0	2
£60,000 to £64,999	0	0	1
£65,000 to £69,999	1	0	1
£70,000 to £74,999	4	0	4
£75,000 to £79,999	0	0	0
£80,000 to £84,999	0	0	0
£85,000 to £89,999	0	0	1
£90,000 to £94,999	2	0	1
£95,000 to £99,999	0	0	0
£100,000 to £104,999	0	0	0
£105,000 to £109,999	0	0	0
£110,000 to £114,999	0	0	0
£115,000 to £119,999	1	0	1
	10	0	12

Amounts payable to senior employees in 2009/2010 are disclosed below:

	<u>2009/2010</u>	<u>2008/2009</u>
	£	£
<u>Chief Executive</u>		
Salary	113,490.00	113,490.00
Expenses, Allowances and Other Benefits	2,914.85	3,101.67
Employer's Contribution to Pension	23,832.96	22,811.50
% Employee's Contribution to Pension	7.5%	7.5%
<u>Strategic Director for Communities</u>		
Salary	91,707.96	86,466.00
Expenses, Allowances and Other Benefits	2,217.62	2,172.94
Employer's Contribution to Pension	19,258.68	17,379.65
% Employee's Contribution to Pension	7.5%	7.5%
<u>Strategic Director (Customers & Resources)</u>		
Salary	91,707.96	86,466.00
Expenses, Allowances and Other Benefits	2,501.15	3,026.54
Employer's Contribution to Pension	19,258.68	17,379.65
% Employee's Contribution to Pension	7.5%	7.5%
<u>Head of Finance and Asset Management</u>		
Salary	72,417.00	70,493.25
Expenses, Allowances and Other Benefits	1,397.61	1,338.76
Employer's Contribution to Pension	15,207.60	14,169.17
% Employee's Contribution to Pension	7.2%	7.2%

6 Related Party Transactions

Financial Reporting Standard 8 requires authorities to disclose details of transactions with Related Parties. This is to draw attention to the possibility of the reported financial position being affected by the existence of these Related Parties and any material transactions with them.

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

Payments to and from Central Government	Income and Expenditure Account and Cash Flow Statement
Precepts from other Local Authorities	Collection Fund Accounts
Superannuation Contributions	Income and Expenditure Account and Note 33
Members' Allowances	Income and Expenditure Account, Note 4 and Statutory Register of Interests
Newark and Sherwood Homes	Group Accounts
Mansfield Crematorium	Income and Expenditure and Balance Sheet

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

	Receipts £'000	Payments £'000
Partners in Capital Projects (Including other Local Authorities and Central Government)	8,514	0

A letter was sent to all Members and Chief Officers of the Council explaining the requirements of FRS 8 and asking for declarations to assist in complying with the Standard. Material transactions with organisations included in these declarations were as follows:

	Receipts £'000	Payments £'000
Southwell Town Council	13	17
Hawtonville Community Association		8
Details of the Council's relationship with Southwell Leisure Centre are included in Note 24 Material Interest in Joint Bodies		

7 Audit Fees

In 2009/2010 Newark and Sherwood District Council incurred the following fees relating to external audit and inspection:

	2009/2010 £	2008/2009 £
Fees Payable to the Audit Commission in respect of:		
External Audit Services	105,159	103,861
Statutory Inspection	8,313	6,031
Certification of Grant Claims	33,988	29,375
Other Services	7,290	0
	<u>154,750</u>	<u>139,267</u>

8 Promotion of Economic Development

The Local Government and Housing Act 1989 allows Local Authorities to provide loans with rates of interest lower than market value. The balance of these loans at 31 March 2010 was £555 (2008/2009 £4,554) and the difference between actual interest paid and interest at market value was £228 (2008/2009 £474).

9 Analysis of Fixed Assets

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles Plant Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Intangible Assets £'000	Investment Properties £'000	Surplus Assets £'000	Assets Under Construction £'000	TOTAL £'000
Cost or Valuation										
At 1 April 2009	203,912	32,626	3,473	0	302	675	1,872	1,648	144	244,652
Additions	13,841	219	541	30	148	0	0	0	1,131	15,910
Donations	0	0	0	0	0	0	0	0	0	0
Disposals	(172)	(123)	0	0	0	0	(102)	0	0	(397)
Reclassifications	309	(73)	(350)	0	350	0	(91)	(331)	200	14
Net Impairment Gain/(Loss)	5,751	(1,012)	0	(30)	(141)	0	(11)	28	(38)	4,547
Revaluations	(2,340)	977	0	0	0	0	360	(28)	24	(1,007)
At 31 March 2010	221,301	32,614	3,664	0	659	675	2,028	1,317	1,461	263,719
Depreciation and Impairments										
At 1 April 2009	0	1,292	2,029	0	8	652	45	7	1	4,034
Charge for 2009/2010	3,050	669	509	0	2	7	0	0	0	4,237
Disposals	0	(11)	0	0	0	0	(29)	0	0	(40)
Reclassifications	0	(25)	0	0	0	0	0	0	25	0
Revaluations	(3,050)	(452)	0	0	0	0	(6)	0	0	(3,508)
At 31 March 2010	0	1,473	2,538	0	10	659	10	7	26	4,723
Balance Sheet amount at 31 March 2010	221,301	31,141	1,126	0	649	16	2,018	1,310	1,435	258,996
Balance Sheet amount at 1 April 2009	203,912	31,334	1,444	0	294	23	1,827	1,641	143	240,618
Nature of Asset Holding										
Owned	221,301	30,950	1,126	0	649	16	2,018	1,310	1,435	258,805
Joint Arrangement	0	191	0	0	0	0	0	0	0	191
	221,301	31,141	1,126	0	649	16	2,018	1,310	1,435	258,996
No assets held under finance leases are included within the balance sheet										
General Fund Assets	0	10,336	860	0	649	16	0	156	843	12,860
HRA Assets	221,301	8,404	266	0	0	0	777	931	515	232,194
Trading Operations	0	12,210	0	0	0	0	1,241	223	77	13,751
Joint Arrangement	0	191	0	0	0	0	0	0	0	191
	221,301	31,141	1,126	0	649	16	2,018	1,310	1,435	258,996

10 Capital Expenditure and Financing

The main items of capital expenditure were:-

	2009/2010 £'000	2008/2009 £'000
Operational Assets	14,779	16,910
Non Operational Assets	1,131	604
	<hr/>	<hr/>
	15,910	17,514
Plus De-Minimis	15	0
Plus Revenue Expenditure Funded from Capital under Statute	992	1,547
	<hr/>	<hr/>
	16,917	19,061

The expenditure on fixed assets was financed as follows:-

	2009/2010 £'000	2008/2009 £'000
Loan	10,576	13,599
Capital Receipts	1,549	41
Government Grants	849	975
Contributions from Third Parties	618	921
Specific Reserves and Provisions	3,325	3,525
	<hr/>	<hr/>
	16,917	19,061

The Council has a Capital Programme for 5 years of which £4,207,350 is contractually committed as at 31 March 2010.

	£
New Council House build phase 1	3,013,290
Corporate Telecommunications System	340,659
Parks and Open Spaces	704,093
Other Council Housing work	149,308
	<hr/>
	4,207,350

11 Statement of Assets

The list below includes all assets valued over the 'De-Minimis' level of £15,000 plus other significant assets:

	31st March 2010	31st March 2009
Council Dwellings	5,433	5,435
Administrative Buildings and Local Offices	3	3
Depots	1	1
Off Street Car Parks	14	14
Leisure Centres and Pools	1	1
Joint Use Leisure Centres	2	2
Garage Sites	31	43
Industrial Estates	12	13
Cemeteries	2	2
Other Properties	77	66
Public Conveniences	7	6
Local Management Offices	0	2
Museums	1	1
Theatres	1	1
Village Halls and Community Centres	6	7

12 Leases – Disclosure as Lessee

Vehicles, Plant and Equipment – the Authority uses a range of vehicles, mowers and associated equipment, together with items of fitness equipment, financed under the terms of operating leases. The amount paid under these arrangements in 2009/2010 was £504,220 (2008/2009 £540,490).

Land and Buildings – the Authority leases several items of land and buildings, to include the Clipstone Holding Centre and a car park to the rear of London Road, the leasing arrangements for each being accounted for as operating leases. The rentals payable during 2009/2010 were £73,091 (2008/2009 £75,787). The Authority has a 30 year lease on the Millgate Museum, which has been accounted for as a finance lease. The rentals payable in 2009/2010 were £32,290 (2008/2009 £32,290), accounted for as £24,790 finance costs and £7,500 write down of obligations.

Outstanding obligations under operating leases for 2010/2011, analysed over the term of the lease, are as follows:-

	Other Land & Buildings £'000	Vehicle Plant & Equipment £'000	Total £'000
Lease expires - 2010/2011	0	0	0
2011/2012 to 2014/2015	0	384	384
2015/2016 onwards	76	0	76
Total Operating Lease Commitments for 2010/2011	<u>76</u>	<u>384</u>	<u>460</u>

Outstanding obligations under finance leases are as follows:-

	Other Land & Buildings £'000
2010/2011	7
2011/2012 to 2014/2015	30
2015/2016 onwards	<u>75</u>
Total Finance Lease Commitments	<u>112</u>

13 Disclosure as Lessor

The Authority has granted leases in respect of a range of industrial units, in addition to a livestock market, lorry wash and other commercial land and buildings. A number of village halls are also included. All arrangements are accounted for as operating leases with the village halls being charged peppercorn rents.

Aggregate rentals received by the Authority in its capacity as lessor for 2009/2010 represented £902,452. The gross value of assets held for use in operating leases was £14,162,000. Accumulated depreciation as at 31 March 2010 represented £410,649.

The Authority has no finance leasing arrangements as lessor.

14 Valuation of Assets

The freehold and leasehold properties which comprise the authority's property portfolio are valued by the Council's internal Valuer in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. Not all the properties were inspected at the time, as this was neither practicable nor considered by the Valuer to be necessary for the purpose of the valuation. Inspections have been carried out since April 1995 as part of the Council's policy to review all assets once every 5 years; therefore not all assets would have been inspected in 2009/2010. Plant and machinery is included implicitly in the valuation of the buildings. Properties regarded by the authority as operational were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for the asset, the depreciated replacement cost. Properties regarded by the authority as non-operational have been valued on the basis of open market value. All infrastructure assets have been written out of the accounts, as they do not represent an asset, which has a market value and are not a significant part of the authority's assets. The 2009/2010 valuation of the Council Dwellings was carried out by David Bingham of Herbert Button and Partners with all other 2009/2010 valuations being carried out by the Council's Valuer, Leanne Baines, both of whom are suitably qualified for this purpose.

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets.

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Investment Properties £'000	Total £'000
Valued at Historical Cost	0	0	3,664	0	3,664
Valued at Current Value in					
2009/2010	221,301	7,254	0	746	229,301
2008/2009	0	13,211	0	1,150	14,361
2007/2008	0	6,791	0	0	6,791
2006/2007	0	948	0	132	1,080
2005/2006	0	3,715	0	0	3,715
	221,301	31,919	3,664	2,028	258,912
Additions over the 5 year period	0	695	0	0	695
Gross Book Value	221,301	32,614	3,664	2,028	259,607

The value of tangible fixed assets valued at historical cost less depreciation is £339,968k (2008/2009 £328,081k)

15 Depreciation

The depreciation method and the useful lives of fixed assets are as follows:

<u>Asset</u>	<u>Depreciation Method</u>	<u>Useful Life in Years</u>
Council Dwellings	Straight line	35 – 50
Other Buildings	Straight line	20 – 100
Vehicle, Plant and Equipment	Straight line	5 – 10
Infrastructure	Straight line	25
Community Assets	Straight line	100
Surplus Assets	Straight line	10 -100
Assets Under Construction	No depreciation charged	
Investment Properties	No depreciation charged	

In 2009/2010 the Council changed its method of depreciating Council Dwellings from the equivalent of the Major Repairs Allowance to a straight line allocation over the life of the property. The difference in the two methods equates to £193,969.38

16 Intangible Assets

During 2009/2010 the Council's intangible assets consisted of computer software. These were considered to have significant long term value to justify inclusion within the Balance Sheet. They are amortised on a straight line basis over the estimated period of economic benefit to the Council which varies between 5 and 10 years depending on the particular system.

17 Analysis of Net Assets Employed

	31 March 2010 £'000	31 March 2009 £'000 <i>Restated</i>
General Fund	(58,138)	(48,571)
Housing Revenue Account	181,645	189,682
Trading Operations	10,511	7,195
Mansfield Crematorium	554	509
	134,572	148,815

18 Long Term Debtors

The Council has powers under various statutes to make loans to third parties for the purchase and improvement of property, industrial development, provision of recreational facilities, etc. Under the provision of Section 437 of the Housing Act 1985 the Council had powers to grant mortgages in connection with the sale of Council Houses however it no longer does this.

The amounts outstanding in respect of the various categories of loans made at 31st March were:-

	31st March 2010 £'000	31st March 2009 £'000
Loans to Housing Associations	38	40
Loans to Parish Councils	12	12
Loans to Staff for Assisted Car Purchase	75	81
	<u>125</u>	<u>133</u>
Council House Mortgages	39	45
	<u>164</u>	<u>178</u>

19 Stocks

The stocks held by the Council valued using the First in First out method of valuation can be analysed as follows:-

	31st March 2010 £'000	31st March 2009 £'000
Leisure Centres, Museums, TIC's etc	41	44
Administrative Stores	19	15
Miscellaneous	22	23
Transport Stores	66	74
	<u>148</u>	<u>156</u>

20 Debtors

The amounts due to the Council were:-

	31st March 2010 £'000	31st March 2009 £'000 <i>Restated</i>
Amounts falling due within one year:-		
Housing Tenants	1,300	953
HM Revenue and Customs	524	974
Newark and Sherwood Homes Ltd	2,283	2,032
Southwell Leisure Centre Trust	13	3
Other Debtors	3,294	2,802
Payments in Advance	364	245
	<u>7,778</u>	<u>7,009</u>
Less Provision for Doubtful Debts	(278)	(380)
	<u>7,500</u>	<u>6,629</u>
Collection Fund	415	310
Less Provision for Doubtful Debts	(105)	(87)
	<u>7,810</u>	<u>6,852</u>
Joint Arrangement - Mansfield Crematorium	14	23
	<u>7,824</u>	<u>6,875</u>

21 Creditors

The amounts owed by the Council were:-

	31st March 2010 £'000	31st March 2009 £'000 <i>Restated</i>
Amounts falling due within one year:		
HM Revenue and Customs	124	340
Central Government Grants	408	137
Capital	1,779	1,797
Newark and Sherwood Homes Ltd	264	402
Collection Fund	77	568
Nottinghamshire County Council	492	794
Deposits (Contractors Sureties)	93	74
Receipts in Advance	1,565	1,142
Southwell Leisure Centre Trust	152	0
Other Creditors	1,433	1,726
Capital Grants Receipts in Advance	4,824	0
	11,211	6,980
Joint Arrangement - Mansfield Crematorium	1	32
	11,212	7,012

22 Developers Costs Deferred

These are deposits received under section 106 of the Town and Country Planning Act 1990 which will be used for maintenance or repairs to land and buildings or the construction of assets in accordance with the terms of the agreement.

23 Government Grants and Other Contributions Deferred

This represents the contributions towards capital expenditure which are written off over the life of the asset, in line with the associated depreciation charges. The Council annually reviews the grants and contributions it has received during the year.

	31st March 2010 £'000	31st March 2009 £'000
Balance as at 1st April	(4,218)	(3,770)
New Grants Received	0	(608)
Released to off set Depreciation	146	160
Balance as at 31st March	(4,072)	(4,218)

24 Material Interest in Joint Bodies

The Council appoints six of the nine Trustees of the Southwell Leisure Centre Trust and provides grant aid which for 2009/2010 was £174,930 (2008/2009 £199,180). The Trust is administered in accordance with the Scheme of Administration established 24th October 1974 as amended by the Charity Commissioners on the 29th December 1983. The object of the Trust is to establish and maintain leisure facilities for the inhabitants of Southwell and district and to achieve a breakeven position on operations.

The Council has a joint interest in Mansfield Crematorium. The annual net surplus from the running of the crematorium amounts to £44,000 (2008/2009 £31,000) and is included within the net cost of Cultural, Environmental and Planning Services. The Council also includes its share of the assets and liabilities of the crematorium in its Balance Sheet. In 2009/2010 these were £555,000 and £1,000 respectively (2008/2009 £542,000 and £34,000).

25 Provisions

The Council does not have any known future obligations so has made no provisions for 2009/2010. However, a provision for bad and doubtful debts is maintained based on aged debt, analysed by fund below:

	2009/2010 General Fund £'000	2009/2010 HRA £'000	2009/2010 Total £'000	2008/2009 Total £'000
Balance as at 1st April	238	142	380	435
Provisions made in year	(83)	45	(38)	41
Write offs against provision	0	(64)	(64)	(96)
Balance as at 31st March	155	123	278	380

26 Statement of Movement in Reserves

The Council has exercised the powers contained in the Local Government (Miscellaneous Provisions) Act 1976 and other statutes. Some are held for statutory reasons others to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans. These funds are set out below.

	Note/ Page	Balance as at 1st April 2009 £'000 Restated	Movement in Year £'000	Balance as at 31st March 2010 £'000
<u>Revenue Accounts</u>				
General Fund	p22	2,111	100	2,211
Housing Revenue Account	p49	3,698	151	3,849
Total Revenue Accounts		5,809	251	6,060
<u>Earmarked Reserves</u>				
Capital Reserve		7	0	7
Investment Realisation		120	170	290
Superannuation and Pay		400	(200)	200
Insurance		654	29	683
Renewals and Repairs		2,422	69	2,491
Rural Conservation Grants		169	(10)	159
Newark and Sherwood Enterprise Scheme		115	4	119
Planning Costs		566	(261)	305
Building Control surplus		(97)	(15)	(112)
Homelessness Fund		170	86	256
Business Growth Initiative		1,211	(234)	977
Business Innovation Centre		(56)	33	(23)
Public Service Award		50	(25)	25
Land Charges		35	14	49
Fuel and Energy Reserve		0	194	194
Other Earmarked Reserves		504	855	1,359
Mansfield Crematorium		319	44	363
Total Earmarked Reserves		6,589	753	7,342
Collection Fund Adjustment Account	p54	217	(53)	164
Usable Capital Receipts	27	2,331	(1,404)	927
Deferred Capital Receipts		39	(7)	32
Pensions Reserve	33	(31,432)	(22,358)	(53,790)
Revaluation Reserve	28	3,523	2,420	5,943
Capital Adjustment Account	29	162,533	5,816	168,349
Financial Instrument Adjustment Account	30	(794)	339	(455)
		148,815	(14,243)	134,572

The most significant earmarked reserves are for the following:-

- Renewal and Repairs to provide for major renewals and repairs of buildings, vehicles, plant and equipment by ensuring there are sufficient funds available to finance normal life cycle costs.
- Insurance to ensure the Council has adequate reserves to cover those risks it self-insures, to enable it to pay policy excesses and provide finance for risk management initiatives as they arise.
- Capital in order that the Council's investment plans can be financed in the most financially efficient manner possible by ensuring finance is available in the year it is required.
- Superannuation and Pay to fund variations in the levels of superannuation contribution to ensure these can be smoothed to avoid causing volatility in the level of council tax.
- Planning Development Grant is received from Central government to be put towards the enhancement of the Planning service.
- Business Growth Incentive is received from Central Government and is allocated back to the General Fund through the budget process.
- Fuel and Energy Reserve to mitigate the impact of process rises in future years

27 Capital Receipts Reserve

The monies received from the sale of assets and contributions towards capital expenditure by Central Government and third parties are used to redeem loans raised by the Council to finance new capital expenditure. Of the usable capital receipts realised in 2009/2010 £1,548,848 (2008/2009 £41,414) were utilised in financing capital expenditure within the year. As at 31 March 2010 the Usable Capital Receipts Unapplied were £927,082 (2008/2009 £2,331,149).

28 Revaluation Reserve

The Revaluation Reserve was a new accounting requirement in the 2007/08 financial year which stores the gains on revaluations of fixed assets not yet realised through sales. The closing balance on the Reserve at 31 March 2010 only shows revaluation gains accumulated since 1 April 2007.

	31st March 2010 £'000	31st March 2009 £'000
Balance as at 1st April	3,523	12,488
(Deficit)/Surplus on Revaluation and Restatement of Fixed Assets:		
Newark and Sherwood District Council	2,498	(9,011)
Joint Arrangement - Mansfield Crematorium	3	0
Depreciation charge	(81)	46
Balance as at 31st March 2010	5,943	3,523

29 Capital Adjustment Account

The Capital Adjustment Account contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. The balance on the account is reduced as loan debt is repaid.

	31st March 2010	
	£'000	£'000
Balance as at 1st April		162,533
Capital Financing:-		
Capital Receipts applied	1,549	
Capital Provision utilised	81	
Government and Other Grants and Contributions amortised	1,613	
Use of Major Repairs Allowance	3,244	
Minimum Revenue Provision	290	6,777
Capital Charges		
Depreciation Council Dwellings	(3,050)	
Depreciation Other HRA Assets	(210)	
Depreciation General Fund Assets	(971)	
Impairments Council dwellings	5,754	
Impairments Other HRA Assets	(24)	
Impairments General Fund Assets	(1,182)	
Revenue expenditure funded from capital	(992)	
Depreciation charged to Revaluation Reserve	81	
Disposal of Assets	(360)	
Amortisation of intangible assets	(7)	(961)
		<u>168,349</u>

30 Financial Instrument Adjustment Account

In previous years the Council has undertaken premature repayment of debt as this offered revenue benefits. This involved the recalling of external investments and applying these to the repayment of external loans. The premiums and discounts payable on the debt redeemed early were apportioned between the General Fund and the Housing Revenue Account (HRA). New legislation introduced in 2007 requires the outstanding balance of the premiums to be held in a Balance Sheet account known as the Financial Instrument Adjustments Account which will reduce annually as the premiums are charged out.

In 2009/2010 £178,617 (£212,863 2008/2009) was charged to the HRA and £30,071 (£3,649 2008/2009) was charged to the General Fund. The impairment of interest receivable from Glitnir bank of £130,636 has also been charged to this account.

31 Authorisation of Accounts

The Statement of Accounts was issued and authorised by David Dickinson, CPFA, BA, Head of Finance and Asset Management, on 30th June 2010.

32 Trust Funds

The Council acts as sole trustee for two Trusts;

The Gilstrap Endowment

Created for the purpose of establishing a Library to be vested in the Newark Corporation and to provide financial assistance towards the salaries and expenses of such Library. The accounts in respect of the Endowment were maintained by Nottinghamshire County Council until 31 March 1987 when Newark and Sherwood District Council took over as Trustees consequent upon the County Council acquiring a new site for a Central Library. The District Council agreed a new scheme of administration which has been sealed by the Charity Commissioners on the 28 August 1990 and applies the income of the Endowment to the upkeep and use of the Gilstrap building.

The W.E. Knight Trust

A permanently endowed charity established by an indenture dated 6 January 1920 as varied by a conveyance of 6 July 1933 by the Trustees to the Mayor, Aldermen and Burgesses of the Borough of Newark-on-Trent. Separate accounts for this Charity have been maintained since 1 April 1984. Up to that date the costs of maintenance and repair and any income received had been included in the accounts of the Borough and District Councils. The Administration and Finance Committee acting as Trustees resolved at their meeting on the 5 April 1993 and subsequently at their meeting on 14 April 1997 that all accrued income and all income received from the 1 April 1994 be wholly applied towards the running of the Heritage Centre. The Gilstrap Endowment meets any deficit on the running of the Heritage Centre and therefore for ease of administration all of the Trust's income is transferred to the Endowment.

The endowed funds of the charities are Gilstrap Endowment Fund £131,616.94 and W E Knight Trust Fund £133,850. These wholly consist of cash which is invested in the money market.

33 Retirement Benefits

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The authority participates in the Local Government Pension Scheme, administered by Nottinghamshire County Council. This is a funded defined benefit final salary scheme, meaning the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against the council tax is based on the cash payable in the year, so the real cost of retirement benefit is reversed out of the Income and Expenditure account after the net operating expenditure. These transactions are as follows:-

	2009/2010 £'000	2008/2009 £'000
Income and Expenditure Account		
<u>Net Cost of Services</u>		
Current service cost	872	1,441
Past service costs	0	0
Losses on curtailment	257	81
<u>Net Operating Expenditure</u>		
Interest cost	4,534	4,897
Expected return on scheme assets	(2,397)	(3,123)
Net Charge to the Income and Expenditure Account	3,266	3,296
Statement of Movement on the General Fund Balance		
Reversal of net charges made for retirement benefits	21	(643)
Actual amount charged against the General Fund Balance		
Employers' contributions payable to scheme	3,287	2,653

In addition the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £22,379,000 (£4,742,000 2008/2009) were included in the Statement of Total Recognised Gains and Losses.

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	Year to 31st March 2010	Year to 31st March 2009
1st April	68,772	80,613
Current service cost	872	1,441
Interest cost	4,534	4,897
Contributions by scheme participants	676	695
Actuarial losses (gains)	32,388	(16,129)
Past service cost	0	0
Losses (gains) on curtailment	257	81
Benefits paid	(3,605)	(2,644)
Unfunded pension payments	(186)	(182)
31st March	<u>103,708</u>	<u>68,772</u>

Reconciliation of fair value of the scheme assets:

	Year to 31st March 2010	Year to 31st March 2009
1st April	37,340	45,082
Expected rate of return	2,397	3,123
Actuarial gains (losses)	10,009	(11,387)
Employer contributions	3,287	2,653
Contributions by scheme participants	676	695
Benefits paid	(3,791)	(2,826)
31st March	<u>49,918</u>	<u>37,340</u>

The expected return on scheme assets is determined by considering the expected returns 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 -£12,406,000 (2008/2009 £8,264,000).

Scheme History

Assets	2009/2010 £'000	2008/2009 £'000	2007/2008 £'000	2006/2007 £'000	2005/2006 £'000
Present value of liabilities	(103,708)	(68,772)	(80,613)	(74,835)	(74,772)
Fair value of assets	49,918	37,340	45,082	46,749	42,566
Surplus/(deficit)	<u>(53,790)</u>	<u>(31,432)</u>	<u>(35,531)</u>	<u>(28,086)</u>	<u>(32,206)</u>

The liabilities show the underlying commitments the authority has in the long run to pay retirement benefits. The total liability has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in negative overall balance of £53,790,000.

However, statutory arrangements for funding the deficit mean the financial position of the authority remains healthy; the deficit 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 scheme by the Council in the year to 31 March 2011 is £2,365,000.

History of experience on gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/2010 can be analysed into the following categories, measure as a percentage of assets or liabilities at 31 March 2010.

Net Pension Asset as at:	2009/2010	2008/2009	2007/2008	2006/2007
	%	%	%	%
Differences between the expected and actual return on assets	20.1%	(30.5%)	(12.6%)	2.1%
Experience gains and losses on liabilities	0.2%	0.0%	0.77%	0.0%

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 scheme liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, the estimates for the County Council Fund being based on the latest full valuation of the scheme as at £2,621m.

The principal assumptions used by the actuary have been:

	31st March 2010	31st March 2009
<u>Long term expected rate of return in assets in the scheme</u>		
Equity investments	7.4%	6.9%
Bonds	5.5%	6.5%
Gilts	4.5%	4.0%
Property	6.9%	6.4%
Cash	3.0%	3.0%
<u>Mortality assumptions</u>		
Longevity at 65 for current pensioners		
Men	20.30	20.30
Women	23.91	23.91
Longevity at 65 for future pensioners		
Men	21.22	21.22
Women	24.91	24.91
Rate of inflation	3.9%	3.0%
Rate of increase in salaries	5.4%	4.5%
Rate of increase in pensions	3.9%	3.0%
Rate for discounting scheme liabilities	5.5%	6.7%
Take up of option to convert annual pension into retirement lump sum	50%	50%

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

	31st March 2010	31st March 2009
	%	%
Equity Investment	68.0	59.3
Property	15.0	15.9
Gilts	9.0	14.6
Other	8.0	10.2
	<u>100.0</u>	<u>100.0</u>

Disclosure of nature and extent of Risk arising from Financial Instruments

The Council's activities expose it to a variety of financial risks, the key risks being:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice
- by the adoption of a Treasury Policy Statement and treasury management clauses within the Council's constitution
- by approving annually in advance prudential indicators for the following three years limiting
 - the Council's overall borrowing
 - its maximum and minimum exposures to fixed and variable interest rates
 - its maximum and minimum exposures for the maturity structure of its debt
 - its maximum annual exposures to investments maturing beyond a year
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the government guidance

These are required to be reported and approved at or before the Council's Council Tax setting budget. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to members.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 9th March 2009 and is available on the Council website. The key issues within the strategy were:

- the authorised limit for 2009/2010 was set at £111m. This is the maximum limit of external borrowings or other long term liabilities
- the operational boundary was expected to be £100m. This is the expected level of debt and other long term liabilities during the year
- the maximum amounts of fixed and variable interest rate exposure were set at £111m and £5m based on the Council's debt
- the maximum and minimum exposures to the maturity of debt are shown in the refinancing and maturity risk section of this note

These policies are implemented by the Council's treasury team. The Council maintains written procedures for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Rating Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional

selection criteria are also applied after this initial criteria is applied. The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- Credit Ratings of Short Term of F1, Long Term A-, Support C and individual 3 (Fitch or equivalent rating) with the lowest available rating being applied to the criteria
- UK Institutions provided with support from the UK Government
- The Council's own bank if it falls below the criteria above
- 'AAA' rated Money Market Funds

The full Investment Strategy for 2009/2010 was approved by Full Council on 9th March 2009 and is available on the Council's website

The following analysis summarises the authority's potential maximum exposure to credit risk. The table (composite defaults from Fitch, Moody's and Standard & Poors) gives details of global corporate finance average cumulative default rates (including financial organisations) for the period since at least 1990 to 2009. Defaults shown are by long term rating category on investment out to 1 year which are the most commonly held investments.

	Amount at 31st March 2010 £'000	Historical Experience of Default %	Adjustment for Market at 31st March 2010 %	Estimated Maximum Exposure to Default £'000
Deposits with banks and financial institutions				
AAA rated counterparties	4,350	0.00	0.00	0
AA rated counterparties	5,275	0.03	0.03	2
A rated counterparties	0	0.08	0.08	0
Other counterparties	2,000	In Default		2,000
Trade Debtors	683	1.95	1.95	13
	<u>12,308</u>			<u>2,015</u>

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £2m invested in Glitnir at that time. In accordance with accounting practice the Council has been notified of objective evidence that impairment has occurred and the investments have been impaired according to accounting requirements. This has resulted in an impairment of £31k being accounted for in line with CIPFA's Local Authority Accounting Practice Bulletin 82. The impact of the principal invested has been mitigated in the accounts according to government regulations. All related investment income has been fully impaired, however, the expected return of amounts due up until the bank failure date is 100% provided that the Council's status as a preferential creditor is confirmed. If this status is not upheld by the Icelandic courts then the impairment loss is likely to be considerably greater than that stated.

Whilst the current credit crisis in international markets has raised the overall possibility of default the Council maintains strict credit criteria for investment counterparties.

The Council also uses non credit rated institutions (for instance smaller building societies of bank subsidiaries where the parent has a satisfactory rating). In these circumstances these investments have been classified as other counterparties.

100% of the Council's investments are in institutions domiciled in the UK.

The Council does not generally allow credit or its trade debtors, such that £459k of the £683k balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2010 £'000	31 March 2009 £'000
Debtor Analysis		
Up to 30 days	96	94
31 to 60 days	143	67
61 to 90 days	10	152
Greater than 90 days	210	180
	<u>459</u>	<u>493</u>

Collateral – During the reporting period the Council held no collateral as security.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Market to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is, therefore, no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity of financial assets is as follows:

	31st March 2010 £'000	31st March 2009 £'000
Maturing within one year	11,369	19,708
Maturing in 1 - 2 years	12	33
Maturing in more than 2 years	152	112
	<u>11,533</u>	<u>19,853</u>

All other current assets and current liabilities are not shown in the table above.

Re-financing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt: and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period.

	Approved Maximum Limits	Approved Minimum Limits	31st March 2010 £'000	31st March 2009 £'000
Maturing within one year	50%	0%	7,186	5,444
Maturing in 1 - 2 years	100%	0%	3,528	4,526
Maturing in 2 - 5 years	100%	0%	7,595	5,057
Maturing in 5 - 10 years	100%	0%	7,120	6,166
Maturing in more than 10 years	100%	0%	43,534	50,555
			<u>68,963</u>	<u>71,748</u>

Market Risk

Interest Rate Risk – The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense changed to the Income and Expenditure Account will rise
- borrowings at fixed rates – the fair value of the borrowing will fall
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or Statement of Total Recognised Gains and Losses. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the Statement of Total Recognised Gains and Losses, unless the investments have been designated as Fair Value through the Income and Expenditure Account, in which case gains and losses will be posted to the Income and Expenditure Account.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposure. The treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs in relation to Housing Revenue Account debt.

All Council borrowings are at a fixed rate of interest.

Price risk - The Council does not invest in equity shares.

Foreign exchange risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

35 Financial Instruments – Balances

The borrowings and investments disclosed in the balance sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	2009/2010 £'000	2008/2009 £'000	2009/2010 £'000	2008/2009 £'000
Financial Liabilities (Principal)	61,776	69,328	7,187	2,420
Accounting adjustments		(3,024)		3,024
Financial Liabilities at amortised cost	61,776	66,304	7,187	5,444
Financial Liabilities at Fair Value			721	770
Total Borrowings	61,776	66,304	7,908	6,214
Loans and Receivables (Principal)	10	10	11,952	20,254
Accounting adjustments			(265)	(265)
Loans and Receivables at amortised cost	10	10	11,687	19,989
Financial Assets at Fair Value			117	357
Total Investments	10	10	11,804	20,346

Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest

rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Fair value has been measured by

- Direct reference to published price quotations in an active market and/or
- Estimating using a valuation technique

36 Financial Instruments – Gains/Losses

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

	Financial Liabilities		Financial Assets	
	2009/2010 £'000	2008/2009 £'000	2009/2010 £'000	2008/2009 £'000
Interest expense	3,740	3,953		0
Losses on derecognition		0		0
Impairment losses		0		0
Interest Payable and Similar Charges	3,740	3,953	0	0
Interest income		0	(488)	(1,723)
Gains on derecognition		0		0
Interest and Investment Income	0	0	(488)	(1,723)
Gains on revaluation		0		0
Losses on revaluation		0		0
Amounts recycled to I&E after impairment		0		0
Surplus arising on revaluation		0		0
Net gain/(loss) for the year	3,740	3,953	(488)	(1,723)

The Council holds investments in Loans and Receivables. It holds no investments in Available for Sale Assets nor Assets held at Fair value through the Income and Expenditure Account.

37 Financial instruments – Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures
- For loans receivable prevailing benchmark market rates have been used to provide the fair value
- No early repayment or impairment is recognised
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are as follows:

	31st March 2010 £'000 Carrying Amount	31st March 2010 £'000 Fair value	31st March 2009 £'000 Carrying Amount	31st March 2009 £'000 Fair value
Public Works Loans Board	53,723	66,594	56,756	66,594
Non PWLB debt	15,961	12,762	15,762	15,897
Total Debt	69,684	79,356	72,518	82,491
Trade Creditors	1,433	1,433	1,725	1,725
Total Financial Liabilities	71,117	80,789	74,243	84,216
Government Stock	10	10	10	10
Mansfield Crematorium	328	328	324	324
Loans and receivables greater than one year	0	0	0	0
Loans and receivables less than one year	11,359	11,359	19,665	19,665
Loans and receivables (principal amount)	11,697	11,697	19,999	19,999
Accrued Interest	117	117	357	357
Total Investments	11,814	11,814	20,356	20,356
Trade Debtors	683	683	956	956
Total Loans and Receivables	12,497	12,497	21,312	21,312

The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date, and include accrued interest. The fair values for non-PWLB debt have also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments.

The fair values for loans and receivables have been determined by reference to the Public Works Loans Board (PWLB) redemption rules which provide a good approximation for the fair value of a financial instrument, and includes accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

38 Post Balance Sheet Event

In his Emergency Budget on 22 June 2010 the Chancellor of the Exchequer announced that the Consumer Prices Index rather than the Retail Prices Index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the Balance Sheet date), this change is deemed to be a non-adjusting post balance sheet event. The Pension Fund have advised that it is estimated this change will reduce the value of an average employer's FRS 17 liabilities in the fund by around 6-8%.

39 Contingent Assets and Liabilities

There are no contingent assets or liabilities to disclose.

Reconciliation of (Deficit)/Surplus to Revenue Net Cash Flow

	2009/2010		2008/2009	
	£'000	£'000	£'000 <i>Restated</i>	£'000 <i>Restated</i>
<u>Income and Expenditure Account</u>				
General Fund (Deficit)/Surplus	5,634		(60,154)	
HRA (Deficit)/Surplus	<u>6,695</u>	12,329	<u>(54,035)</u>	(114,189)
<u>Statement of Movement</u>				
General Fund Balance	(5,534)		59,905	
HRA Balance	<u>(6,543)</u>	(12,077)	<u>53,772</u>	113,677
<u>Non Cash Transactions</u>				
Minimum Revenue Provision	289		252	
Early Repayment of Debt	209		217	
Transfer from Usable Capital Receipts	(176)		(187)	
Contribution to/(from) Reserves	<u>(832)</u>	(510)	<u>2,272</u>	2,554
<u>Items on an Accruals Basis</u>				
(Increase)/Decrease in Stocks	8		18	
(Increase)/Decrease in Debtors	(949)		2,383	
Increase/(Decrease) in Creditors	4,200		(1,852)	
Increase/(Decrease) in Developers Costs Deferred	<u>(599)</u>	2,660	<u>(121)</u>	428
<u>Items Classified elsewhere in the Cash Flow</u>				
Interest Paid	3,783		3,933	
Major Preceptors NNDR/Council Tax	779		(875)	
Interest Received	(448)		(1,724)	
Finance Leases	<u>8</u>	4,122	<u>8</u>	1,342
		<u>6,524</u>		<u>3,812</u>

41 Analysis of Net Debt

	31st March 2010	31st March 2009
	£'000	£'000
Cash in Hand	291	135
Cash Overdrawn	0	(33)
Temporary Borrowing	(7,908)	(6,214)
Long Term Borrowing	(61,776)	(66,304)
Temporary Investments	11,804	20,346
Capital Element of Finance Leases	(113)	(120)
Total Net Debt	<u>(57,702)</u>	<u>(52,190)</u>

42 Reconciliation of Net Cash Movement to Movement in Net Debt

	£'000
Increase/(Reduction) in Cash	189
Cash (Inflow)/Outflow in Short Term Investment	(8,542)
Cash (inflow)/Outflow from (Increase)/Decrease in Temporary Borrowing	(1,694)
Cash Outflow from Finance Lease Principal	7
Cash (Inflow)/Outflow from (Increase)/Decrease in Long Term Borrowing	4,528
Movement in Net Debt	<u>(5,512)</u>

43 Analysis of Movements in Financing and Liquid Resources

	31st March 2010 £'000	31st March 2009 £'000	Movement £'000
Financing			
Public Works Loan Board	53,148	56,159	3,011
Other Lenders	13,154	13,168	14
Loans Pool	2,660	2,420	(240)
Net Movement in Long Term Borrowing	68,962	71,747	2,785
Capital Element of Finance Leases	112	120	8
Total Financing	69,074	71,867	2,793
Liquid Resources			
Temporary Investments	11,804	20,346	(8,542)
Other Liquid Resources NNDR	256	0	256
Other Liquid Resources Major Preceptors	523	0	523
Total Liquid Resources	12,583	20,346	(7,763)

44 Analysis of Government Grants

	2009/2010 £'000	2008/2009 £'000
Housing Defects Act	0	714
Growth Incentive	205	224
Personnel section	3	0
Council Tax Benefits	158	168
Housing Benefits Grant	814	926
NDR Grant	0	0
Neighbourhood Centre	0	19
Leisure Grants	21	150
Museums Management	1	0
Area Based Grant	23	22
Business Growth Incentive	46	599
Staying Put	29	29
Environmental Health Proactive	0	32
Primary Care Trust	15	16
Newark BIC	0	122
Community Safety	0	(4)
Recycling	0	99
Emergency Planning	0	19
Planning Development Grants	238	299
Concessionary Fares	285	279
Play Areas	0	339
Other Housing Grants	102	52
	1,940	4,104

HOUSING REVENUE ACCOUNT

	Note	Year Ended 31st March 2010 £'000	Year Ended 31st March 2009 £'000
Income			
Dwelling Rent		15,816	15,302
Garages		207	204
Shops		26	26
Gross Rental Income		16,049	15,532
Charges for Services and Facilities		403	404
Contributions towards Expenditure	H4	75	66
Government Subsidies		460	0
Capital Grants		308	0
Other Income		292	283
		17,587	16,285
Expenditure			
Management		3,627	3,533
Maintenance		4,629	4,086
Government Subsidy Payable	H7	2,145	2,381
Capital Charges:	H10		
On dwellings		3,050	3,193
On other assets		210	206
Impairment of Assets - Dwellings		(8,889)	50,630
Impairment of Assets - Infrastructure Cap w/o		3,133	3,101
Impairment of Assets - Others		26	354
Debt Management Expenses		61	53
		7,992	67,537
Net Cost of HRA Services for Council's Income and Expenditure Account		(9,595)	51,252
Loss on sale of HRA fixed assets		(9)	19
Interest Payable and Other Similar Charges		3,140	2,747
Interest Receivable		(43)	(108)
Newark and Sherwood Homes Efficiency Gain prior year repaid	H11	1,759	1,883
Newark and Sherwood Homes Efficiency Gain Current Year	H11	(1,947)	(1,759)
(Surplus)/Deficit for the year on HRA Services		(6,695)	54,034

STATEMENT OF MOVEMENT ON THE HRA BALANCE

The Statement takes the outturn on the HRA Income and Expenditure Account and reconciles it to the surplus or deficit for the year on the HRA Balance.

	2009/2010	2008/2009
Surplus/(Deficit) for year from HRA Income and Expenditure Account	(6,695)	54,034
Net additional amount required by statute to be debited or (credited) to the HRA Balance (see reconciliation on page 50)	6,543	(53,772)
Net (Increase)/Decrease in the HRA Balance for the Year	(152)	262
HRA Balance Brought Forward	(3,697)	(3,959)
HRA Balance Carried Forward	(3,849)	(3,697)

Reconciling Items for the Statement of Movement on the HRA Balance

	Note	31st March 2010 £'000	31st March 2009 £'000
<u>Items included in the HRA Income and Expenditure Account but excluded from the Movement on the HRA Balance for the Year</u>			
Difference between amounts charged to Income and Expenditure for amortisation of premiums and discounts and the charge for the year determined by statute		178	213
Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements		0	0
Net Loss/(Gain) on sale of HRA fixed assets		9	(19)
Net Charges made for Retirement Benefits in accordance with FRS17		0	0
Transitional Relief		0	5
Deferred Capital Receipts		0	(8)
Government and Other Grants Deferred Amortised		308	0
Depreciation and Impairment of Fixed Assets		5,730	(54,291)
		<u>6,225</u>	<u>(54,100)</u>
<u>Items not included on the HRA Income and Expenditure Account but included from the Movement on the HRA Balance for the Year</u>			
Transfer to/(from) Major Repairs Reserve		(16)	0
Employers Contribution Payable to Nottinghamshire County Council Pension Fund		334	328
		<u>318</u>	<u>328</u>
Net additional amount required by statute to be debited or credited to the HRA Balance for the Year		<u>6,543</u>	<u>(53,772)</u>

HOUSING REVENUE ACCOUNT NOTES

H1 Housing Revenue Account

The Housing Revenue Account summarises the transactions relating to the provision, maintenance and management of the Council's housing stock. The account has to be self financing and cannot be subsidised by the General Fund.

The format of the account has been revised in accordance with the latest guidance from CIPFA.

H2 Dwellings

The Council was responsible for managing an average of 5,433 dwellings during 2009/2010 (5,435 2008/2009). The stock was made up as follows:

	Pre 1945	1945-1964	1965-1974	1974+	Total 2009/2010	Total 2008/2009
Traditonal/Non Trad Houses & Bungalows						
1-2 Bedrooms	64	800	493	459	1,816	1,816
3+ Bedrooms	408	1,177	310	246	2,141	2,142
Flats						
Low Rise (1-2 Storeys)	17	461	290	234	1,002	1,003
Medium Rise (3-5 Storeys)	5	227	196	46	474	474
	<u>494</u>	<u>2,665</u>	<u>1,289</u>	<u>985</u>	<u>5,433</u>	<u>5,435</u>

H3 Rent Arrears

The total amount of rent arrears as at 31st March 2010 was £352,825 (2008/2009 £418,427). Included in the doubtful debt provision is the amount of £123,157 relating to rent arrears.

H4 Contributions towards Expenditure

The income of £74,502 (£66,294 in 2008/2009) relates to contributions to the Housing Revenue Account from the General Fund for the upkeep of communal amenities.

H5 Housing Revenue Account Assets

The total Balance Sheet valuations of land, houses and other property within the HRA are as follows:-

<u>HRA Assets Existing Use - Open Market Value</u>	Balance as at 1st April 2009 £'000	Balance as at 31st March 2010 £'000
Dwellings	203,912	221,301
Other Land and Buildings	5,093	8,404
Non Operational Assets	1,925	2,223
Vehicle, Plant and Equipment	0	266
Total	<u>210,930</u>	<u>232,194</u>

Impairment charges for the financial year in respect of land, houses or other property within the authority's HRA are shown in the table below.

<u>HRA Assets Impairment Charges</u>	Charges 2009/2010 £'000
Dwellings:	
Impairment Gain	(15,346)
Impairment Loss	6,457
Expenditure written out	3,134
Other Land and Buildings	25
Total	<u>(5,730)</u>

The vacant possession value of dwellings within the authority's HRA (values in accordance with the guidance) is shown below. The difference between the vacant possession value and the Balance Sheet value of dwellings within the HRA show the economic cost to the government of providing council housing at less than market rents.

	Balance as at 1st April 2009 £'000	Balance as at 31st March 2010 £'000
Houses	220,225	236,532
OAP Dwellings	187,599	206,069
Total	<u>407,824</u>	<u>442,601</u>

The council dwellings valuations have been arrived at using a valuation report prepared by a qualified valuer (D.J. Bingham of Herbert Button) who was instructed by the Council's valuer. The valuation was carried out as at the 31 March 2010. They have been applied to council houses on a beacon property base whereby similar properties in similar areas are all given the same value.

The valuation resulted in impairment charges (loss of value) of £6,457k.

Property valuations have moved in line with the current domestic property market.

H6 Movements on the Major Repairs Reserve

As part of the HRA Subsidy calculations the Council receives resources to maintain the value of its housing stock. This is known as the Major Repairs Allowance (MRA) and is available to fund capital expenditure on HRA assets. Following provision for depreciation, a sum not less than the MRA must be transferred to the Major repairs Reserve (MRR) to offset capital expenditure charged to the account. Unspent MRA funds may be carried over from one year to the next.

For 2009/2010 MRA reserves were fully used, with an adjusting transfer to HRA to reflect the excess of depreciation over the MRA.

	£'000
Balance Brought Forward 1st April 2009	0
Transfers to Reserve re Depreciation 2009/2010:	
Dwellings	3,050
Non Dwellings	210
Transfers to the HRA 2009/2010	
Excess of Depreciation	(16)
Amounts used to finance Capital Expenditure	<u>(3,244)</u>
Balance Carried Forward 31st March 2010	<u>0</u>

H7 HRA Subsidy Payable for the Authority

	£'000
Management and Maintenance	7,309
Major Repairs Allowance	3,244
Charges for Capital	3,657
Admissible Allowance	0
Interest on Receipts	(4)
Guideline Rent Income	<u>(15,891)</u>
Total HRA Subsidy (Due to CLG)	(1,685)
Less rental constraint allowance	(460)
Net subsidy payable to CLG	<u>(2,145)</u>

H8 Capital Expenditure and Financing

	£'000
Decent Homes	10,577
Structural Maintenance	1,078
Community Security and Safety	136
Disabled Facilities Provision	925
Heating Systems Renewals	195
Pre Paint	535
Environmental Works	312
Affordable Housing	295
Other Works	82
	<u>14,135</u>
<u>Financing</u>	
Borrowing	10,577
Government Grants	91
Contributions	217
Major Repairs Reserve	3,244
Capital Provision	6
	<u>14,135</u>

H9 HRA Capital Receipts

	£'000
Land	0
Sold Council Houses	267
Less admin costs (sale of Council Houses)	(12)
Repaid Discounts	0
Principal Mortgage Repayments	6
Sub total	<u>261</u>
Less paid to the Government 'pool'	<u>(175)</u>
	<u>86</u>

Under the Local Government and Housing Act 1989 as amended, the Council has to reserve 75% of council house sales receipts and 50% of other housing receipts. Reserved capital receipts are paid over to the Government as part of the 'pooling' regulations.

H10 Depreciation Charges

The total charges for depreciation for land, houses and other property within the authority's HRA are as follows:

	£'000
Operational Assets:	
Dwellings	3,050
Land and Buildings	210
Non Operational Assets	<u>0</u>
	<u>3,260</u>

H11 Arms Length Management

The Housing Revenue Account includes a £7.58m management fee paid to Newark and Sherwood Homes Ltd (2008/2009 £7.045m) to manage the housing stock owned by the Council, under arms length arrangements. This management agreement came into effect on 1st November 2004.

In line with the management agreement Newark and Sherwood Homes Ltd has to pay to the Council an amount known as the Efficiency gain which for 2009/10 amounted to £1,947,000 (2008/09 £1,759,000). This is calculated from NSH's 2009/2010 final account surplus after tax. This amount is then advanced back to NSH by the Council on the 1st April 2010.

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

	Note	2009/2010 £'000	2008/2009 £'000
<u>Income</u>			
Income from Business Ratepayers	C3	30,534	28,756
Council Tax	C4	55,988	53,941
Transfers from General Fund			
Council Tax Benefits		8,056	7,211
Transitional Relief		0	0
Contributions			
Adjustment of Previous Years' Community Charge		0	0
		<u>94,578</u>	<u>89,908</u>
<u>Expenditure</u>			
Precepts and Demands			
Nottinghamshire County Council		46,049	43,829
Nottinghamshire Police Authority		5,898	5,509
Nottinghamshire Fire Authority		2,614	2,476
Newark and Sherwood District Council		6,309	6,185
Parishes		2,335	2,226
		<u>63,205</u>	<u>60,225</u>
Business Rates			
Payment to National Pool		30,061	28,519
Costs of Collection		158	154
Interest Payments on Refunds		41	82
Provision for Uncollectable Debts		594	73
Contributions			
Surplus returned to Council Taxpayers		770	943
Surplus returned to Newark and Sherwood District Council		125	151
		<u>94,954</u>	<u>90,147</u>
Net Surplus/(Deficit) for year		(376)	(239)
Fund Balance as at 1st April - Surplus		<u>1,570</u>	<u>1,809</u>
Fund Balance as at 31st March - Surplus		<u>1,194</u>	<u>1,570</u>

COLLECTION FUND NOTES

C1 General

These accounts represent the transactions of the Collection Fund, which is a statutory fund wholly prescribed by legislation separate from the main accounts of the Council. The accounts have been prepared on an accruals basis.

C2 Accounting Policies

(a) Revenue Support Grant and amounts distributed from the NDR national pool are paid directly to all billing and precepting authorities and will be disclosed on the face of the Consolidated Revenue Account.

(b) Parish precepts are paid from the General Fund of billing authorities and will be disclosed on the face of the Income and Expenditure Account.

(c) The year-end surplus of £1,193,847 on the Collection Fund is distributed between billing and precepting authorities on the basis of estimates made on 15 January of the year-end balance.

C3 Income from Business Rates

Under the arrangements regarding Uniform Business Rates, the Council collects non domestic rates for its area which are based on local rateable values multiplied by a uniform rate which for 2009/2010 was 48.5p (2008/2009 46.2p). Small Business Rate Relief reduces the multiplier to 48.1p where it applies. The total amount less certain reliefs and other deductions, is paid to a central pool (the NDR pool) managed by Central Government, which in turn pays back to authorities General Funds their share of the pool based on a standard amount per head of the local population.

The non-domestic rateable value at the 31st March 2010 was £72,097,770 (31st March 2009 £71,339,344).

C4 Council Tax

Council Tax is set by calculating the Council Tax base, and then dividing this into the precepts levied by the district, county, parish councils, Nottinghamshire Fire Authority and Nottinghamshire Police Authority. The tax base is the amount that setting a Council Tax of £1 for Band D properties (the standard band) would raise in revenue. The methodology and the factors taken into consideration are complex and are reported in detail when the tax base is set by the Council in December or January.

The Council Tax base for 2009/2010 is as follows:

Band	Total Dwellings	Adjusted for Discounts, Disabled Relief and Exemptions	Band D Equivalents	2009/2010 Adjusted for Non Collection	2008/2009
A	21,534.00	10,311.00	12,286.20	12,163.28	11,970.56
B	7,659.00	3,041.00	5,255.40	5,202.85	5,161.17
C	8,079.00	2,670.00	6,468.75	6,404.06	6,238.09
D	5,466.00	1,445.00	5,050.75	5,000.24	4,905.25
E	3,789.00	791.00	4,329.00	4,285.71	4,151.47
F	2,412.00	437.00	3,306.85	3,273.78	3,203.54
G	1,334.00	248.00	2,078.80	2,058.01	2,017.13
H	123.00	35.00	207.40	205.33	187.11
Total	50,396.00	18,978.00	38,983.15	38,593.26	37,834.32

NEWARK AND SHERWOOD DISTRICT COUNCIL GROUP CONSOLIDATED ACCOUNTS

INTRODUCTION

The authority is required under the Local Government Act 2003 to produce a set of Group accounts where it has subsidiaries, joint ventures or associates. The criteria for deciding if the authority has such relationships is laid down by the Code of Practice on Local Authority Accounting in the United Kingdom 2008 Statement of Recommended Practice (referred to within these accounts as "the SORP"). The SORP has been developed to bring authority accounts in line with the UK Generally Accepted Accounting Principles (UKGAAP) which other reporting bodies have to comply with and to assist users of the accounts to understand better the authority's overall financial position.

The authority has undertaken a review of all its relationships with other bodies and is required to consolidate its accounts with Newark and Sherwood Homes Ltd (NSH), which is a wholly owned subsidiary of the authority, using the merger method. NSH manages the housing stock owned by the Council, under an arms length arrangement. The Housing Revenue Account includes a management fee paid to NSH to manage the stock owned by the Council under arms length arrangements. This management agreement came into effect on 1 November 2004.

Newark and Sherwood Homes Ltd produce a set of company accounts with a year end of 31 March. The accounts for 2009/2010, which have been consolidated here, have been audited by NSH's auditors and have been given an unqualified audit. Newark and Sherwood Homes Ltd publish an Annual Report which may be viewed at their offices at Kelham Hall, Kelham, Newark on Trent, Notts, NG23 5QX. The company is limited by guarantee and does not have any share capital.

ACCOUNTING POLICIES

The following notes detail any variations from the accounting policies used by the authority and should be read in conjunction with the relevant notes within the authority's accounts. The consolidation has been done on a merger basis as NSH is 100% owned by NSDC.

Taxation

NSH is subject to a charge for taxation which is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Except where otherwise required full provision is made without discounting in respect of all timing differences which have arisen but not reversed by the Balance Sheet date, except as otherwise required by FRS 19.

GROUP INCOME AND EXPENDITURE ACCOUNT

		2009/2010	2009/2010	2009/2010	2008/2009
		Gross	Gross	Net	Net
		Expenditure	Income	Expenditure	Expenditure
	Note	£'000	£'000	£'000	£'000
					<i>Restated</i>
<u>Net Cost of Services</u>					
Central Services to the Public		10,204	(9,318)	886	980
Cultural Environment and Planning Services		20,671	(9,846)	10,825	16,293
Highways Roads and Transport Services		1,669	(1,574)	95	254
Housing Services		23,945	(23,371)	574	478
Housing Revenue Account		4,139	(14,919)	(10,780)	49,102
Corporate and Democratic Core		2,245	(75)	2,170	2,625
Non Distributed Costs		1,337	(804)	533	448
Net Cost of Services	1	64,210	(59,907)	4,303	70,180
<u>Corporate Income and Expenditure</u>					
(Profit)/Loss on Sale of Fixed Assets		372	(332)	40	(107)
Parish Council Precepts		2,335	0	2,335	2,226
(Surplus)/Deficit on Trading Undertakings		154	869	1,023	2,878
Interest Payable		3,727	0	3,727	3,883
Contribution to Housing Pooled Receipts		176	0	176	187
Investment Interest		0	(448)	(448)	(1,726)
Provision for Doubtful Debts		0	(83)	(83)	12
Losses on Repurchase of Borrowing		0	(26)	(26)	0
Pension Interest Cost and expected return on Pensions Assets		5,257	(2,895)	2,362	1,897
Corporation Tax	3	1	0	1	15
Net Operating Expenditure		76,232	(62,822)	13,410	79,445
<u>Principal Sources of Finance</u>					
Council Tax Payers				(8,716)	(8,529)
Government Grants				(1,925)	(1,237)
Local Authority Business Growth Incentive Grant				(45)	(599)
Distribution from Non Domestic Rate Relief				(8,240)	(8,719)
(Surplus)/Deficit for year to Statement of Movement on the General Fund Balance				(5,516)	60,361

RECONCILIATION OF THE SINGLE ENTITY SURPLUS/DEFICIT TO THE GROUP SURPLUS/DEFICIT

	2009/2010	2008/2009
		<i>Restated</i>
(Surplus)/Deficit on the Council's Income and Expenditure Account	(5,634)	60,154
Adjustments for transactions with other Group entities	(5,902)	(3,714)
(Surplus)/Deficit in the Group Income and Expenditure Account attributable to the Council	(11,536)	56,440
(Surplus)/Deficit in the Group Income and Expenditure Account attributable to Group Subsidiaries (adjusted for intra group transactions)	6,020	3,921
(Surplus)/Deficit for the year on the Group Income and Expenditure Account	(5,516)	60,361

GROUP BALANCE SHEET

	Note	31st March 2010		31st March 2009	
		£'000	£'000	£'000 <i>Restated</i>	£'000 <i>Restated</i>
Intangible Assets					
Software Licences			506		332
Fixed Assets					
<i>Operational Assets</i>					
Council Dwellings		221,301		203,912	
Other Land and Buildings		31,141		31,334	
Infrastructure		0		0	
Equipment, Vehicles and Plant		1,126		1,444	
Community Assets		649		294	
<i>Non Operational Assets</i>					
Investment Properties		2,018		1,827	
Assets Under Construction		1,435		143	
Surplus Assets		1,310	258,980	1,641	240,595
Total Assets			259,486		240,927
Long Term Debtors		164			178
Long Term Investments greater than 12 months		10	174		10
Total Long Term Assets			259,660		241,115
Current Assets					
Stocks	4	289		295	
Debtors	5	5,743		5,035	
Temporary Investments		11,804		20,346	
Cash at Bank and In Hand		304	18,140	272	25,948
Total Assets			277,800		267,063
Current Liabilities					
Borrowing Repayable on Demand within 12 months		(6,000)		(4,626)	
Creditors	6	(11,683)		(7,287)	
Cash Overdrawn		0	(17,683)	(33)	(11,946)
Total Assets Less Current Liabilities			260,117		255,117
Borrowing Repayable in greater than 12 months		(61,776)		(66,304)	
Deferred Liabilities		(113)		(120)	
Provisions for Liabilities and Charges	7	0		(58)	
Developers Costs Deferred		(2,206)		(2,805)	
Grants and Contributions Unapplied		(3,588)		(1,365)	
Government Grants and Other Contributions Deferred		(4,072)		(4,218)	
Liability Related to Defined Benefit Pension Scheme		(60,383)	(132,138)	(34,498)	(109,368)
Total Assets Less Liabilities			127,979		145,749
Revenue Accounts			6,060		5,809
Earmarked Reserves			7,342		6,589
Collection Fund Adjustment Account			164		217
Capital Receipts Unapplied			927		2,331
Pensions Reserve			(60,383)		(34,498)
Deferred Capital receipts			32		39
Revaluation Reserve			5,943		3,523
Capital Adjustment Account			168,349		162,533
Fixed Instruments Adjustment Account			(455)		(794)
Total Net Worth			127,979		145,749

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2009/2010	2008/2009 <i>Restated</i>
(Surplus)/Deficit on the Income and Expenditure Account	(5,516)	60,361
Actuarial (Gains) and Losses on Pension Fund Assets and Liabilities	25,787	(4,935)
(Surplus)/Deficit arising on Revaluation of Assets	(2,501)	9,011
Other Losses	0	19
Total Recognised (Gains) and Losses for the Year	17,770	64,456
There has been no effect on the Statement of Total Recognised Gains and Losses from the Prior Year Adjustment disclosed on page 26		

GROUP CASH FLOW STATEMENT

		2009/2010		2008/2009	
	Note	£'000	£'000	£'000	£'000
				<i>Restated</i>	<i>Restated</i>
<u>Revenue Activities</u>					
Net Cash Inflow/Outflow from Revenue Activities:					
Newark and Sherwood District Council		(6,524)		(3,812)	
Newark and Sherwood Homes Ltd		130		995	
Revenue Activities Net Cash Flow	9		(6,394)		(2,817)
<u>Returns on Investment and Servicing of Finance</u>					
Expenditure					
Interest Paid		3,776		3,860	
Income					
Interest Received		(448)		(1,724)	
			3,328		2,136
Cash inflow/(outflow) from Taxation			1		15
<u>Capital Activities</u>					
Expenditure					
Purchase of Fixed Assets		16,933		16,451	
Grants and Advances		0		0	
Purchase of Long Term Investments		0		0	
		16,933		16,451	
Income					
Sale of Fixed Assets		(332)		(397)	
Capital Grants Received		(7,875)		(2,304)	
Other Capital Cash Income		(756)		(4,834)	
		(8,963)	7,970	(7,535)	8,916
Acquisitions and Disposals in Subsidiaries			0		0
Net Cash (Inflow)/Outflow before Financing			4,905		8,250
<u>Management of Liquid Resources</u>					
Net (Increase)/Decrease in Short Term Deposits		(8,542)		(4,974)	
Liquid Resources - Major preceptors/NNDR		779		(876)	
			(7,763)		(5,850)
<u>Financing</u>					
Expenditure					
Repayments of Amounts Borrowed		18,292		1,564	
Capital Element of Finance Lease Rentals		8		8	
		18,300		1,572	
Income					
New Loans Raised		(15,507)	2,793	(3,500)	(1,928)
Increase in Cash and Cash Equivalents			(65)		472

GROUP ACCOUNT NOTES

Introduction

The following notes have been prepared on an exception basis with only those items which have changed from the District Council's Statement of Accounts being included. For all other items reference should be made to the Council's Income and Expenditure Account on page 21 and Balance Sheet on page 24 and the appropriate note.

1 Inter Company Transactions

The Group Accounts exclude transactions between the two organisations; this ensures that expenditure and income is only reflected once within the accounts. The elements of the accounts adjusted for inter company transactions are detailed below.

<u>Income and Expenditure Account</u>			
	NSDC Adjusted £'000	NSH Adjusted £'000	2009/2010 Group £'000
Net Cost of Services	(1,491)	5,794	4,303
(Surplus)/Deficit on Trading Undertakings	1,023	0	1,023
Interest Payable	3,727	0	3,727
Investment Interest	(448)	0	(448)

<u>Balance Sheet</u>				
	NSDC £'000	NSH £'000	Adjustment £'000	2009/2010 Group £'000
Debtors	7,824	466	(2,547)	5,743
Temporary Investments	11,804	1,908	(1,908)	11,804
Borrowing Repayable on Demand within 12 months	(7,908)	0	1,908	(6,000)
Creditors	(11,212)	(3,018)	2,547	(11,683)

2 Intangible Assets

During 2009/2010 both the Council's and Newark and Sherwood Homes intangible assets consisted of computer software. These were considered to have significant long term value to justify inclusion within the Balance Sheet. They are amortised on a straight line basis over the estimated period of economic benefit to the Council which varies between 3 and 10 years depending on the particular system.

3 Corporation Tax

This arises from the operation of Newark and Sherwood Homes Ltd. The following note is included in NSH's accounts:-

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Except where otherwise required, full provision is made without discounting, in respect of all timing differences which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

4 Stocks

The stocks held by the Group valued using the First in First out method of valuation can be analysed as follows:-

	31st March 2010 £'000	31st March 2009 £'000
Leisure Centres, Museums, TIC's etc	41	44
Administrative Stores	19	15
Newark and Sherwood Homes Raw Materials and Consumables	116	113
Newark and Sherwood Homes Van Stocks	25	26
Miscellaneous	22	23
Transport Stores	66	74
	289	295

5 Debtors

The amounts due to the Group were:-

	31st March 2010 £'000	31st March 2009 £'000 <i>Restated</i>
Amounts falling due within one year:-		
Housing Tenants	1,300	953
HM Revenue and Customs	524	973
Newark and Sherwood Homes Debtors and Prepayments	85	193
Southwell Leisure Centre Trust	13	3
Other Debtors	3,294	2,802
Payments in Advance	500	245
	5,716	5,169
Less Provision for Doubtful Debts	(297)	(380)
	5,419	4,789
Collection Fund	415	310
Less Provision for Doubtful Debts	(105)	(87)
	5,729	5,012
Joint Arrangement - Mansfield Crematorium	14	23
	5,743	5,035

6 Creditors

The amounts owed by the Group were:-

	31st March 2010 £'000	31st March 2009 £'000 <i>Restated</i>
Amounts falling due within one year:		
HM Revenue and Customs	493	340
Central Government Grants	408	137
Capital	1,779	1,796
Newark and Sherwood Homes Trade Creditors	0	679
Collection Fund	77	567
Nottinghamshire County Council	492	794
Deposits (Contractors Sureties)	93	74
Receipts in Advance	1,565	1,142
Other Creditors	1,951	1,726
Capital Grants Receipts in Advance	4,824	0
	11,682	7,255
Joint Arrangement - Mansfield Crematorium	1	32
	11,683	7,287

7 Provisions

The Group does not have any known future obligations so has made no provisions for 2009/2010.

8 Retirement Benefits

Newark and Sherwood Homes Ltd's accounting policies include a note on the basis of preparation of its accounts. This states that Newark and Sherwood Homes Ltd has implemented the accounting changes required as a result of Financial Reporting Standard 17, relating to the employers liability in respect of the final salary pension scheme. The Newark and Sherwood scheme, like a number of such schemes, has a deficit. Measures are in place to address this deficit, by increasing employers' contributions in the medium term. However the requirement of FRS 17 is to show the deficit on the pension scheme as a liability on the balance sheet. As the Company aims to break even on its trading activities this has the effect of showing retained losses after the effects of FRS 17 of £118k, and a net balance on the pension reserve of £6,593k compared to a retained profit before FRS 17 changes of £0. As the charge to the Council is allowed to vary to reflect the changes in employer's payments to the pension fund, the deficit is not considered to be detrimental to the long-term future of the Company.

Reconciliation of Revenue Net Cash Flow

	NSDC £'000	2009/2010 NSH £'000	TOTAL £'000	2008/2009 TOTAL £'000 <i>Restated</i>
<u>Income and Expenditure Account</u>				
General Fund (Deficit/Surplus)	5,634	(118)	5,516	(60,296)
Housing Revenue Account (Deficit)/Surplus	6,695	0	6,695	(54,035)
<u>Statement of Movement</u>				
General Fund Balance	(5,534)	(101)	(5,635)	59,905
Housing Revenue Account Balance	(6,543)		(6,543)	53,772
<u>Non Cash Transactions</u>				
Minimum Revenue Provision	289	0	289	252
Early Repayment of Debt	209	0	209	217
Transfer from Usable Capital Receipts	(176)	0	(176)	(187)
Contribution to/from Reserves	(832)	0	(832)	2,272
<u>Items on an Accruals Basis</u>				
(Increase)/Decrease in Stock	8	(2)	6	37
(Decrease)/Increase in Creditors	4,200	308	4,508	(2,475)
(Increase)/Decrease in Debtors	(949)	129	(820)	2,313
Decrease/(Increase in Provisions)	0	(58)	(58)	0
(Decrease)/Increase in Pensions Accrued	0	(107)	(107)	84
Increase/(Decrease) in Developers Costs Deferred	(599)	0	(599)	(121)
<u>Items Classified elsewhere in the Cash Flow</u>				
Interest Paid	3,783	0	3,783	3,933
Purchase of Fixed Assets	0	(181)	(181)	(263)
Major Preceptors NNDR/Council Tax	779	0	779	(875)
Interest Received	(448)	0	(448)	(1,724)
Finance Leases	8	0	8	8
	<u>6,524</u>	<u>(130)</u>	<u>6,394</u>	<u>2,817</u>