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**BASSETLAW**  
DISTRICT COUNCIL  
NORTH NOTTINGHAMSHIRE

**BASSETLAW DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2008/09  
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## EXPLANATORY FOREWORD

The purpose of a Local Authority's published Statement of Accounts is to give electors, those subject to locally levied taxes and charges, Members of the Authority, employees and other interested parties clear information about the Authority's finances. The statement should answer such questions as:

- What did the Authority's services cost during the year?
- Where did the money come from?
- What were the Authority's assets and liabilities at the year-end?

The following pages summarise the financial activities of Bassetlaw District Council in 2008/09 and comment upon the most significant matters reported in the accounts. This publication incorporates all of the financial statements and disclosure notes required by statute. The accounts have been produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice (SORP).

The Council's accounts for the year 2008/09 are set out on pages 21 to 85 and comprise:

- **Statement of Accounting Policies (pages 2 to 10).** These explain the treatment and basis of the figures in the accounts. The accounts can only be properly understood if the policies that have been followed in dealing with material items are explained.
- **Statement of Responsibilities for the Statement of Accounts (pages 11 to 19).** Under the Accounts and Audit Regulations 2003 there is a requirement for the Council, in addition to the Chief Financial Officer, to certify that the Statement of Accounts presents fairly the financial position of the Council.

### ***Core Financial Statements Comprising:***

- **Whole Authority Income and Expenditure Account (page 21).** This is a summary of the day-to-day running costs and incomes for the services for which the Council is responsible, including Council housing services. This results in a net balance of either a surplus or deficit.
- **Statement of Movement on the General Fund Balance (page 22).** This is a reconciliation showing how the balance of resources generated and consumed during the year (surplus or deficit) links in with the statutory requirements for raising Council Tax.
- **Statement of Total Recognised Gains and Losses (page 23).** This is a demonstration of how the movement in net worth in the Balance Sheet is identified to the Income and Expenditure Account surplus or deficit. It shows all gains and losses for the year, including revaluations of assets and Pension Fund changes.
- **Balance Sheet (page 24 to 25).** This summarises the Council's assets and liabilities as they were at 31 March 2009. It indicates the level of reserves and balances at that date, together with long-term indebtedness, investments and the value of assets held. It includes the Collection Fund and the Housing Revenue Account balances.
- **Consolidated Cash Flow Statement (page 26).** This summarises the inflows and outflows of cash arising from transactions with third parties for both capital and revenue purposes.

- **Notes to the Core Financial Statements (pages 27 to 66).** These provide additional information about the figures in the core financial statements.

***Supplementary Statements Comprising:***

- **Housing Revenue Account (HRA) (pages 67 to 72).** This shows separately the revenue expenditure incurred in providing Council houses and demonstrates how this has been met by rents, subsidy and other income. The format of the account includes an Income and Expenditure Account and Statement of Movement on the HRA Balance.
- **Collection Fund Account (pages 73 to 77).** This reports the transactions of the Council as a billing authority. Amounts in respect of Business Rates and Council Tax due are shown, together with how these have been distributed to precepting authorities, the Council's General Fund, and the Government.
- **Group Accounts (pages 78 to 85).** The Group Accounts consolidate the accounts of A1 Housing Bassetlaw Ltd. with those of the Council's.
- **Annual Governance Statement (pages 86 to 102).** This Statement sets out the framework within which corporate governance is managed and reviewed, including the arrangements for internal audit. The Statement identifies actions to be taken to strengthen the governance arrangements in some areas. It is not part of the Statement of Accounts, but is required to be included alongside them in the same publication.
- **Auditors Report to Bassetlaw District Council – Audit Certificate and Opinion (page 103).** These pages will be provided by the Council's external auditors upon completion of the audit.
- **Glossary of Terms (pages 104 to 111).** Terms used throughout this document are explained further within these pages.

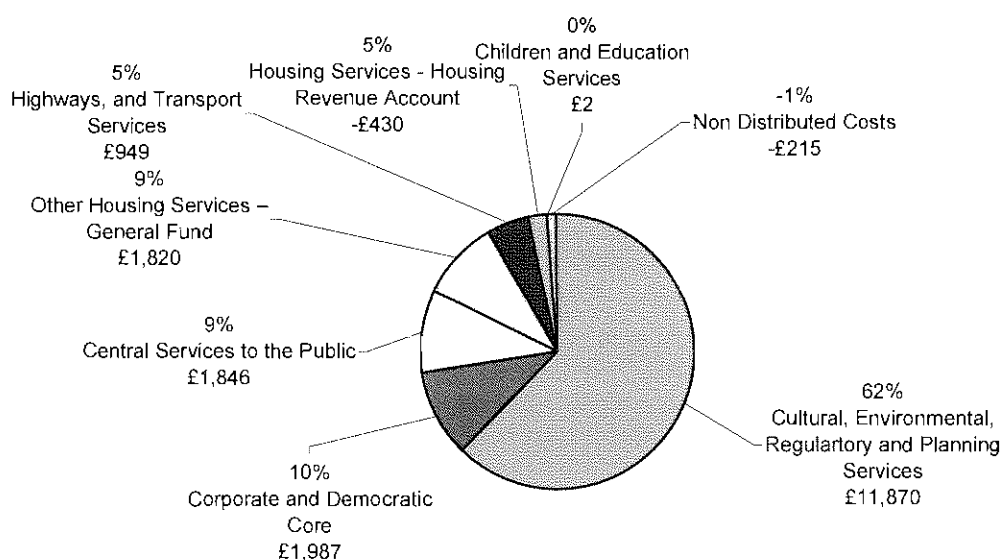
## FINANCIAL SUMMARY

### General Fund Revenue Spending in 2008/09

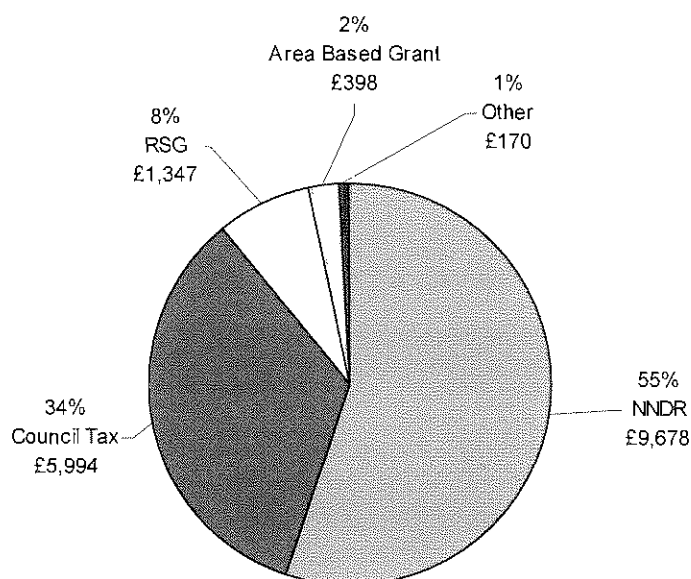
Revenue Spending is generally on items that are consumed within a year, and is financed from government grants, Council Tax, National Non Domestic Rates, and other income (largely charges to service users). The Income and Expenditure Account sets out how much was spent during 2008/09 and where the money came from.

Gross revenue spending on services in the year was £80.5M. The following charts show the services on which the money was spent and where the money came from:

INCOME & EXPENDITURE ACCOUNT 2008/09 (£'000)



FUNDING FROM GOVERNMENT GRANTS AND LOCAL TAXATION 2008/09 (£'000)



The accounts follow the prescribed Chartered Institute of Public Finance & Accountancy (CIPFA) format. As a result, the Income and Expenditure Account and the Statement of Movement on the General Fund Balance cannot be easily related to the Council's operational management structure, and the management accounts used for in-year budgetary control. The following analysis is therefore based on the budget monitoring system at Portfolio level, which aligns budgets and spend with accountability.

The original budget was adjusted through the year to reflect decisions made by the Council. Budgets were subsequently monitored against the revised budget. The table below shows the original and revised budgets, actual outturn and variance against the revised budget:

	Original Budget £'000	Revised Budget £'000	Outturn £'000	Variance £'000
Community Engagement	1,726	1,564	1,478	-86
Community Prosperity	3,707	4,696	5,397	701
Corporate Management	474	329	396	67
Environment & Housing	6,917	7,021	6,852	-169
Finance & Property	1,927	2,118	2,155	37
Revenues & Customer Services	1,543	1,563	1,376	-187
Support Services	84	294	197	-97
<b>Total Net Cost of Services</b>	<b>16,378</b>	<b>17,585</b>	<b>17,851</b>	<b>266</b>
Non Service Budgets	169	1,268	556	-712
<b>Net Expenditure</b>	<b>16,547</b>	<b>18,853</b>	<b>18,407</b>	<b>-446</b>
Contribution to/from Earmarked Reserves	-74	-335	-439	-104
Transfers to/from General Reserve	-138	-930	-380	550
<b>Total General Fund</b>	<b>16,335</b>	<b>17,588</b>	<b>17,588</b>	<b>0</b>

The significant changes from original to revised budget were to reflect:

- In-year savings from Star Chamber process;
- Technical adjustments for depreciation, impairment and capital grants not increasing asset values;
- Movements to/from the Corporate Contingency to pay for supplementary estimates and identified budget overspends;
- Transfers to/from Reserves to pay for the costs of revenue carry forwards and Service Improvement Bids.

The significant variances on service budgets relate to the under-achievement of income of £0.3m from car parking, planning, leisure, land charges and building control services; plus an adjustment of £.02M in respect of leisure centre depreciation costs. This is offset by £0.2m in relation to a movement to services from the Balance Sheet.

The variance on non-service budgets, of £0.7m, relates to the impact of lower than expected borrowing, the effects of the impairment of interest on the Icelandic investments and the savings achieved from the Star Chamber exercise.

Overall, the amount withdrawn from general fund reserve is £380k.

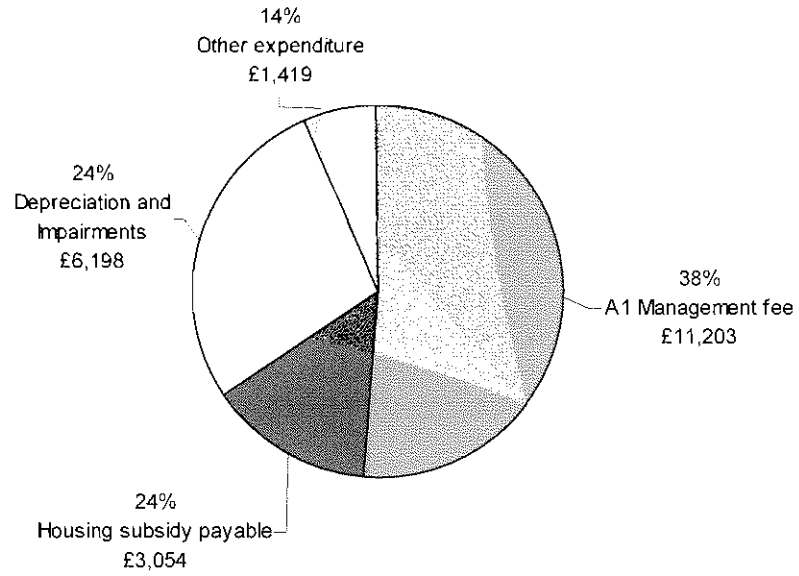
The resultant impact on Council Taxpayer funds is demonstrated in the Statement of Movement on General Fund Balance. This shows that the overall General Fund Balance at 31 March 2009 was £2,384,437 (31 March 2008 was £2,763,658).

### **Housing Revenue Account Spending in 2008/09**

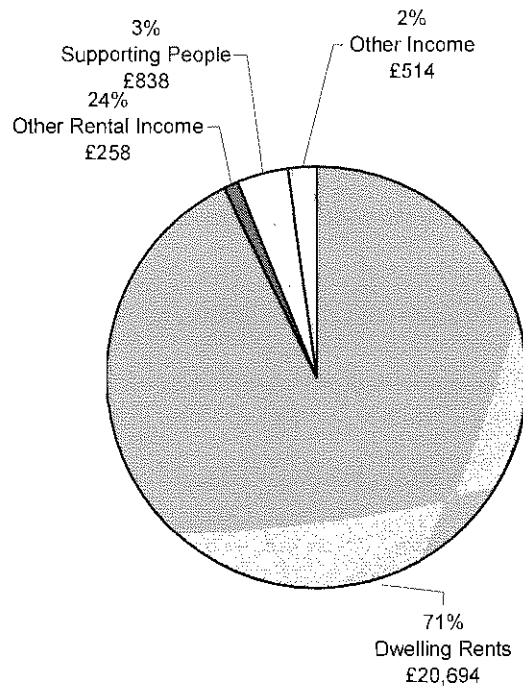
The Housing Revenue Account summarises the transactions relating to the provision, maintenance and management of the Council's housing stock. The account has to be self-financing and cannot be subsidised by the General Fund.

Gross revenue spending in the year was £21.9M. The following charts show the services on which the money was spent and where the money came from:

# HRA EXPENDITURE 2008/09 (£'000)



# HRA INCOME 2008/09 (£'000)





The Council operates the same budget monitoring procedures for the Housing Revenue Account as it does for the General Fund, and the original budget was adjusted throughout the year to reflect decisions made by the Council.

The resultant impact on Council Rent payer funds is demonstrated in the Statement of Movement on Housing Revenue Account Balance. This shows that the overall HRA Balance at 31 March 2009 was £1,332,673 (31 March 2008 was £1,232,927).

### Capital Spending in 2008/09

Capital spending is broadly defined as spending on assets (land, buildings, major items of equipment, vehicles) that have a life beyond twelve months.

Capital spending in the year totalled £20.9M (an increase of £0.2M over 2007/08). This represents an underspend of £0.9M against the approved programme.

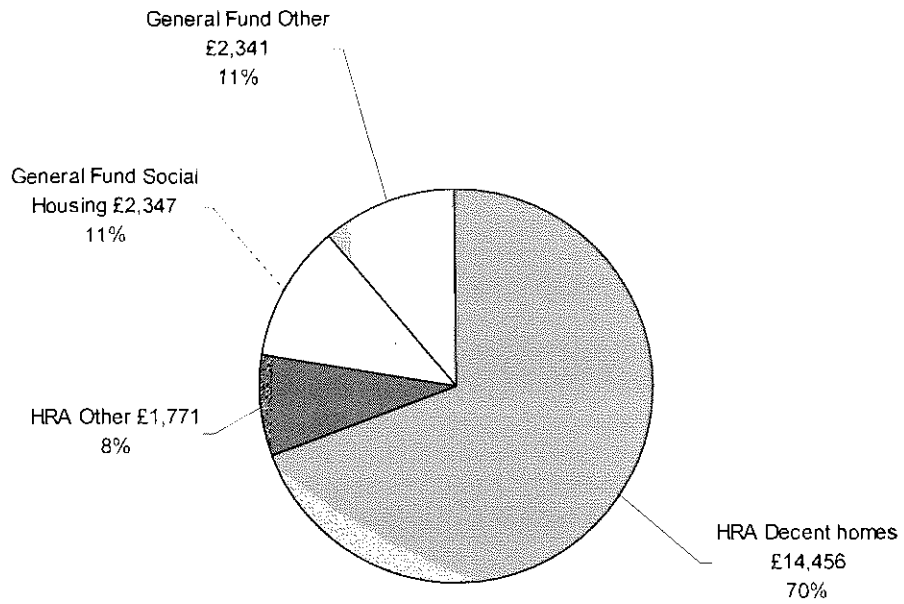
The significant schemes were:

	£'M
Decent Homes Work	14.456
Private Sector Housing and Disabled Facilities Grants	1.970
Other HRA Capital Improvements	1.771
Vehicle Fleet	0.756
Bassetlaw Museum	0.285
Play Strategy and Facilities	0.283
Places for Change Grant Scheme	0.245
Flood Prevention Schemes	0.110
Other Capital Projects	1.040
<b>Total Capital Programme</b>	<b>20.916</b>

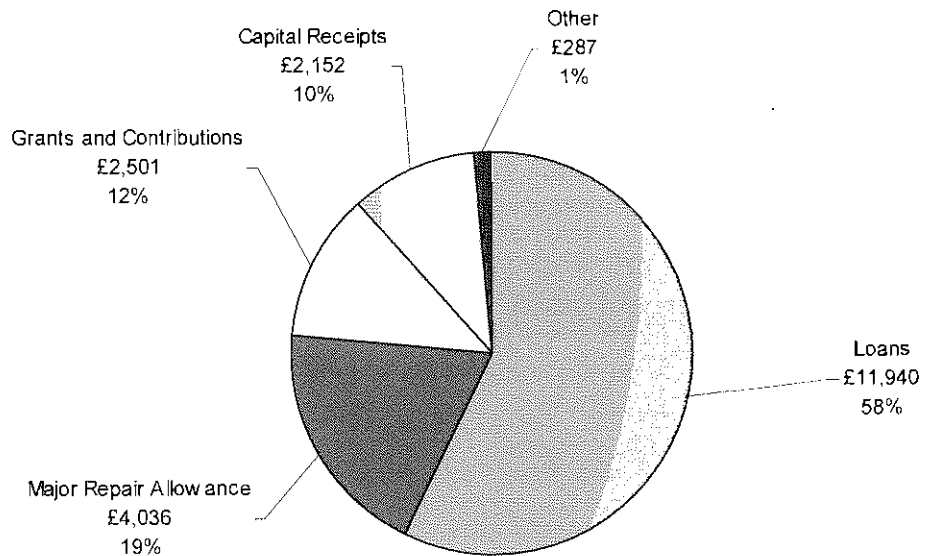
The following charts show where the money was spent and how it was financed:

(Included within Grant and Contributions was a Big Lottery Fund Grant of £193k towards the Play Strategy and Facilities scheme.)

# AREAS OF CAPITAL EXPENDITURE 2008/09 (£'000)



# METHOD OF FINANCING 2008/09 (£'000)



## **Review of the Council's Financial Position and Significant Points in Respect of the Balance Sheet**

The Balance Sheet shows the balances held by the Council as at 31 March 2009. It indicates how much is owed to the Council, and how much the Council owes to others, together with summarised information on the assets held and the financing of those assets.

The significant points being:

- The decrease in the General Fund balance from £2.764m to £2.355m.
- The net reduction in fixed asset valuations of £12,210m relating to the downturn in market values.
- An impairment of £2.2m for the deposits at risk with Icelandic Banks, calculated in accordance with national guidance.
- The Council's pension deficit as assessed by the actuary showed an improvement of £5.0m during the year, reducing from £40.0m to £35.0m. Whilst the pension liability still indicates a significant shortfall between the forecast cost of future pensions and the current level of assets in the Pension Fund, these figures are a snapshot at a point in time and the Fund's assets and liabilities are subject to fluctuations in value depending upon the current state of the economy and stock market. The information should be considered with the long-term view provided by the triennial valuation.

### **Further Information**

If you require further information concerning the accounts of the Council this is available from the Head of Finance & Property, Bassetlaw District Council, Queens Buildings, Potter Street, Worksop, Nottinghamshire S80 2AH (01909) 533174 or by e-mail: [finance@bassetlaw.gov.uk](mailto:finance@bassetlaw.gov.uk).

## **STATEMENT OF ACCOUNTING POLICIES**

The Statement of Accounts summarises the Council's transactions for the 2008/09 financial year and its position as at the year-end of 31 March 2009. It has been prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2008 (the SORP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This prescribes the requirements of proper accounting practices for Local Authorities. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets. The accounts have been prepared on the basis of a going concern continuing operations.

### **1. ACCRUAL 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 or expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is charged to a bad debts provision. Contributions to this provision are made by charging the service revenue accounts dependant upon the value of outstanding aged debts.
- Income and expenditure are credited and debited to the relevant service revenue accounts, unless they properly represent capital receipts or capital expenditure.

### **2. PROVISIONS**

Provisions are made when 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 example, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, 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. The main provision that the Council currently holds is that for bad debts.

Where some or all of the payment required to settle a provision is expected to be met by another party (eg 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.

### **3. 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 Statement of Movement on the General Fund Balance so that there is no net charge against Council Tax for the expenditure.

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

### **4. 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 Council 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 lower section of the Income and Expenditure Account after Net Operating Expenditure.

### **5. PENSION COSTS**

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

This scheme is accounted for as a defined benefits scheme:

- The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an accrual 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 the projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 6.7% , based on the indicative rate of return on high quality AA rated corporate bonds (Merrill Lynch Non Gilt Sterling Corporate Bond 15 year index). (Discounted weighted average of spot yields on AA rated corporate bonds for 2007-08)

- 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 (restated for 2007/08 – was mid market value)
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price (restated for 2007/08 – was average of bid and offer rates)
  - 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 the 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 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 Fund – cash paid as employer's contributions to the Pension Fund.

Statutory provisions limit the Council to raising the Council Tax to cover contributions paid by the Council to the Pension Fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replacing them with debits for the cash paid to the Pension Fund and any amounts payable to the Fund but unpaid at the year-end.

## 6. VAT

Income and expenditure excludes any amounts relating to VAT, as all VAT collected is payable to

HM Revenue & Customs and all VAT paid is recoverable from it.

## **7. OVERHEADS AND SUPPORT SERVICES**

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

- Corporate and Democratic Core – costs that relate to the Council's status as a multi-functional, democratic organisation.
- Non-Distributed Costs – Pension Strain costs for retiring early together with any unused share of IT facilities and other assets.

These two cost categories are defined in BVACOP and are accounted for as separate headings in the Income and Expenditure Account.

## **8. INTANGIBLE FIXED ASSETS**

Expenditure on assets that do not have physical substance but are identifiable and are 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.

An annual impairment review is undertaken to ensure that the valuations are correctly reflected on the Balance Sheet.

## **9. 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 asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

**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.

Valuations for inclusion in the financial statements are prepared in accordance with UK Generally Accepted Accounting Principles (UKGAAP) and are on the basis of Existing Use Value (EUV), as defined in the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual.

These valuations have been carried out by the Council's internal valuer who is a qualified Member of the Royal Institute of Chartered Surveyors.

The Council housing stock within the Housing Revenue Account has been valued in accordance with DETR Guidance Notes on Stock Valuation For Resource Accounting published in May 2000. A full revaluation of the Council's total housing stock was carried out during 2005/06.

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

- 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 machinery have been valued at historic cost, net of depreciation where applicable;
- Infrastructure assets and community assets – depreciated historical cost.

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.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years, with approximately 20% of properties revalued each year. 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 a reversal of an impairment loss previously charged to a service revenue account.

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

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

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account;
- In all other circumstances – it is 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 Adjustment 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 Usable 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 Adjustment Account from the Statement of Movement on the General Fund Balance.

**Depreciation:** Following the adoption of the principles of accounting standards FRS11 and FRS15, depreciation is provided for on all 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 using the straight-line method;
- Assets under construction are not depreciated until the year after they are brought into use;
- Newly acquired assets are depreciated in the year following acquisition;
- Assets are depreciated on a straight-line basis in the year up to disposal.

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 historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment 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.

## **10. CHARGES TO REVENUE FOR FIXED ASSETS**

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. This is commonly known as the Minimum Revenue Provision (MRP). 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.

#### **11. MINIMUM REVENUE PROVISION (MRP)**

In accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, the Council has determined its policy for calculating MRP for 2008/09 as follows:

For capital expenditure incurred before 1 April 2007, or thereafter for “supported capital expenditure”, MRP will follow the “Regulatory Method” (i.e. the practice outlined in the former Communities and Local Government Regulations). From 1 April 2007 for all “unsupported borrowing”, MRP will be based on the “Equal Instalment Method” over the estimated life of the assets (Asset Life Method), and will commence the year after the expenditure is incurred or the asset becomes operational.

#### **12. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (Previously known as Deferred Charges)**

Expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets, i.e. a grant or expenditure on property not owned by the Council, and which does not result in the expenditure being carried on the Balance Sheet as a fixed asset, will be charged as revenue expenditure to the relevant service 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 is made from the General Fund Balance and shown as a reconciling item in the Statement of Movement on the General Fund Balance, therefore ensuring that there is no impact on the Council Tax.

#### **13. LEASES**

##### **Finance Leases**

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. Where the authority is a lesser, rentals payable are received in the relevant service revenue account.

## **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 the borrowings that the Council has, this means that 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 of 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 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.

### **Loans and Receivables**

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For

most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure account is the amount receivable for the year in the loan agreement.

The Council previously made a loan to Retford Football Club at less than market rates (a soft loan). When soft loans are made a loss is normally recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. As this loan does not represent a material transaction the loan is represented on the Balance Sheet as the outstanding principal receivable at 31 March 2009 of £33,833.

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.

#### **Available for Sale Assets**

The Council does not invest in this type of asset.

#### **Instruments Entered Into Before 1 April 2006**

The Council entered into a financial guarantee in relation to the Turbine Business Innovation Centre that is not required to be accounted for as a financial instrument. This guarantee is reflected in the Statement of Accounts to the extent that a contingent liability has been disclosed.

In 2004 the Council created a Arms Length Management Organisation, A1 Housing (Bassetlaw) Ltd. This is a wholly owned subsidiary, limited by guarantee of the Council and to which the Council is obliged to meet any deficit of this organisation upon its cessation or upon the conclusion of the Decent Homes programme.

### **16. STOCKS AND WORK IN PROGRESS**

Stocks are included in the Balance Sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

### **17. INTERESTS IN COMPANIES AND OTHER ENTITIES**

The Council has material interest in its Arms Length Management Organisation, A1 Housing (Bassetlaw) Ltd, a wholly owned subsidiary. The nature of this relationship requires the Council to prepare Group Accounts.

### **18. AREA BASED GRANT AND THE LOCAL AREA AGREEMENT (LAA)**

The Council is a participant in a Local Area Agreement – a partnership with other public bodies who work towards jointly agreed objectives for local public services. Nottinghamshire County Council acts as the “accountable body” for the LAA.

Previously, allocations of LAA grant were receivable from the “accountable body” and were recognised as income for the relevant service. For 2008/09 a general grant called the Area Based Grant has been received directly from the government. This is a non-ringfenced grant and is therefore accounted for within General Government Grants below Net Operating Expenditure, within the Income and Expenditure Account.

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### 1. COUNCIL'S RESPONSIBILITIES

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its Officers has the responsibility for the administration of those affairs. In this Authority, that Officer is the Head of Finance and Property;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- To approve the Statement of Accounts.

The Statement of Accounts for the year 1 April 2008 to 31 March 2009 has been prepared and I confirm that these accounts were approved by Bassetlaw District Council at the meeting held on 29 June 2009.

Signed: *Ms Colton*

**On behalf of Bassetlaw District Council  
Council Chairman approving the accounts**

Date: *29.6.2009*

### 2. CHIEF FINANCE OFFICER'S RESPONSIBILITIES

The Head of Finance and Property 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).

In preparing this Statement of Accounts, the Head of Finance and Property has:

- selected suitable Accounting Policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority SORP.

The Head of Finance and Property has also:

- kept proper records that were up to date;
- taken responsible steps for the prevention and detection of fraud and other irregularities.

### CERTIFICATE

I certify that the Statement of Accounts for 2008/09 presents fairly the financial position of Bassetlaw District Council at 31 March 2009 and its income and expenditure for the year ended 31 March 2009.

Signed: *M Hill*

**Michael Hill, CPFA  
Head of Finance and Property,  
Bassetlaw District Council**

Date: *29/6/09*

## CORE FINANCIAL STATEMENTS

### WHOLE AUTHORITY INCOME AND EXPENDITURE ACCOUNT

Net Cost		Gross Cost	Gross Income	Net Cost
2007/08		2008/09	2008/09	2008/09
£'000		£'000	£'000	£'000
1,363	Central Services to the Public	10,574	-8,728	1,846
0	Children and Education Services	51	-49	2
9,820	Cultural, Environmental, Regulatory and Planning Services	17,508	-5,638	11,870
805	Highways, and Transport Services	2,096	-1,147	949
1,764	Other Housing Services – General Fund	26,120	-24,300	1,820
-949	Local Authority Housing Services – (Housing Revenue Account)	21,874	-22,304	-430
2,181	Corporate and Democratic Core	2,220	-233	1,987
173	Non Distributed Costs	144	-359	-215
<b>15,157</b>	<b>Net Cost of Services</b>	<b>80,587</b>	<b>-62,758</b>	<b>17,829</b>
60	Gain (-) or loss on disposal of fixed assets			313
617	Parish Council Precepts			685
2,056	Interest Payable and Similar Charges			2,665
-698	Interest and Investment Income			-943
1,188	Pensions Interest Cost and Expected Return on Pensions Assets			2,048
0	Exceptional Items (Impairment of Financial Assets)			2,172
1,640	Contribution to Housing Pooled Capital Receipts			438
<b>20,020</b>	<b>Net Operating Expenditure</b>			<b>25,207</b>
-2,100	General Government Grants			-1,915
-9,232	Non Domestic Rates Redistribution			-9,678
-5,768	Demand on the Collection Fund (including Parish Precepts)			-5,994
<b>2,920</b>	<b>Income and Expenditure account Deficit / Surplus (-)</b>			<b>7,620</b>

Income and Expenditure Account

## 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 Council 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 to the accounts as amounts become payable to the 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 is 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.

2007/08 £'000	Statement of Movement on the General Fund Balance	2008/09 £'000
2,920	<b>Income and Expenditure account Deficit / Surplus (-)</b>	7,620
-3,703	Net additional amount required by statute or non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-6,801
-62	Transferred from Other Balances	-439
-845	<b>Decrease in General Fund Balance for the Year</b>	-380
-1,919	Balance on General Fund Brought Forward	-2,764
-2,764	<b>Balance on General Fund Carried Forward</b>	-2,384

Statement of Movement on the General Fund Balance

<p align="center"><b>STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES</b></p>
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This statement brings together all the gains and losses of the Council for the year and shows the aggregate decrease in its net worth. In addition to the deficit 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.

<b>2007/08</b>	<b>2007/08</b>		<b>2008/09</b>
<b>£'000</b>	<b>Restated £'000</b>		<b>£'000</b>
<b>2,920</b>	<b>2,920</b>	Surplus (-) or deficit on the Income and Expenditure Account	<b>7,620</b>
-91,116	-91,116	Surplus (-) or deficit arising on revaluation of fixed assets	10,929
5,709	5,279	Actuarial gains (-) and losses on Pension Fund assets and liabilities	-5,521
-20	-20	Any other gains (-) and losses required to be included in the statement	-3
1,353	1,353	De-recognition of Premiums and Discounts – exceptional item	0
<b>-81,154</b>	<b>-81,584</b>	<b>Total Recognised gains (-) and losses for the year</b>	<b>13,025</b>

**Statement of Total Recognised Gains and Losses**



# BALANCE SHEET

2007/08 £'000		Note	2008/09 £'000	2008/09 £'000
	<b>Fixed Assets</b>			
	<b>Intangible Assets</b>			
424	Software	18	427	427
424	<b>Total Intangible Assets</b>			
	<b>Operational Assets</b>			
308,029	Council Dwellings	18	296,584	333,009
35,185	Other Land and Buildings	18	31,165	
1,593	Vehicles, Plant and Equipment	18	2,438	
755	Infrastructure Assets	18	966	
2,254	Community Assets	18	1,856	
347,816	<b>Total Operational Assets</b>			333,009
	<b>Non Operational Assets</b>			
0	Assets Under Construction	18	29	21,061
20,871	Investment Properties	18	21,011	
0	Surplus Assets held for Disposal	18	21	
20,871	<b>Total Non Operational Assets</b>			21,061
369,111	<b>Total Fixed Assets</b>			354,497
50	Long Term Investments	27	0	0
81	Long Term Debtors	27	57	57
369,242	<b>Total Long Term Assets</b>			354,554
	<b>Current Assets</b>			
84	Stocks and Works in Progress	27	85	20,470
8,682	Debtors	27/29	7,524	
13,178	Investments	29	12,861	
96	Cash and Bank	29	0	
22,040	<b>Total Current Assets</b>			20,470
	<b>Current Liabilities</b>			
-13,608	Borrowing repayable on demand or within 12 months	29	-63	-9,137
-9,121	Creditors	27/29	-7,693	
0	Bank Overdraft	29	-790	
-443	Capital Contributions Unapplied	29	-591	
-23,172	<b>Total Current Liabilities</b>			-9,137
368,110	<b>Total Assets less Current Liabilities</b>			365,887
	<b>Long Term Liabilities</b>			
-41,178	Long Term Borrowing repayable in excess of 12 months	29	-56,156	-71,084
-540	Government Grants Deferred		-552	
-1,648	Grants and Contributions Deferred		-2,333	
-518	Developers Contributions Unapplied	46	-601	
-39,974	Liability related to defined benefit pension scheme	38	-35,018	
284,252	<b>Total Assets less Liabilities</b>			271,227

Balance Sheet

2007/08 £'000		Note	2008/09 £'000
	<b>Financed by:</b>		
431	Other Earmarked Reserves	32	174
1,260	LABGI Earmarked Reserve	32	184
0	Job Evaluation Reserve	32	815
87,254	Revaluation Reserve	32	61,661
4,184	Usable Capital Receipts Reserve	32	15,097
0	Major Repairs Reserve	32	0
228,459	Capital Adjustment Account	32	227,345
-1,427	Financial Instruments Adjustments Account	32	-2,806
77	Deferred Capital Receipts	32	52
-39,974	Pension Reserve	32	-35,018
-9	Collection Fund	32	6
1233	Housing Revenue Account Balance	32	1,333
2,764	General Fund Balance	32	2,384
<b>284,252</b>	<b>Total Reserves</b>		<b>271,227</b>

**Net Worth (Reserves)**

# CASH FLOW STATEMENT

2007/08 £'000		2008/09 £'000	2008/09 £'000
-5,174	<b>Revenue Activities Net Cash Inflow (-) / Outflow</b>		-1,136
	<b>Return on Investments and Servicing of Finance</b>		
1,903	Interest Paid	2,583	
-527	Interest Received	-498	
1,376			2,085
-3,798	<b>Sub Total</b>		949
	<b>Capital Activities</b>		
17,767	Purchase of Fixed Assets	17,978	
0	Other Capital Cash Payments	1,970	
-53	Long Term Debtors	-24	
-4,579	Sale of Fixed Assets	-14,692	
-4,799	Capital Grants Received	-5,068	
-1,747	Other Capital Cash Receipts	-193	
6,589	<b>SubTotal</b>		-29
2,791	<b>Net Cash Inflow (-) / Outflow Before Financing</b>		920
	<b>Management of Liquid Resources</b>		
9,022	Decrease / Increase (-) in Short Term Investments		1,358
	<b>Financing</b>		
3,508	Repayments of amounts Borrowed	3,608	
-15,000	New long term loans raised	-5,000	
-1,000	New short term loans raised	0	
-3,470	<b>Net Cash Outflow / Inflow (-) on Financing</b>		-1,392
-679	<b>Decrease / Increase (-) in Cash and Cash Equivalents</b>		886

Cash Flow Statement

## NOTES TO THE CORE FINANCIAL STATEMENTS

The notes that are relevant to this Council, required by the Statement of Recommended Practice are reproduced below;

### 1. EXCEPTIONAL ITEMS AND PRIOR YEAR ADJUSTMENTS

#### Exceptional Items

On October 6 2008 investments of £8M held in Icelandic Banks became frozen when the UK subsidiaries of the banks, Glitner, Landsbanki, Kaupthing Singer Friedlander and Heritable, were frozen due to them being in administration.

In accordance with current advice and estimations, an impairment of £2.2M is recorded within the Income and Expenditure Account. Guidance from CIPFA published as LAAP Bulletin 82/82a allows that this impairment be deferred to a future year as the cashflows anticipated do not cease until 2012/13. The impairment is therefore reflected in the Financial Instrument Adjustment Account. Full details relating to this item are given in the Note relating to Financial Instruments.

#### Prior Year Adjustments

There have been no prior year adjustments.

However, a change in accounting policy within the 2008 SORP introduced changes to the treatment of deferred charges (capital expenditure which does not result in an asset on the Balance Sheet). This expenditure is now defined as Revenue Expenditure funded from Capital Resources Under Statute. The Cashflow Statement 2007/08 comparators now show this expenditure within Revenue Activities and not Capital Activities.

### 2. UNDISCHARGED OBLIGATIONS ARISING FROM LONG-TERM CONTRACTS

In April 2004 the Council entered into a 8 year contract with Consilium Technologies as its partner in order to provide a number of its major software systems at an annual rental of £588K to include the revenue costs of software maintenance and support.

The Council entered into a Services Agreement with Nottinghamshire County Council for the provision of sporting facilities within its new secondary schools and for the repairs and maintenance, of its two Leisure Centres at Worksop and Retford. This agreement is for a period of 25 years and the annual fee is £527K + RPI.

Upon the creation of the Arms Length Organisation, A1 Housing (Bassetlaw) Ltd, in October 2004 a services agreement for the provision of the management function of the Housing Stock and for the delivery of the Decent Homes Programme was signed. This Services Agreement, requires the payment of an annual management fee (£5.94M 2008/09). In addition, the incurred costs of repairs, maintenance and other relevant expenditure relating to the Housing Stock, is reimbursed to A1 Housing (£5.27M 2008/09)

### 3. TRADING OPERATIONS

The Council undertakes a small number of Trading Operations. Any forecast surplus or 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.

2007/08 Surplus (-) / Deficit £'000	Trading Operation	2008/09 Income £'000	2008/09 Expenditure £'000	2008/09 Surplus (-) / Deficit £'000
49	Markets	-347	408	61
-29	Industrial Estates	-198	364	166
-18	Trade Refuse	-140	115	-25

**Trading Operations**

The purposes of the above Trading Operations are:

- Markets – The costs of operating the Council's two markets, one at Worksop and one at Retford.
- Industrial Estates – These costs are for operating the Council's industrial areas.
- Trade Refuse – The provision of a commercial waste collection service.

### 4. SECTION 137 EXPENDITURE - LOCAL GOVERNMENT ACT 1972

The majority of the provisions of Section 137 of the Local Government Act 1972 were replaced by the "well being" powers contained in the Local Government Act 2000. This gives principal local authorities a discretionary power to do anything they consider likely to promote the economic, social or well being of their area. There is no spending limit attached to this power. Principal authorities have to disclose their expenditure incurred under S137 (3) e.g. donations to charities, voluntary bodies and not for profit bodies. Expenditure incurred in 2008/09 was £174,138 (2007/08 £222,825.20).

### 5. EXPENDITURE ON PUBLICITY

Section 5(1) of the Local Government Act 1986 requires the Council to keep a separate account of its expenditure on publicity. The Secretary of State has issued an Exemption Order, which provides that certain descriptions of publicity and expenditure are not required to be accounted for separately. Local Authorities are not prevented, however, from including all such publicity in the Account and this is the case in the following table.

2007/08 £'000		2008/09 £'000
118	Tourism and Promotion	135
24	Information Services	39
42	Recruitment Advertising	69
70	Public Relations Unit	88
87	Other Advertising	96
<b>341</b>	<b>TOTAL</b>	<b>427</b>

**Expenditure on Publicity**

## 6. BUILDING CONTROL ACTIVITIES

The Local Authority Building Control Regulations (SI 1998/3129) require the disclosure of information regarding the setting of charges for the administration of the Building Control function. However, certain activities performed by Building Control cannot be charged for, such as providing general advice. The statement below shows the turnover and surplus(-)/ deficit on the Building Control Account.

2007/08 Total £'000		2008/09 Non Chargeable £'000	2008/09 Chargeable £'000	2008/09 Total £'000
	<b>Expenditure</b>			
384	Employee Expenses	202	148	350
0	Premises	0	0	0
31	Transport	15	14	29
31	Supplies and Services	23	25	48
298	Central and Support Service Charges	184	152	336
2	Capital Charges	0	0	0
<b>746</b>	<b>Total Expenditure</b>	<b>424</b>	<b>339</b>	<b>763</b>
	<b>Income</b>			
-320	Building Regulations Charges	0	-301	-301
-165	Recharge to other Services	-117	0	-117
<b>-485</b>	<b>Total Income</b>	<b>-117</b>	<b>-301</b>	<b>-418</b>
<b>261</b>	<b>Surplus (-) / Deficit for the Year</b>	<b>307</b>	<b>38</b>	<b>345</b>

### Building Control Activities

The Building Regulations charging account is required to break even over a rolling three-year period. The Building Control charging account shows a £134,377 deficit for the three-year period.

## 7. AGENCY INCOME AND EXPENDITURE

The Council does not provide agency services to other organisations.

## 8. SCHEMES UNDER THE TRANSPORT ACT 2000

The Council does not have any road charging schemes.

## 9. BUSINESS IMPROVEMENT DISTRICT SCHEMES

There are no Business Improvement District Schemes to disclose.

## 10. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

There has been no service provision to other public bodies during the financial year.

# 11. GENERAL GOVERNMENT GRANTS

General Government Grants within the Income and Expenditure Account can be analysed as follows

2007/08 £'000		2008/09 £'000
1,549	Revenue Support Grant	1,348
551	Local Authority Business Incentive Grant (LABGI)	170
0	Area Based Grant	398
<b>2,100</b>	<b>Total</b>	<b>1,916</b>

General Government Grants

# 12. EXPENDITURE ON MEMBERS ALLOWANCES

2007/08 £'000		2008/09 £'000
221	Basic Allowance	227
93	Special Responsibility Allowance	90
22	Travelling Allowance	23
1	Subsistence Allowance	12
<b>337</b>	<b>Total</b>	<b>352</b>

Members Allowances

# 13. EXECUTIVE REMUNERATION

The number of employees whose taxable remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000 is detailed below.

Remuneration Band	2007/08	2008/09	
	No of Employees	No of Employees	
	Total at 31 March 2008	Total at 31 March 2009	Left during year
£50,000 - £59,999	0	2	0
£60,000 - £69,999	5	5	0
£70,000 - £79,999	2	2	0
£80,000 - £89,999	0	0	0
£90,000 - £99,999	0	0	0
£100,000 - £109,999	1	1	0
£110,000 - £119,999	0	0	0
<b>Total</b>	<b>8</b>	<b>10</b>	<b>0</b>

Executive Remuneration

#### 14. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with third parties (e.g. Central Government, Pensions Funds, other Local Authorities or precepting bodies, subsidiary and associated companies, joint ventures and joint venture partners, Members and Senior Officers). This is to draw attention to the possibility of the reported financial position being affected by either the existence of these related parties or any material transactions with them.

Most transactions with related parties are disclosed elsewhere in the Statement of Accounts:

Payments to Central Government	Cash Flow Statement
Precepts from other Public Bodies	Collection Fund Accounts
Government Grants	Note 45
Members Allowances	Note 12
Trust Funds	Note 36
A1 Housing (Bassetlaw) Ltd	Group Accounts
Pension Fund Contributions	Note 38
Controlled and Associated Companies	Note 28

Other transactions not disclosed elsewhere are:

Net Balance 2007/08 £'000		Receipts 2008/09 £'000	Payments 2008/09 £'000	Net Balance 2008/09 £'000
98	Citizens Advice Bureau	0	100	100
66	Grants to Parish Councils	0	52	52
350	Internal Drainage Boards	0	354	354
25	Bassetlaw Enterprise Board Grants	0	18	18
185	Bassetlaw Town Centre Partnership	0	204	204
-11	Bassetlaw PCT	-38	0	-38
	Nottinghamshire County Council:	0	0	0
1,137	- Concessionary Travel	0	1,336	1,336
-83	- Leisure Centres	-154	528	373
-249	- Other	-1,483	1,890	407

#### Related Party Transactions

The Council maintains a register of Members' interests, together with a record of interests declared at Cabinet and Council meetings. There are no material transactions to organisations included in these registers that are not disclosed elsewhere.



## 15. EXTERNAL AUDIT FEES

The following table shows the audit costs incurred in 2008/09 relating to external audit and inspections carried out by the Audit Commission.

2007/08 £'000		2008/09 £'000
118	Fees payable in respect of External Audit Services	118
20	Fees payable in respect of Grant Claims and Returns	26
44	Fees payable in respect of Statutory Inspection	13
182	Total	157

External Audit Fees

## 16. STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

A full explanation of the importance of The Statement of Movement on the General Fund Balance can be found in the preamble to the Statement itself.

**17. BREAKDOWN OF RECONCILING ITEMS IN THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

<b>2007/08 £'000</b>		<b>2008/09 £'000</b>	<b>2008/09 £'000</b>
	<b>Amount included in Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>		
-272	Amortisation of Intangible Assets	-270	
-822	Depreciation and impairment of fixed assets	-2,253	
-1,394	Excess of Depreciation charged to HRA Services over the Major Repairs Allowance element of Housing Subsidy	-1,844	
1,402	Government Grants Deferred amortisation	280	
-1,591	Revenue Expenditure Funded from Capital under Statute	-826	
-60	Net loss on sale of fixed assets	-219	
488	Difference in finance costs between those calculated in accordance with SORP and those calculated in accordance with statutory requirements.	-1,755	
-3,022	Net charges made for retirement benefits in accordance with FRS17	-3,294	
<b>-5,271</b>			<b>-10,181</b>
	<b>Amounts not included in Income and Expenditure Account required to be included by statute when determining the Movement on the General Fund Balance for the year</b>		
394	Minimum Revenue Provision for Capital Financing	545	
123	Capital expenditure charged in-year to the General Fund balance	66	
-1,640	Transfer from Useable Capital receipts to meet payments to the Housing Capital Receipts Pool	-436	
2,124	Employers contributions payable to the NCC pension Fund and retirement benefits payable direct to pensioners	2,729	
0	Difference in finance costs between those calculated in accordance with SORP and those calculated in accordance with statutory requirements.	376	
<b>1,001</b>			<b>3,280</b>
	<b>Transfer to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>		
518	Housing Revenue Account Balance	100	
49	Net Transfer to or from earmarked reserves	-439	
<b>567</b>			<b>-339</b>
<b>-3,703</b>	<b>Net additional amount required to be credited to the General Fund balance for the year</b>		<b>-7,240</b>

**Reconciliation of Statement of Movement on General Fund Balance**

## 18. MOVEMENT ON FIXED ASSETS

Cost or Valuation												
	Council Dwellings	Other Land and Property	Vehicles and Plant	Infrastructure Assets	Community Assets	Operational Assets	Total-Operational Assets	Investment Properties	Assets under Construction	Surplus Assets	Total Non Operational Assets	Intangible Assets
OPERATIONAL												
NON-OPERATIONAL												
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Value at 1 April 2008	313,073	36,301	8,774	2,502	2,254	362,904	20,943	0	0	20,943	1,104	384,951
Additions	16,015	723	1,134	184	23	18,079	25	29	0	54	273	18,406
Disposals & Write offs	-1,182	-272	0	-26	-168	-1,648	0	0	-12,073	-12,073	0	-13,721
Reclassification	-80	-1,997	130	91	-253	-2,109	2,034	0	75	2,109	0	0
Revaluations	23,591	156	0	0	0	23,747	2,076	0	12,019	14,095	0	37,842
Impairments	-54,435	-2,297	0	0	0	-56,732	-4,049	0	0	-4,049	0	-60,781
Gross Book Value at 31 March 2009	296,982	32,614	10,038	2,751	1,856	344,241	21,029	29	21	21,079	1,377	366,697
Less Depreciation and Impairments												
Balance at 1 April 2008	5,044	1,116	7,181	1,747	0	15,088	72	0	0	72	680	15,840
Incurred in Year	5,568	802	419	63	0	6,852	0	0	0	0	270	7,122
Disposals	-4	-4	0	-25	0	-33	0	0	0	0	0	-33
Reclassification	-1	-87	0	0	0	-88	88	0	0	88	0	0
Revaluations	-3,396	-189	0	0	0	-3,585	-142	0	0	-142	0	-3,727
Impairments	-6,813	-189	0	0	0	-7,002	0	0	0	0	0	-7,002
Balance at 31 March 2009	398	1,449	7,600	1,785	0	11,232	18	0	0	18	950	12,200
Net Book Value 31 March 2009	296,584	31,165	2,438	966	1,856	333,009	21,011	29	21	21,061	427	354,497
Net Book Value 31 April 2008	308,029	35,185	1,593	755	2,254	347,816	20,871	0	0	20,871	424	369,111
Net Book Value at 31 March 2009	296,584	31,165	2,438	966	1,856	333,009	21,011	29	21	21,061	427	354,497
Movement in Year	-11,445	-4,020	845	211	-398	-14,807	140	29	21	190	3	-14,614
Nature of Assets												
Owned	296,584	20,412	2,438	966	1,856	322,256	21,011	29	21	21,061	427	343,744
Leased	0	10,753	0	0	0	10,753	0	0	0	0	0	10,753

## ACQUISITIONS AND ENHANCEMENTS

The main items of capital expenditure (excluding that financed by leasing) for the year on an accruals basis are shown below.

	2008/09 £'000
<b>Housing</b>	
Major Works to HRA Assets	16,308
<b>Other Areas</b>	
Refuse Collection	535
Leisure Facilities	85
Purchase of Computer Hardware/Software	276
Civic and Administrative Buildings	261
Miscellaneous Spend	941
<b>Total Spend</b>	<b>18,406</b>
Fixed Assets	18,406
Revenue Expenditure funded from Capital under Statute	2,289
<b>Total Balance Sheet Impact</b>	<b>20,695</b>

### Breakdown of Capital Expenditure

## DISPOSALS

Disposals in this note represent the net book value of assets that have been sold or otherwise disposed of during the year. Receipts from sales are detailed below.

2007/08 £'000		2008/09 £'000
2,827	Sale of Council Houses (Current Cost Valuation)	1,178
0	Sale of Community Assets	168
1,272	Sale of Investment Assets	0
321	Sale of Other Land and Buildings	268
0	Sale of Infrastructure	1
0	Sale of Surplus Assets	12,073
<b>4,420</b>	<b>Total</b>	<b>13,688</b>

### Disposal of Capital Assets

## 19. CAPITAL EXPENDITURE AND FINANCING

A detailed breakdown of capital expenditure of £20.7m is set out in the Movement on Fixed and Intangible Assets as additions. A breakdown of how this capital expenditure was financed is shown in the Method of Financing table. The Capital Financing Requirement represents the Council's underlying need to borrow for a capital purpose and change year on year will be influenced by the capital expenditure in the year.

2007/08 £'000		2008/09 £'000
43,220	<b>Opening Capital Financing Requirement</b>	51,209
-1,645	Less write off of Loan Premia	0
41,575	<b>Adjusted Opening Capital Financing Requirement</b>	51,209
	Capital Investment	
17,491	- Operational Assets	18,104
127	- Non-Operational Assets	29
0	- Intangible Assets	273
1,590	Revenue Expenditure Funded from Capital Under Statute	2,272
	Sources of Finance	
-2,308	- Capital Receipts	-2,135
-6,749	- Government Grants and Contributions	-6,538
-517	- Sums set aside from Revenue (inc MRP)	-640
51,209	<b>Closing Capital Financing Requirement</b>	62,574
	<u>Explanation of Movements in Year</u>	
5,440	Increase in underlying need to borrow (supported by Government financial assistance).	11,940
4,588	Underlying need to borrow (Unsupported by Government Financial Assistance)	0
-394	Other Movements	-575
9,634	<b>Total Movements</b>	11,365

Capital Expenditure and Financing Requirement

## 20. SIGNIFICANT COMMITMENTS UNDER CAPITAL CONTRACTS

There are no significant commitments under capital contracts at 31 March 2009.

## 21. STATEMENT OF ASSETS

Asset Description	2007/08 Number	2008/09 Number
<b>Council Dwellings</b>	6,959	6,947
<b>Operational Buildings and Land</b>		
- Leisure Centres	3	3
- Other Arts and Leisure Facilities	2	2
- Community Centre (Housing)	15	15
- Museum	1	1
- Public Conveniences	8	8
- Civic Buildings	2	2
- Administrative Buildings	7	7
- Operational Buildings	2	2
- Garages	868	868
- Garage Sites	37	37
- Golf Course	1	1
- Car Parks	17	17
- Cemetery Buildings	3	3
- Tourist Information Centres	2	2
- Leasehold Flats	125	124
<b>Operational Equipment</b>		
- Vehicles and Licensed Plant (Council owned)	110	126
- Mowers and Unlicensed Plant	132	133
- Computer Terminals and Laptops	248	251
<b>Community Assets</b>		
- Parks and Open Spaces (acres)	128	120
- Allotment Sites	14	14
- Cemeteries (Land Only)	4	4
- Civic Regalia items	4	4
- Museum Exhibits	Over 30,000	Over 30,000
<b>Investment Properties</b>		
- Shops	29	29
- Industrial Areas	8	8
- Miscellaneous Properties	14	14
- Markets	2	2
<b>Strategic Land Holdings</b>		
- Housing and General Fund	Various	Various

### Balance Sheet Statement of Assets

In addition there are a number of small areas of land which can be classed as Miscellaneous Land.

## 22. LEASES – DISCLOSURE AS LESSEE

The Council has outstanding commitments as outlined in the table below of £.604M (2007/08 £1.892M). A sum of £.654M was paid out during 2008/09 on operating leases and contract hire. The Council does not have any hire purchase contracts nor finance leases. All operating leases comply with the Statement of Standard Accounting Practice 21 in that the assets have at least a 10% residual value.

Assets to the value of £10.753M, relating to Worksop and Retford Leisure Centres, are subject of a lease at peppercorn rent

2007/08 £000		2008/09 £000
	<b>Operating leases</b>	
1,574	Vehicles	546
0	Employee Leased Cars	0
318	Computer and Other Equipment	58
<b>1,892</b>	<b>Total Outstanding Commitment</b>	<b>604</b>
	<b>Summarised as:</b>	
53	Leases expiring within one year	0
1,839	Leases expiring between two to five years	604
<b>1,892</b>	<b>Total Outstanding Commitment</b>	<b>604</b>

#### Operating Lease and Hire Purchase Contracts

2007/08 £'000	Category of Payments	2008/09 £'000
1,128	Operating Leases	641
16	Contract Hire	13
<b>1,234</b>	<b>Total Payments</b>	<b>654</b>

#### Lease and Hire Purchase Payments

The operating lease payments shown for 2007-08 incorrectly include a contract payment of £.587M relating to the supply of services and support of our IT systems. This agreement is found not to be an operating lease and has therefore been excluded from the 2008-09 figures.

### 23. LEASES – BASSETLAW DISTRICT COUNCIL AS A LESSOR

With regard to the Authority's activities as lessor, the Council owns Investment Properties to the value of £21.0m, which includes industrial units, shops and other miscellaneous properties. The Council leases these properties and generates rental income of £439,834 (£597,032 2007/08).

### 24. BASIS OF VALUATION

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The valuations are carried out by the Property Manager, Mark Wheeler RICS. The basis for valuation is set out in the Statement of Accounting Policies.

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Equipment £'000	Infrastruc- ture Assets £'000	Community Assets £'000	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets £'000	Intangible Assets £'000	Total £'000
Valued at Historical cost	0	0	2,438	966	1,856	0	29	0	427	5,716
Valued at Current Cost in:										
2008/09	296,584	1,373	0	0	0	17,280	0	21	0	315,258
2007/08	0	7,853	0	0	0	168	0	0	0	8,021
2006/07	0	8,867	0	0	0	3,073	0	0	0	11,940
2005/06	0	1,246	0	0	0	402	0	0	0	1,648
2004/05	0	1,073	0	0	0	88	0	0	0	1,161
<b>TOTAL</b>	<b>296,584</b>	<b>20,412</b>	<b>2,438</b>	<b>966</b>	<b>1,856</b>	<b>21,011</b>	<b>29</b>	<b>21</b>	<b>427</b>	<b>343,744</b>

For 2008/09 the revaluation date for all assets, except disposals, is 1 April 2008 and 31 March 2009. For disposals, the valuation date is the date on which the asset is actively marketed. Any surpluses or deficits arising from movements in the general level of prices are credited or initially debited to the Revaluation Reserve. Where there is insufficient balance within the Revaluation Reserve for any impairment loss, the difference will be charged to the Income and Expenditure Account. Where a loss in value occurs as a result of physical damage or other impairment, this is reflected in an increased charge to service revenue accounts.

A full revaluation of the Council's total housing stock was carried out during 2005/06. In order to arrive at the dwellings valuation figure for 2008/09, 11 distinctive areas of the district were identified based on location, housing stock and estate type. A representative selection from each of these separate areas that have been valued within the 2008/09 period for Right to Buy purposes has been identified. This value has then been compared to the 1 April 2008 value to determine any increase or decrease in value since the complete valuation in 2005/06. These percentage increases and decreases have been applied to all the properties within that area to give an overall value for the complete stock.

In year enhancements to the Council Housing Stock eg. Kitchens, bathrooms, central heating, etc, have been added to the Beacon valuation, with the original component being written as an impairment.

Properties regarded by the Council as operational were valued on the basis of open market value.

## **25. DEPRECIATION**

Depreciation totalled £6.851M (£6.530M in 2007/08) and is analysed by asset type in the "Movement on Fixed and Intangible Assets" table. This is in addition to £.270M being charged to revenue for the amortisation of Intangible Assets.

Depreciation is calculated on the following basis:

- Dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer. Enhancements to dwellings are capitalised and depreciated until such a time as a full Beacon valuation is undertaken.
- Infrastructure – straight-line allocation over a predetermined life of the asset.
- Vehicles, plant and equipment – straight-line allocation typically over the following periods:

Mobile Plant	5-10 years
Motor Vehicles	5 years
Equipment	5 years
IT Equipment	3-5 years

There is no depreciation charged on Community Assets and Assets under Construction. Where an asset has major components with different estimated useful lives, these are depreciated separately.

There have been no changes in estimated asset life or residual asset values in 2008/09 that would have a material affect.

## **26. INTANGIBLE ASSETS - OTHER**

The intangible assets shown in the balance sheet relate to software and software licences. Purchases of these totalling £273,000 were made in 2008/09 (£126,895 in 2007/08). They are



amortised over 3 or 5 years and the total amortisation charged in 2008/09 was £270,000 (£272,000 in 2007/08).

## 27. ANALYSIS OF NET ASSETS AS AT 31 MARCH 2009

	2007/08 £'000	2008/09 £'000
General Fund	-25,377	-23,789
Housing Revenue Account	307,275	292,558
Collection Fund	2,784	2,458
Trading Undertakings	0	0
<b>Total</b>	<b>284,682</b>	<b>271,227</b>

### Balance Sheet Analysis of Assets

## LONG TERM DEBTORS

Long term debtors consist of items such as mortgage debts, amounts due from other local authorities arising out of local government reorganisations and other amounts due after a period of one year.

	2007/08 £'000	Repayments/ Adjustment £'000	2008/09 £'000
Council House Sales Mortgages	33	-13	20
Housing Act Advances	0	0	0
Loans – Sporting Activity	46	-12	34
Car Loans to Employees due over 1 Year	2	1	3
<b>Total</b>	<b>81</b>	<b>-24</b>	<b>57</b>

### Long Term Debtors

## ANALYSIS OF DEBTORS

2007/08 £'000		2008/09 £'000	2008/09 £'000
	<u>Government Departments</u>		
488	General	1,338	
1,109	HM Revenue and Customs (VAT)	0	
1,427	Collection Fund	749	
<b>3,024</b>	<b>Total Debt to Government Departments</b>		<b>2,087</b>
	<u>Loans</u>		
0	Loans to Parishes	0	
47	Enterprise Board Loans	36	
4	Car Loans to Employees (up to 1 year)	2	
<b>51</b>	<b>Total Loans</b>		<b>38</b>
	<u>Local Taxation</u>		
2,783	Council Taxpayers	2,653	
1,084	Non Domestic Ratepayers	1,206	

<b>3,867</b>	<b>Total Debt for Local Taxation</b>	<b>3,859</b>
2	Payroll	5
727	Housing Rents	763
8	A1 Housing (Bassetlaw) Ltd	240
105	Other Local Authorities	7
2,384	Other	2,346
<b>10,168</b>	<b>Total Debtors</b>	<b>9,345</b>
	<b>Less</b>	
-2,429	Provision for Bad and Doubtful Debts	-2,729
943	Payments in Advance	908
<b>8,682</b>	<b>Net Debtors</b>	<b>7,524</b>

**Analysis of Debtors**

#### ANALYSIS OF CREDITORS

<b>2007/08</b>		<b>2008/09</b>
<b>£'000</b>		<b>£'000</b>
361	Government Departments	676
	Collection Fund	
456	- Council Tax Payers	377
265	- Non Domestic Ratepayers	91
0	- Precepting Authorities – share of surplus	8
443	Payroll	438
766	Capital	1,519
102	Housing Rents	81
590	A1 Housing (Bassetlaw) Ltd	522
243	Other Local Authorities	51
895	Receipts in Advance	826
5,000	Other	3,104
<b>9,121</b>	<b>Total</b>	<b>7,693</b>

**Analysis of Creditors**

## 28. INTERESTS IN COMPANIES

### Investments

The Council has a number of approved investments at 31 March 2009 totalling £12.861M (including Icelandic Banks at amortised cost and net of impairment) (£13.178M 31 March 2008) representing investment of surplus balances.

### A1 Housing (Bassetlaw) Ltd.

The Council is the sole shareholder of A1 Housing (Bassetlaw) Ltd. The Council created this Arms Length Management company on 1 October 2004 for the purpose of managing the Council's dwellings. The accounts for this company have been consolidated into the Group Accounts. The accounts have been audited and the auditor has not issued a qualified audit opinion on the accounts for the year. The company has net liabilities of £4.6M as at 31 March

2009 and returned a loss for the year of £28K. The Council is required to meet the whole of any trading loss.

Further information about the accounts of A1 Housing (Bassetlaw) Ltd. is available from the Managing Director, A1 Housing (Bassetlaw) Ltd, Carlton Forest House, Hundred Acre Lane, Worksop, Nottinghamshire, S80 0TS.

#### Other Companies

The Council is associated with the following companies which have been set up under Section 33 of the Local Government and Housing Act 1989 which provides for the Council to take appropriate action in order to promote the economic development of its area:

- Non Regulated Companies

Tuxford Mine of Information Ltd. This is a community resource centre. The Council does not hold any shares in the company. The Council made payments of £2,500 to this company during 2008/09.

Worksop and District Credit Union. Here the community have access to saving and borrowing facilities. It is registered with the Register of Friendly Societies. The Council holds no shares in this company. The Council made a payment of £1,561 for the Healthy Living Centre project.

Manton Community Initiatives Ltd. This company manages the running of the Manton Community Centre in Worksop. The Council did not make any payments to this company during 2008/09 (£686 2007/08).

- Regulated Companies

Bassetlaw Town Centre Partnership Trust. This company has been set up to undertake community safety initiatives. The Council does not hold any shares in the trust. However, the Council is the main contributor to its running costs. Contributions for 2008/09 amounted to £204,150 (£185,000 2007/08). The accounts of this company have not been consolidated within the Council's Group Accounts as it is considered that this relationship is not material.

## **29. FINANCIAL INSTRUMENTS**

### **Nature and Extent of Risk Arising from Financial Instruments**

#### **Key Risks**

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

- 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 rates 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 set out 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 approving annually in advance prudential indicators for the following three years limiting:  
The Council's overall borrowing;  
It's maximum and minimum exposures to fixed and variable rates;  
It's maximum and minimum exposures for the maturity structure of its debt;  
It's 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 annual Council Tax setting budget or before the start of the year to which they relate. 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 monitored regularly by the Cabinet.

These policies are implemented by the Accountancy Team. The Council maintains written principles 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 periodically.

### **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 Ratings 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.

The following analysis summarises the Authority's maximum exposure to credit risk. The table (from Fitch) gives details of global corporate finance average cumulative default rates (including financial organisations) for the period 1990 – 2007 on investments out to 5 years.

	Amount at 31 March 2009  £'000	Historical experience of default  %	Adjustment for market conditions at 31 March 2009  %	Estimated maximum exposure to default  £'000
<b>Deposits with banks and financial institutions</b>	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(a * c)</b>
AAA rated counterparties (Money Market Funds)	4,533	0.00%	0.00%	0
F1+ Banks and Building Societies	10,000	0.07%	21.72%	2,172
Trade debtors	528	14.57%	20.31%	107
<b>Total</b>	<b>15,061</b>			<b>2,279</b>

Early in October 2008, the Icelandic banks Landisbanki, Kaupthing and Glitner collapsed and the UK subsidiaries of the banks Heritable, Kaupthing Singer and Friedlander went into administration. The authority had £8M deposited across these institutions, with varying maturity dates and interest rates as follows:

<b>Bank</b>	<b>Investment</b>	<b>Maturity</b>	<b>Interest Rate</b>
Heritable	2,000,000	9 January 2009	6.12%
Landisbanki	3,000,000	7 January 2009	5.56%
Kaupthing, Singer Friedlander	1,000,000	7 January 2009	5.55%
Glitner	2,000,000	7 January 2009	5.55%

All monies within these organisations are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors will be determined by the administrators/receivers.

The current situation with regards to the recovery of the sums deposited varies between each institution. Based on the latest information available the authority considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definite as to the amounts and timings of payments to be made by the administrators/receivers, it is likely that further adjustments will be made to the accounts in future years.

## Heritable Bank

Heritable bank is a UK registered bank under English law. The company was placed in administration on 7 October 2008. The creditor progress report issued by the administrators Ernst & Young, dated 17 April 2009 outlined that the return to creditors was projected to be 80p in the £ by the end of 2012 with the first dividend payment of 15p in the £ due in the summer of 2009. This authority has therefore decided to recognise an impairment based on it recovering 80p in the £. It is anticipated that there will be some front loading of these payments and that a final sale of assets will take place after the books have been run down to the end of 2012. Therefore in calculating the impairment the authority has made the following assumptions re the timing of recoveries:

July 2009	16.13%
Dec 2009	10.00%
July 2010	20.22%
July 2011	19.22%
July 2012	7.22%
July 2013	7.21%

Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 6 October 2008.

## Kaupthing Singer and Friedlander Ltd (KSF)

The creditor progress report issued by the administrators Ernst & Young dated 17 April 2009 outlined that the return to creditors was projected to be a minimum of 50p in the £ but no timescale is indicated. The administrator indicated that the estate would be lower or higher if significant issues arose; the 50p in the £ stated is therefore the best estimate within a range of possible amounts. The first dividend payments of 10p in the £ is due in the summer of 2009. The authority has decided to recognise an impairment based on it recovering 50p in the £ up to October 2012 (the date when the High Court has permitted the administration to be extended to).

In calculating the impairment the Authority has therefore made the assumption that the remaining 40% recovery will be split evenly between December 2009, December 2010, December 2011 and December 2012.

Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 7 October 2008.

## Landsbanki

Landsbanki Islands is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law. Old Landsbanki's latest public presentation of its affairs was made to creditors on 20 February 2009 and can be viewed on its website. This and other relevant information indicated that recovery of between 90-100 % could be achieved, however, based on subsequent information issued after the balance sheet date, the authority has now recognised an impairment based on it recovering 83p in the £.

Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is likely to be tested through the Icelandic courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a 'bond' which will allow creditors of Old Landsbanki to enjoy rights in New Landsbanki.
- The impact (if any) of the freezing order made by the UK Government over Landsbanki's London branch assets.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the Bond remains at its current value. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 33p in the £.

No information has been provided by the resolution committee about the timing of any payments to depositors. Because it is anticipated that all the assets of Landsbanki Islands will need to be realised to repay priority creditors, settlement in a single sum is unlikely. Therefore, in calculating the impairment, the authority has used the estimated repayment timetables for Heritable and KSF as a basis for its assumption about the timing of recoveries. It is therefore assumed that the repayment will be 21% in March 2010, December 2010, December 2011 and December 2012

Recoveries are expressed as a percentage of the authority's claim in the administration, which it is expected may validly include interest accrued up to 22 April 2009.

### **Glitnir Bank**

Glitnir Bank is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (New Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee. Old Glitnir's affairs are being administered under Icelandic law. Old Glitnir's latest public presentation of its affairs was made to creditors on 6 February 2009 and can be viewed on its website. This indicates that full recovery of the principal and interest to 22 April 2009 is likely to be achieved. Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a 'bond' which will allow creditors of Old Glitnir to enjoy rights in New Glitnir.

The authority decided to recognise an impairment based on it recovering the full amount of principal and interest up to 22 April 2009 in the future. The impairment therefore reflects the loss of interest to the authority until the funds are repaid.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to 40% of its liabilities, assuming that the Bond remains at its current estimated value. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 40p in the £.

No information has been provided by the resolution committee about the timing of any payments to depositors. Since the value of deposits is small compared to the total asset value of the bank, in calculating the impairment the authority has therefore made an assumption that the repayment of priority deposits will be made by 31 March 2010.

Recoveries are expressed as a percentage of the authority's claim in the administration, which it is expected may validly include interest accrued up to 22 April 2009.

The impairment loss recognised in the Income and Expenditure Account in 2008/09, £2.2M, has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered.

Adjustments to the assumptions will be made in future accounts as more information becomes available.

The Authority has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund, and a sum of £1.8M has been transferred to the Financial Instruments Adjustment Account. The balance of £0.4M relates to interest, which has been borne in full by the General Fund Balance

Discussions are ongoing with DCLG to amend Regulations to allow the authority to charge the relevant proportion of the impairment loss, including lost interest to the Housing Revenue Account and Pension Fund.

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

#### **Credit Risk - Debtors**

The Council does not generally allow credit for its trade debtors, such that £0.362M of the £0.528M balance is past its due date for payment. The past due amount can be analysed by age as follows:

<b>2007/08 £'000</b>		<b>2008/09 £'000</b>
121	Less than three months	166
33	Three to six months	39
54	Six months to one year	24
437	More than one year	299
<b>645</b>	<b>Total</b>	<b>528</b>

#### **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 Markets 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.

### **Refinancing 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 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 central 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 i.e. long term borrowing is as follows:

	<b>2007/08 £'000</b>	<b>2008/09 £'000</b>
Less than one year	13,608	62
Between one and two years	62	63
Between two and seven years	250	12,388
Between seven and 15 years	12,200	0
More than fifteen years	27,800	42,800
<b>Total</b>	<b>53,920</b>	<b>55,313</b>

The maturity analysis of financial assets i.e. external investments is as follows:

	<b>2007/08 £'000</b>	<b>2008/09 £'000</b>
Less than one year	13,178	12,861
Between one and two years	0	0
Between two and three years	50	0
More than three years	0	0
<b>Total</b>	<b>13,228</b>	<b>12,861</b>

All trade and other payables are due to be paid in less than one year and are not shown in the table above.

### **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 charged 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; and
- 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 Recognised Gains and Losses (STRGL). 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 that have a quoted market price will be reflected in the STRGL, 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 central 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.

For Bassetlaw, as a Council that operates a Housing Revenue Account the risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

If all interest rates had been 1% higher with all other variables held constant) the financial effect would be:

<b>IMPACT OF 1% INCREASE IN INTEREST RATES</b>	<b>£'000</b>
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	-45
<b>Impact on Income and Expenditure Account</b>	<b>-45</b>
Increase in Government grant receivable for financing costs	0
Share of overall impact debited to the HRA	0
Decrease in fair value of fixed rate investment assets	0
Impact on STRGL	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on I+E Account or STRGL)	10,348

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost

**Price risk** - The Council, excluding the Pension Fund, does not generally invest in equity shares or marketable bonds.

**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.

The Balance Sheet is required to have a minimum of four balances relating to financial instruments:

- long-term investments
- current assets – investments
- current liabilities – borrowings repayable on demand or in less than 12 months
- borrowing repayable within a period in excess of 12 months

### **Financial Instruments Balances**

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

<b>Long Term</b>	<b>Current</b>		<b>Long-Term</b>	<b>Current</b>
<b>2007/2008</b>	<b>2007/08</b>		<b>2008/09</b>	<b>2008/09</b>
<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
40,312	13,603	Financial liabilities (principal amount)	55,250	63
866	5	Plus Accounting adjustments	903	0
41,178	13,608	Financial liabilities at amortised cost (1)	56,153	63
0	0	Financial liabilities at fair value through the I&E (2)	0	0
<b>41,178</b>	<b>13,608</b>	<b>Total borrowings</b>	<b>56,156</b>	<b>63</b>
50	13,178	Loans and receivables (principal amount)	0	6,536
0	-	Accounting adjustments	0	0
50	13,178	Loans and receivables at amortised cost (1)		6,325
0	0	Available-for-sale financial assets	0	0
0	0	Financial Assets at fair value through the I&E (2)	0	0
0	0	Unquoted equity investment at cost	0	0
<b>50</b>	<b>13,178</b>	<b>Total investments</b>	<b>0</b>	<b>12,861</b>

Note 1 – Under accounting requirements the financial instrument value shown in the Balance Sheet include the principal amount borrowed or lent plus accrued interest and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation).

Note 2 – Fair value has been measured by:

- Directly by reference to published price quotations in an active market; and/or
- Estimated using a valuation technique.

### Unusual Movements

Current Liabilities at 31 March 2007 included a loan of £3.3M which was repaid during the financial year. £10M related to 2 loans which may have been refinanced if the lender had opted to change the interest rate payable. This option was not taken and the loans are now reflected in long term liabilities at a rate of 4.75%.

### Reclassification

There have been no reclassifications of financial instruments.

### Derecognition of instruments

There have been no de-recognition of instruments during 2008/09 (£1.645m in 2007/08).

### Collateral

The Council initiated a legal charge on property where the land was transferred to a Housing Association, but has a legal charge upon the future sale of this land. The collateral charge on the land in this instance at 31 March 2009 was £1.2M.

### Allowance for Credit Losses

Section 4.62 of the SORP requires any impairment of a financial asset to be reflected in the carrying amount with the impairment loss being charged to the Income and Expenditure Account.

### Financial instruments Gains/Losses

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

<b>Financial Instruments Gains and Losses 2008/09</b>			
	<b>Financial Liabilities</b>	<b>Financial Assets</b>	
	<b>Liabilities measured at amortised cost £'000</b>	<b>Loans and receivables £'000</b>	<b>Total £'000</b>
Interest expense	2,665	-	2,665
Impairment losses		2,172	2,172
<b>Interest payable and similar charges</b>	<b>2,665</b>	<b>2,172</b>	<b>4,837</b>
Interest income	0	-943	-943
<b>Interest and investment income</b>	<b>0</b>	<b>-943</b>	<b>-943</b>
Gains on revaluation	0	0	0
Losses on revaluation	0	0	0
Amounts recycled to the I+E Account after impairment	0	0	0
<b>Surplus arising on revaluation of financial assets</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net gain/(loss) for the year</b>	<b>2,665</b>	<b>1,229</b>	<b>3,894</b>

<b>Financial Instruments Gains and Losses 2007/08</b>			
	<b>Financial Liabilities</b>	<b>Financial Assets</b>	
	<b>Liabilities measured at amortised cost £'000</b>	<b>Loans and receivables £'000</b>	<b>Total £'000</b>
Interest Expenses	2,056	0	2,056
Losses on derecognition	1,645	0	1,645
Impairment losses	0	0	0
<b>Interest payable and similar charges</b>	<b>3,701</b>	<b>0</b>	<b>3,701</b>
Interest income	0	-698	-698
Gains on derecognition	0	0	0
<b>Interest and investment income</b>	<b>0</b>	<b>-698</b>	<b>-698</b>
Gains on revaluation		0	0
Losses on revaluation	0	0	0
Amounts recycled to the I+E Account after impairment	0	0	0
<b>Surplus/(Deficit) arising on revaluation of financial assets</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net gain/(loss) for the year</b>	<b>3,701</b>	<b>-698</b>	<b>3,003</b>

The Council does not hold investments in Available for Sale Assets, nor Assets held at Fair Value through the Income and Expenditure Account

#### **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. 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 principal outstanding 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:

£'000	31 March 2008		31 March 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
PWLB debt	19,299	20,807	23,927	25,888
Non-PWLB debt	21,879	24,583	32,226	34,628
<b>Total long term debt</b>	<b>41,178</b>	<b>45,390</b>	<b>56,153</b>	<b>60,516</b>
Short term debt	13,608	14,431	853	853
Creditors	9,564	9,564	8,284	8,284
<b>Total Financial liabilities</b>	<b>64,350</b>	<b>69,385</b>	<b>65,290</b>	<b>69,653</b>

The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date.

£'000	31 March 2008		31 March 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Fixed Rate Loans	3,000	3,000	2,000	2,000
Investments	6,000	6,000	6,325	6,325
amortised cost				
Money Market Funds	4,178	4,178	4,536	4,536
Debtors	8,682	8,682	7,524	7,524
<b>Total Loans and receivables</b>	<b>21,860</b>	<b>21,860</b>	<b>20,385</b>	<b>20,385</b>

The differences are attributable to fixed interest instruments receivable being held by the authority whose interest rate is higher than the prevailing rate estimated to be available at 31 March. This increases the fair value of financial liabilities and raises the value of loans and receivables.

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 has also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments.

### 30. INSURANCE RESERVE

This account services an internal insurance revenue account. The reserve relates mainly to the internal insuring of the Council housing stock in the event of fire. Externally funded insurance transactions are now dealt with separately but any excess on claims made are also met from this reserve.

2007/08 £'000		2008/09 £'000
-64	Balance as at 1 April	-52
12	Net Contributions from (-) / to Income & Expenditure Account	0
-52	Balance at 31 March	-52

Insurance Reserve

### 31. MOVEMENT IN PROVISIONS

The Council does not have any provisions, as there are no known future obligations. However, a provision for bad and doubtful debts is maintained based on aged debt, the analysis by Fund is detailed below. A full explanation of Provisions can be found in Note 2 of the Statement on Accounting Policies.

#### PROVISION FOR BAD AND DOUBTFUL DEBTS

Total 2007/08 £'000		NNDR £'000	Council Tax £'000	General Fund £'000	HRA £'000	Total 2008/09 £'000
2,527	Balance at 1 April	456	1,189	153	631	2,429
774	Provisions made in year	523	340	321	128	1,312
-872	Write offs against Provision	-428	-275	-136	-174	-1,013
2,429	Balance at 31 March	551	1,254	338	585	2,728

Provision for Bad and Doubtful Debts

### 32. MOVEMENT ON RESERVES

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans.



Reserve	Purpose of Reserve	Balance at 1.4.08 £'000	Movement in Year £'000	Movement between Reserves	Balance at 31.03.09 £'000
<b>Revaluation Reserve</b>	Store of Gains and Losses on Revaluation of Fixed Assets	87,254	-10,928	-14,665	<b>61,661</b>
<b>Capital Adjustment Account</b>	Store of Capital Resources Set Aside to meet past Expenditure	228,459	-15,786	14,672	<b>227,345</b>
<b>Financial Instruments Adjustment Account</b>	Holds the accumulated difference between the financing costs in the Income & Expenditure Account and those charges to General Fund Balance	-1,427	-1,379		<b>-2,806</b>
<b>Usable Capital Receipts Reserve</b>	Proceeds of Fixed Assets Available to meet Future Capital Investment Net of any statutory deductions	4,184	10,913		<b>15,097</b>
<b>Pensions Reserve</b>	Balancing Account to allow inclusion of Pensions Liability in the Balance Sheet	-39,974	4,956		<b>-35,018</b>
<b>Statutory Housing Revenue Account Balance</b>	Resources available to meet future running costs of Council houses	1,233	100		<b>1,333</b>
<b>LABGI Reserve</b>	Government Grant earmarked for additional general fund revenue requirements	1,260	-261	-815	<b>184</b>
<b>Job Evaluation Reserve</b>	Transferred from LABGI reserve. Specific reserve earmarked for the costs of Equal Pay	0	0	815	<b>815</b>
<b>General Fund Balance</b>	Resources available to meet future running costs of non housing services	2,764	-380	0	<b>2,384</b>
<b>Other Reserves</b>	Collection Fund, Earmarked Reserves and Deferred Capital Receipts	499	-260	-7	<b>232</b>
<b>TOTAL</b>		<b>284,252</b>	<b>-13,025</b>	<b>0</b>	<b>271,227</b>

**Movement on Reserves**

### 33. CONTINGENT LIABILITIES AND ASSETS

The Council is committed to an equal pay review the total cost of which is unknown at this stage. The effective date is likely to be 1 April 2010, a Job Evaluation Reserve of £815,000 has been established for this purpose.

The Council has given a financial guarantee to underwrite 50% of the annual loss in respect of the operation of the Turbine Business Innovation Centre. The amount charged to the Income and Expenditure Account in 2008/09 for this is £39,758. A loss occurs when the optimum occupancy is not achieved, and the maximum subsidy payable in any year is estimated to be £50k.

There are no contingent assets to disclose.

#### **34. AUTHORISATION**

This Statement of Accounts was authorised for issue on 25th June 2009 by Mike Hill, Head of Finance and Property.

#### **35. POST BALANCE SHEET EVENTS**

The Chartered Institute of Public Finance and Accountancy (CIPFA) updated their guidance on the impairment of deposits with Icelandic Banks in September 2009. As a result of this further guidance impairments totalling £1.967M have now been reassessed and are estimated to have increased to £2.172M. All accounts and disclosure notes have been amended for this change.

The Cabinet at its meeting on 3 November 2009, approved the appointment of BPL as the preferred partner for the management of the Council's leisure facilities under a Trust agreement. The contract is anticipated to commence early in 2010, and is expected to deliver significant savings against the Council's current leisure operating costs. This will involve the transfer of leisure facilities staff into the employment of BPL.

#### **36. TRUST FUNDS**

The Council is trustee for the King George's Field Foundation and administers the trust that was set up with the sale proceeds of an area of land at Kings Park, Retford. The Trust Fund accrues interest earned on the investment annually with expenditure from the Trust Fund being made solely on investment in the Kings Park facilities. The Council holds £18,339 as at 31 March 2009 (£107,064 in 07/08) but it is not shown in the accounts.

The Council has an involvement in the administration (but is not the trustee) of two other small charities. The Council holds no funds for the Sir Stuart and Lady Florence Goodwin Charity. The Council holds £706 for Dr Kool Want Charity.

#### **37. AMOUNTS DUE FROM RELATED PARTIES**

Amounts due from A1 Housing (Bassetlaw) Ltd total £8,295 and relates to outstanding amounts for Service Level Agreement charges. There is no Provision for Bad and Doubtful Debts in relation to A1 Housing (Bassetlaw) Ltd.

#### **38. LOCAL GOVERNMENT PENSION SCHEME**

##### **Participation in Pension Scheme:**

Since 2003/04 Councils have had to comply with the requirement of FRS17 that retirement benefits be reflected in the accounts. The basic principle of FRS17 is that the Council should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. Further information can be found in the Annual Report of the County Council Pension Fund, which is available upon request from the Nottinghamshire County Council, County Hall, West Bridgford, Nottingham, NG2 7QP.

The Local Government Pension Scheme for civilian employees, administered locally by Nottinghamshire County Council – this is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a Fund, calculated at a level intended to balance the pensions liabilities with investment assets.

#### **Change of Accounting Estimation Technique**

Under the Statement of Recommended Practice 2008 the Council has adopted the amendment to FRS17, Retirement benefits. As a result, quoted securities held as assets in the defined benefit Pension Scheme are now valued at bid price rather than mid-market value. The effect of this change is that the Pensions Liability has increased as at 31 March 2008 from £39.544M to £39.974M. This change is reflected in the comparative figures for 2007/08 on all relevant disclosures and on the Balance Sheet.

#### **Transactions Relating to Retirement Benefits:**

Although the benefits will not actually be payable until employees retire, the Council has a commitment to make payments that need to be disclosed at the time that the employees earn their future entitlement. The cost of retirement benefits is recognised in the Net Cost of Services when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement on General Fund Balance during the year:

<b>2007/08 £'000</b>	<b>LOCAL GOVERNMENT PENSION SCHEME</b>	<b>2008/09 £'000</b>
	<b>Net Cost of Service</b>	
1,363	Current Service Cost	1,122
482	Past Service Cos. Curtailment/Settlement Gain	0
0	Curtailment/Settlement Gain	125
<b>1,845</b>		<b>1,247</b>
	<b>Net Operating Expenditure</b>	
4,188	Interest Cost	5,029
-3,011	Expected Return On Assets in Scheme	-2,981
<b>3,022</b>	<b>Net Charge to the Income and Expenditure Account</b>	<b>3,295</b>

<b>2007/08 £'000</b>	<b>FRS17 Statement of Movement on General Fund Balance</b>	<b>2008/09 £'000</b>
-3,022	Reversal of net charges made for Retirement Benefits in accordance with FRS17	-3,295
2,135	<b>Actual Amount Charged Against Council Tax in Year</b> Employers contributions payable to the scheme	2,119
453	<b>Actual Amount Charged Against Rent Payer</b> Employers contributions payable to the scheme	610

Employer's contributions of £610,000 (£453,000 in 2007/08) were charged to the Housing Revenue Account Balance reducing the outstanding liability for Housing Revenue Account relating to staff transferred to A1 Housing (Bassetlaw) Ltd. with the benefit of a fully funded pension scheme. Later tables contain details of the assumptions made in estimating the figures included in this table.

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains of £5.521m (loss of £5.709m 2007/08 as restated) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of the actuarial gains and losses recognised in the Statement of Total Recognised Gain is £16.384M.

#### Return on Assets, Gains and Losses

In accordance with Statement of Recommended Practice 2008 a further analysis is now given showing the present value of the scheme Liabilities and the fair value of the scheme assets and the surplus or deficit in the scheme over the current accounting period and the previous four accounting periods.

2007/08 £'000		2008/09 £'000
43,281	Estimated Share of Assets in the County Council Fund	35,381
-83,248	Estimated Share of Liabilities in the County Council Fund	-70,377
<b>-39,967</b>	<b>Net Asset / Liability (-) Based on Actuary's Report</b>	<b>-34,996</b>
-7	Adjustment for Actual amounts paid	-22
<b>-39,974</b>	<b>Net Asset / Liability (-) Balance Sheet</b>	<b>-35,018</b>

#### Assets and Liabilities in Relation to Retirement Benefits

2007/08 £'000		2008/09 £'000
44,386	Asset/(Liability) at the beginning of the year	43,274
3,011	Expected Returns on Scheme Assets	2,981
-4,022	Actuarial loss	-10,863
2,594	Employers Contributions	2,752
514	Contributions by scheme participants	535
-3,209	Estimated benefits paid	-3,298
<b>43,274</b>	<b>Scheme Assets at end of the year</b>	<b>35,381</b>

#### Reconciliation of present value of the scheme assets

2007/08 £'000		2008/09 £'000
<b>-78,230</b>	<b>Opening Defined Benefit Obligation (Liabilities)</b>	<b>-83,248</b>
-1,363	Current Service Cost	-1,122
-4,188	Interest Cost	-5,029
-1,687	Actuarial (gains) and losses	16,384
0	Losses (gains) on curtailments	-125
2,962	Estimated benefits paid	3,043
-482	Past Service Cost	0
-508	Contribution by scheme participants	-535
248	Unfunded pension payments	255
<b>-83,248</b>	<b>Closing Defined Benefit Obligation (Liabilities)</b>	<b>-70,377</b>

#### Reconciliation of opening and closing of present value of scheme liabilities

The Council's share of the County Council Fund's assets and liabilities were estimated by the Actuary and are shown in the table below. However, the accounts reflect the actual total liability of £35,018M, the difference being actual amounts paid to the Pension Fund by the employer.

#### Reconciliation of fair value of the scheme

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £7.882M (2007/08 was £1.177M)

#### Scheme history

	Year to 31 March 2009 £'000	Year to 31 March 2008 £'000	Year to 31 March 2007 £'000	Year to 31 March 2006 £'000	Year to 31 March 2005 £'000
Benefit Obligation	-70,377	-83,248	-78,230	-79,150	-69,303
Scheme assets	35,381	43,274	44,386	41,016	33,902
Surplus/deficit based on the Actuary's Report	-34,996	-39,974	-33,844	-38,134	-35,401
Adjustments for Actual amounts paid	-22	0	0	0	0
Net Asset/Liability Balance Sheet	-35,018	-39,974	-33,844	-38,134	35,401
Experience adjustment on Scheme assets % of assets at Balance Sheet date	-10,863	-4,022	947	5,394	N/a
Experience adjustments on scheme liabilities % of assets at Balance Sheet date	0	2,132	0	-1,593	N/a

#### Scheme History

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £70m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £35m.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme Actuary

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2010 is £2.415M.

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The County Council Fund liabilities have been assessed by Barnett Waddingham, an independent firm of Actuaries and the estimates for the County Council Fund are based on the latest full valuation of the scheme as at 1 April 2009.

The principal assumptions used by the Actuary have been:

<b>2007/08 %</b>	<b>Long Term Expected Rate of Return on Assets in the Scheme</b>	<b>2008/09 %</b>
7.50	Equities	7.50
4.60	Bonds – Government	4.70
6.10	Bonds – Other	5.40
6.50	Property	6.50
5.25	Cash – Liquidity	5.30
7.50	Others	N/A
<b>2007/08 Years</b>	<b>Mortality Assumption</b>	<b>2008/09 Years</b>
	<b>Life Expectancy from age 65 (years)</b>	
	<b>Retiring Today</b>	
21.30	Male	20.30
25.00	Female	25.00
	<b>Retiring in 20 years</b>	
20.30	Male	21.22
24.00	Female	24.91
<b>2007/08 %</b>	<b>Financial Assumptions</b>	<b>2008/09 %</b>
3.60	Rate of Inflation	3.10
5.10	Rate of Increase in Salaries	4.90
3.60	Rate of Increase in Pensions	3.10
6.10	Rate for discounting scheme liabilities	5.40
50.00	Take-up of options to cover annual pension into retirement lump sum	50.00

**Table of assumptions history of Experience Gains and Losses**

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets of liabilities at 31 March 2009.

## Projected Pension Expense for the year to 31 March 2010

<b>Projection for Year to 31 March 2010</b>	<b>£'000</b>
Current Service Cost	731
Interest Cost	4,670
Return on Assets	-2,266
<b>Total</b>	<b>3,135</b>
Employer contributions	2,415

**Pension Projections**

### 39. RECONCILIATION OF CASH FLOW AND INCOME AND EXPENDITURE ACCOUNT

2007/08 £'000		2008/09 £'000	2008/09 £'000
2,920	Income & Expenditure Account Surplus (-) / Deficit		7,620
837	HRA Account Surplus (-) / Deficit	1,045	
9	Collection Fund Account Surplus (-) / Deficit	-5	
-1,922	Adjustment For Net Interest	-907	133
-1,076			7,753
	<b><u>Adjustments For Non Cash Items In I &amp; E</u></b>		
-898	Net Movement - Pension Reserve	-565	
-2,249	Capital Accounting Entries	-6,782	
123	Capital Expenditure Funded From Revenue	66	
0	Impairment of financial instruments – principal element	-1,675	
0	Capital receipts pooling	-438	
-3,024			-9,394
	<b><u>Items On An Accrual Basis</u></b>		
-11	Increase (-) / Decrease In Stock	1	
-5,575	Change In Amounts Due To/From Us	504	
-5,586			505
-6,766	Net Movement As Per Cash Flow Statement		-1,136

#### Reconciliation of Fund Balances and Net Cash Movement

### 40. ANALYSIS OF NET DEBT

	Cash	Temporary Investments and Short term Deposits	Total	Loans Due Within One Year	Loans Due After More Than One Year	Deferred Liabilities	Net Debt
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance 1 April 2008	96	13,178	13,274	-13,608	-41,177	0	-41,511
Cash Flow Changes in Year	-886	1,358	472	13,545	-14,874	0	-857
Other Non Cash Flow Changes	0	-1,675	-1,675	0	-105	0	-1,780
Balance 31 March 2009	-790	12,861	12,071	-63	-56,156	0	-44,148

#### Analysis of Net Debt

#### 41. RECONCILIATION OF MOVEMENT IN CASH TO NET DEBT

2007/08 £'000		2008/09 £'000	2008/09 £'000
679	Increase /(-)Decrease in cash in year	-886	
9,022	Cash Inflow/(-)Outflow from management of liquid resources	1,358	
-16,000	Cash inflow from new loans raised	-5,000	
3,508	Cash outflow from loans repaid	3,608	
75	Payment of interest accrued at Balance Sheet date	63	
<b>-2,716</b>	<b>Change in net debt resulting from cash flows</b>		<b>-858</b>
	<b>Other Non Cash Changes</b>		
-592	Difference between carrying amount of loan and associated premium and recalculated carrying amount of loan per the 2007 SORP	-24	
0	Impairment of Financial Instruments	-1,675	
-76	Net adjustment for difference between Effective Interest Rates and actual interest payable	-80	-1,779
<b>-3,384</b>	<b>Net movement in cash</b>		<b>-2,637</b>
<b>-38,127</b>	<b>Net Debt Brought forward</b>		<b>-41,511</b>
<b>-41,511</b>	<b>Total Net Debt carried forward</b>		<b>-44,148</b>

#### Reconciliation of Movement in Cash to Net Debt

#### 42. RECONCILIATION OF FINANCING AND LIQUID RESOURCES TO OPENING AND CLOSING BALANCES ON BALANCE SHEET

The table below shows the movement of liquid resources within the balance sheet, however, in accordance with the Accounting Code of Practice the Long Term Borrowing as shown in the balance sheet as -£56,156 (-£41,178 2007/08) includes an effective interest rate adjustment which does not impact on the cashflow.

	2007/08 £'000	Non Cash Movement £'000	Movement £'000	2008/09 £'000
Investments	13,178	-1,675	1,358	12,861
Borrowing Repayable Within 12 Months	-13,608	0	13,545	-63
Long Term Borrowing	-40,312	0	-14,938	-55,250
<b>Net Cash Flow/Inflow on Financing</b>	<b>-40,742</b>	<b>-1,675</b>	<b>-1,710</b>	<b>-42,452</b>

#### Reconciliation of Financing and Liquid Resources to Balance Sheet



#### 43. MOVEMENT IN CASH AND LIQUID RESOURCES

	2007/08 £'000	Non cash Movement £'000	Movement £'000	2008/09 £'000
<b>Movement in Temporary Investments</b>	<b>13,178</b>	<b>-1,675</b>	<b>1,358</b>	<b>12,861</b>
Bank overdraft	96	0	-886	-790
<b>Movement in Cash and Bank</b>	<b>96</b>	<b>0</b>	<b>-886</b>	<b>-790</b>
<b>Total Movement</b>	<b>13,274</b>	<b>-1,675</b>	<b>472</b>	<b>12,071</b>

Movement in Cash and Liquid Resources

#### 44. CASHFLOW – FURTHER EXPLANATIONS

	2007/08 £'000	Movement £'000	2008/09 £'000
Current liabilities	-13,608	13,545	-63
Long Term Liabilities	-40,312	-14,938	-55,250
<b>Total</b>	<b>-53,920</b>	<b>-1,393</b>	<b>-55,313</b>

Movement in Borrowing

#### 45. ANALYSIS OF GOVERNMENT / OTHER GRANTS

2007/08 £'000		2008/09 £'000
	<b><u>Department of Work and Pensions Grants</u></b>	
960	Housing Benefits Administration Grant	779
7,643	Council Tax Benefit Subsidy	7,664
11,690	Rent Rebates Benefits Subsidy	12,306
8,023	Rent Allowance Subsidy	8,609
90	Pension Credits	88
<b>28,406</b>	<b>Department of Work and Pensions Grants Total</b>	<b>29,446</b>
	<b><u>Other Government Grants</u></b>	
258	Other Government Grants	167
184	Planning Delivery Grant	71
36	Anti Social Behaviour	0
122	Building Safer Communities	17
0	Renovation Grants	1,193
29	Homeless	308
163	NNDR	170
48	Refuse Collection and Recycling	0
391	Neighbourhood Pathfinder	0
810	Supporting People	837
1	Contaminated Land	0
131	Bellwin Fund	0
125	Flood Emergency	67
71	Concessionary Travel	282
<b>2,369</b>	<b>Other Government Grants Total</b>	<b>3,112</b>
	<b><u>Capital Grants</u></b>	
336	Renovation Grants	0
156	Capital Grants- Government	682
3,968	Major Repairs Allowance	4,036
214	Other Capital Grants	350
125	Flood Emergency	0
<b>4,799</b>	<b>Capital Grants Total</b>	<b>5,068</b>
	<b><u>Other Revenue Grants</u></b>	
476	Other Grants	102
<b>476</b>	<b>Other Revenue Grants Total</b>	<b>102</b>

#### Analysis of Government and Other Grants

#### 46. RECEIPTS UNDER S106 AGREEMENTS

Section 106 receipts are monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities provided as a result of that permission (eg improvement to transport links to the new B&Q depot in Worksop). The sums are restricted to being spent only in accordance with the agreement concluded with the developer. The major balances of Section 106 receipts held by the Council are as follows:

	<b>Balance 1.4.2008 £'000</b>	<b>Income £'000</b>	<b>Adjustments £'000</b>	<b>Expenditure £'000</b>	<b>Balance 31.3.2009 £'000</b>
Transport Infrastructure for B&Q Depot	150	50	1	-16	185
Open Space Equipment & Maintenance	263	44	4	-52	259
Other	105	60	0	-8	157
<b>Total</b>	<b>518</b>	<b>154</b>	<b>5</b>	<b>-76</b>	<b>601</b>

**S106 Receipts**

## SUPPLEMENTARY STATEMENTS

### 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.

2007/08 £'000	HRA Income & Expenditure Account	2008/09 £'000
	<b>Income</b>	
-20,409	Dwelling Rents	-20,694
-120	Non dwelling Rents	-258
-445	Charges for Services and Facilities	-376
-1,359	Contributions towards expenditure	-976
-162	Deferred Government Grants	0
<b>-22,495</b>	<b>Total Income</b>	<b>-22,304</b>
	<b>Expenditure</b>	
5,433	Repairs and Maintenance	5,243
6,679	Supervision and Management	6,144
56	Rents, Rates, Taxes and Other Charges	35
2,752	Negative Subsidy – Payments to Secretary of State	3,054
5,362	Depreciation and Impairment of Fixed Assets	6,198
70	Debt Management Costs	100
22	Amortisation of Deferred Charges	0
65	Increase in Bad Debt Provision	128
0	Sums directed by the Secretary of State that are expenditure in accordance with UK GAAP	0
<b>20,439</b>	<b>Total Expenditure</b>	<b>20,902</b>
<b>-2,056</b>	<b>Sub Total: Net Cost of HRA Services as included in whole authority Income &amp; Expenditure Account</b>	<b>-1,402</b>
158	HRA services share of Corporate and Democratic Core	162
949	HRA share of other amounts included in whole authority Net Cost of Services but not allocated to specific services	810
<b>-949</b>	<b>Sub Total: Net Cost of HRA Services</b>	<b>-430</b>
60	Gain or loss on sale of HRA fixed assets	29
673	Interest payable and similar charges	1,466
558	Amortised Premiums and Discounts	0
-62	Interest and Investment Income	-20
<b>280</b>	<b>Surplus (-) or deficit for the year on HRA services</b>	<b>1,045</b>

Housing Revenue Account (HRA)

2007/08 £'000		2008/09 £'000
280	Surplus (-) or deficit for the year on the HRA Income and Expenditure Account	1,045
-798	Additional amounts required by statute or non-statutory proper practices	-1,145
<b>-518</b>	<b>Increase (-)/Decrease in HRA Balance</b>	<b>-100</b>
-715	Balance Brought Forward	-1,233
<b>-1,233</b>	<b>Balance Carried Forward</b>	<b>-1,333</b>

**Statement of movement on HRA Balance**

2007/08 £'000		2008/09 £'000
	<u>Items included in HRA Income and Expenditure Account but excluded from the Movement on HRA Balance in the year</u>	
0	Impairments of Assets	-318
100	Difference between any other items of Income and Expenditure in accordance with the SORP and determined in accordance with statutory HRA requirements	0
-60	Gain (-)/Loss on disposal of assets	37
	<u>Items not Included in HRA Income and Expenditure Account but included in the movement on HRA Balance in year</u>	
-1,394	Transfer to Major Repairs Reserve	-1,843
0	Capital Expenditure funded by HRA	0
0	Amortisation of Premiums and Discounts	369
0	Employees Contributions payable to NCC Pension Fund	610
<b>-1,354</b>	<b>Net Additional Amount Required by Statute</b>	<b>-1,145</b>

**Note to Statement of Movement on HRA Balance**

**NOTES TO THE HOUSING REVENUE ACCOUNT**

**(A) HOUSING STOCK**

Total 2007/08		Pre 1945	1945- 1964	1965- 1974	After 1974	Total 2008/09
	<u>Traditional Houses and Bungalows</u>					
3,013	1 - 2 Bedrooms	245	1,025	515	1,223	3,008
1,745	3+ Bedrooms	664	738	155	183	1,740
	<u>Non Traditional Houses and Bungalows</u>					
618	Houses and Bungalows	0	269	348	0	617
	<u>Flats</u>					
1,030	Low Rise (1 - 2 Storeys)	20	408	249	352	1,029
553	Medium Rise (3 - 5 Storeys)	0	21	368	164	553
<b>6,959</b>	<b>Total</b>	<b>929</b>	<b>2,461</b>	<b>1,635</b>	<b>1,922</b>	<b>6,947</b>

**Current Housing Stock**

2008/09 ASSETS										
	Operational Assets						Non Operational Assets			Total
Cost or Valuation	Council Dwellings	Other Land & Buildings	Vehicles Plant Furniture	Infra-structure	Community Assets	Total Operational Assets	Investment Assets	Surplus Assets	Total Non Operational Assets	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book value at 1 April 2008	313,073	8,915	1,612	1,625	33	325,258	17,678	0	17,678	342,936
Additions	16,015	161	131	0	0	16,307	0	0	0	16,307
Disposals	-1,182	-202	0	-25	-12	-1,421	0	-180	-180	-1,601
Reclassification	-80	-1,038	0	91	0	-1,027	1,010	22	1,032	5
Revaluations	23,591	85	0	0	0	23,676	1,168	179	1,347	25,023
Impairments	-54,435	-315	0	0	0	-54,750	-3,950	0	-3,950	-58,700
<b>Gross Book Value at 31 March 2009</b>	<b>296,982</b>	<b>7,606</b>	<b>1,743</b>	<b>1,691</b>	<b>21</b>	<b>308,043</b>	<b>15,906</b>	<b>21</b>	<b>15,927</b>	<b>323,970</b>
<b><u>Less Depreciation and Impairments</u></b>										
Balance at 1 April 2008	5,044	498	1,310	1,135	0	7,987	34	0	34	8,021
Incurred in Year	5,568	205	84	23	0	5,880	0	0	0	5,880
Disposals	-4	-2	0	-25	0	-31	0	0	0	-31
Reclassifications	-1	1	0	0	0	0	0	0	0	0
Revaluations	-3,396	-1	0	0	0	-3,397	-34	0	-34	-3,431
Impairments	-6,813	-11	0	0	0	-6,824	0	0	0	-6,824
<b>Balance at 31 March 2009</b>	<b>398</b>	<b>690</b>	<b>1,394</b>	<b>1,133</b>	<b>0</b>	<b>3,615</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,615</b>
<b>Net Book Value 31 March 2009</b>	<b>296,584</b>	<b>6,916</b>	<b>349</b>	<b>558</b>	<b>21</b>	<b>304,428</b>	<b>15,906</b>	<b>21</b>	<b>15,927</b>	<b>320,356</b>

Balance Sheet Valuation of HRA Assets

**(B) VACANT POSSESSION VALUE**

The vacant possession value (Open Market Value) of Council dwellings as at 1 April 2008 is £619.560m (2008 was £605.780m). The impairment review as at 31 March 2009 reduces this valuation to £540.978m. This does not compare to the Balance Sheet which shows the Existing Use Value, the difference being an indication of the economic and social costs of providing Council housing at less than market rent.

**(C) MAJOR REPAIRS RESERVE**

This reserve is credited with the depreciation charged to the Housing Revenue Account, together with an adjusting transfer to ensure the net credit in the year is equal to the Major Repairs Allowance that forms part of the Housing Subsidy arrangements / agreement. The reserve is only available for funding major repairs to the housing stock. Any sums unspent are carried forward for use in future years.

2007/08 £'000		2008/09 £'000
0	Balance as at 1 April 2008	0
5,362	Depreciation on HRA Assets	5,879
-1,394	Adjusting transfer to (-) / from HRA	-1,843
-3,968	Funding of HRA expenditure	-4,036
0	Balance as at 31 March 2009	0

Major Repairs Reserve

**(D) MOVEMENT ON HOUSING REPAIRS ACCOUNT**

The Council does not operate a Housing Repairs Account. All costs are charged directly to the Housing Revenue Account.

**(E) HRA CAPITAL FINANCING**

2007/08 £'000		2008/09 £'000
10,643	HRA Capital Expenditure	16,307
	Financed by:	
5,440	Borrowing	11,940
162	Grants and Contributions	109
1,073	Usable Capital Receipts	222
0	Revenue Contributions	0
3,968	Major Repairs Reserve	4,036
10,643	Total	16,307

Capital Funding HRA

**SUMMARY OF HOUSING CAPITAL RECEIPTS FROM DISPOSALS OF LAND, HOUSES AND OTHER PROPERTY WITHIN THE AUTHORITY'S HOUSING REVENUE ACCOUNT**

<b>2007/08 £'000</b>		<b>2008/09 £'000</b>
683	Land	204
2,270	Houses	566
597	Other	782
<b>3,550</b>	<b>Total</b>	<b>1,552</b>

**Housing Capital Receipts**

**(F) DEPRECIATION AND CAPITAL CHARGES**

The Housing Revenue Account includes a depreciation charge. Council buildings, including Council dwellings, are depreciated over the remaining useful life of the buildings.

<b>2007/08 £'000</b>		<b>2008/09 £'000</b>
5,032	Depreciation on Housing Revenue Account dwellings	5,567
310	Depreciation on Housing Revenue Account other land and property	312
17	Depreciation on Housing Revenue Account non-operational assets	0
<b>5,359</b>	<b>Total</b>	<b>5,879</b>

**HRA Depreciation Costs**

<b>2007/08 £'000</b>		<b>2008/09 £'000</b>
22	Amortisation of Deferred Charge	0
2,519	Cost of Capital Accounting Adjustment	3,477
-1,394	Transfer to Major Repairs Allowance	-1,843
<b>1,147</b>	<b>Housing Revenue Account Debt Financing Costs</b>	<b>1,634</b>

**HRA Debt Financing Costs**

**(G) IMPAIRMENT CHARGES**

There were impairments totalling £318,131 for 2008/09 (£0 2007/08) charged to the Housing Revenue Account. An explanation of impairment is contained within the Statement of Accounting Policies and the Glossary.

**(H) REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (previously known as Deferred Charges)**

Revenue Expenditure from Capital under Statute is created when expenditure has been incurred on items that are not capitalised as fixed assets and have been financed from capital resources. Revenue Expenditure from Capital under Statute is written down to the Housing Revenue Account over an appropriate period, usually in the same year in which the expenditure has been incurred.

There is no Revenue Expenditure funded from Capital under Statute included within the Housing Revenue Account for 2008/09.



**I) HOUSING SUBSIDY**

The figure of £3.054m (£2.752m 2007/08) is the amount of housing subsidy payable to the Government by the Council. The table below shows the breakdown of the net subsidy payable.

2007/08 £'000		2008/09 £'000
9,563	Management and Maintenance	9,786
2,170	Charges for Capital	2,255
0	Admissible Allowance	0
-18,440	Notional Rent	-19,088
-6	Interest on Receipts	-3
3,968	Major Repairs Allowance	4,036
0	Housing Defects Subsidy	0
0	Rental Constraint Allowance	0
-7	Adjustment to Previous Year Subsidy	-40
<b>-2,752</b>	<b>Total</b>	<b>-3,054</b>

**Housing Subsidy**

**(J) PENSIONS**

Due to the transfer of HRA staff to A1 Housing (Bassetlaw) Ltd there are no adjustments in the HRA for FRS17. However a payment of £.610m was made to the pension fund, which reduces the outstanding liability relating to these transferred staff, and is shown in the Statement of Movement of HRA Balance.

**(K) ARREARS**

The average rent per dwelling was £57.61 in 2008/09 compared to £55.09 in 2007/08 with arrears totalling 3.45% of gross debit in 2008/09 compared to the 2007/08 figure of 3.44%.

2007/08 £'000		2008/09 £'000
727	Total Arrears (includes amounts collectable on behalf of other agencies)	763
631	Provision for Bad and Doubtful Debts	585

**Housing Arrears and Bad Debts Provision**

The Provision for Bad and Doubtful Debts amount includes an allowance for other debts not relating to rent arrears.

**(L) ITEMS DEBITED OR CREDITED TO HRA AS DIRECTED BY SECRETARY OF STATE**

The Secretary of State has not directed that any other items should be charged to the Housing Revenue Account.

**(M) EXCEPTIONAL OR PRIOR YEAR ADJUSTMENTS**

There were no exceptional items in 2008/09.

## COLLECTION FUND ACCOUNT

This statement reflects the statutory requirements for billing authorities to maintain a separate Collection Fund, showing the transactions relating to National Non-Domestic Rates and the Council Tax, and illustrating the way in which these have been distributed to preceptors and the General Fund. Administration costs of the Fund are, however, borne by the Council's General Fund. The balance on the Collection Fund is disaggregated at the year-end to attribute relevant amounts to the precepting authorities (shown as creditors or debtors in the Balance Sheet) and the billing authority (Bassetlaw District Council).

2007/08 £'000	Income / Expenditure	Note	2008/09 £'000
	<b>Income</b>		
	<b>Income from Council Tax</b>		
-45,242	Income from Council Tax		-47,310
	<b>Transfers from General Fund</b>		
-7,397	Council Tax Benefit		-7,920
-38,656	Income collectable from business ratepayers	3	-39,523
<b>-91,295</b>	<b>Total Income</b>		<b>-94,753</b>
	<b>Expenditure</b>		
52,760	Precepts and demands from other Authorities	4	54,763
	<b>Business Rates</b>		
38,267	National Non-Domestic Rates Payments to Pool	1	38,892
164	Costs of collections		166
87	Interest on National Non Domestic Refunds		42
	<b>Bad and Doubtful debts/appeals</b>		
545	Bad and Doubtful Debts – Write Offs		620
57	Increase in provision for bad and doubtful debts	5	142
	<b>Contributions</b>		
0	Contributions to Collection Fund Surplus	4	0
<b>91,880</b>	<b>Total Expenditure</b>		<b>94,625</b>
<b>585</b>	<b>Decrease / Increase (-) in Fund Balance in Year</b>		<b>-128</b>
<b>-471</b>	<b>Surplus Brought Forward at 1 April</b>		<b>114</b>
<b>114</b>	<b>Surplus (-) / Deficit Carried Forward at 31 March</b>		<b>-14</b>

Collection Fund Revenue Account

## NOTES TO THE COLLECTION FUND ACCOUNT

### (A) NATIONAL NON-DOMESTIC RATES (NNDR)

Non-Domestic Rates are organised on a national basis. The Government specifies an amount, 46.2p in 2008/09 (44.4p 2007/08) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into a NNDR Pool administered by the Government. The total Non-Domestic rateable value at 31 March 2009 was £91,418,086 (31 March 2008 £93,913,566).

The Government redistributes the sums paid into the Pool back to local authorities on the basis of a fixed amount per head of population. The amounts collected on behalf of the Government and paid into the Pool are analysed in the table below.

2007/08 £'000	National Non Domestic Rate Income	2008/09 £'000
39,042	Gross Amount Due	40,665
-866	Charitable Relief, etc.	-990
4,875	Transitional Relief	1,862
-380	Small Business Rate Relief	-414
-4,015	Empty and Part Occupation Relief	-1,600
<b>38,656</b>	<b>Net Amount Collectable</b>	<b>39,523</b>
	<u>Less</u>	
-172	Provision for Bad Debt	-423
-53	Interest on Overpayments	-42
-164	Cost of Collection Allowance payable to General Fund	-166
<b>38,267</b>	<b>Amount Payable to NNDR Pool</b>	<b>38,892</b>

Analysis of National Non Domestic Rate Income

**(B) COUNCIL TAX BASE**

Council Tax income derives from charges raised according to the value of residential properties that have been classified into 8 bands, based on valuations as at 1 April 1991. Individual charges are calculated by estimating the amount of income required from the Collection Fund by Nottinghamshire County Council, Nottinghamshire Police Authority, Nottinghamshire Fire Authority and this Council and dividing this total figure by the Council Tax Base. The Council Tax base for the year was calculated as follows:

Valuation Band	Proportion of Band D Charge (ninths)	No of Dwellings in Valuation List		No of Band D Equivalent Dwellings	
		2007/08	2008/09	2007/08	2008/09
Band A	6	25,391	25,689	14,593	14,712
Band B	7	7,183	7,226	5,048	5,051
Band C	8	5,855	5,944	4,745	4,780
Band D	9	5,550	5,593	5,139	5,184
Band E	11	2,705	2,769	3,110	3,183
Band F	13	1,300	1,299	1,767	1,760
Band G	15	638	654	971	997
Band H	18	57	57	86	84
<b>Total</b>		<b>48,679</b>	<b>49,231</b>	<b>35,459</b>	<b>35,751</b>
Deduction for non-collection, new build, demolition and other adjustments				<b>-358</b>	<b>-359</b>
Additional properties and adjustments during the year				<b>311</b>	<b>219</b>
<b>Council Tax Base (Band D equivalent)</b>				<b>35,412</b>	<b>35,611</b>

**Council Tax Base**

**(C) PRECEPTS**

Monies are paid from the Collection Fund to finance a proportion of expenditure of each of the Precepting Authorities, these being Bassetlaw District Council, Nottinghamshire County Council, Nottinghamshire Police Authority and Nottinghamshire Fire Authority. Precepts are also paid via the District Council to 57 Parish Councils and Charter Trustees. Details of actual payments made are shown below.

2007/08 £'000		2008/09 £'000
	<b>Payable to Bassetlaw District Council for precepts from</b>	
5,151	Bassetlaw District Council	5,309
617	Parish Councils and Charter Trustees	685
	<b>Payable to Other Precepting Authorities</b>	
39,828	Nottinghamshire County Council	41,253
4,915	Nottinghamshire Police Authority	5,186
2,250	Nottinghamshire Fire Authority	2,330
<b>52,761</b>	<b>Total Precepts Payable</b>	<b>54,763</b>

**Precepts on the Collection Fund**

**(D) COUNCIL TAX INCOME**

The Council set a Council Tax (excluding local precepts) at Band D of £1,518.58 in 2008/09 compared to £1,472.45 in 2007/08. This is broken down as follows:

<b>2007/08</b>	<b>Band D Council Tax</b>	<b>2008/09</b>
<b>£</b>		<b>£</b>
145.45	Bassetlaw District Council	149.09
1,124.69	Nottinghamshire County Council	1,158.43
138.78	Nottinghamshire Police Authority	145.62
63.53	Nottinghamshire Fire and Rescue	65.44
<b>1,472.45</b>	<b>Total Council Tax Income</b>	<b>1,518.58</b>

**Council Tax Income**

**(E) PROVISIONS FOR BAD AND DOUBTFUL DEBTS**

	<b>National Non-Domestic Rates</b>	<b>Council Tax</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Provision Brought Forward	456	1,189	1,645
Adjustment to Provision in Year	523	340	863
Write on / Write offs (-)	-428	-275	-703
<b>Provision Carried Forward</b>	<b>551</b>	<b>1,254</b>	<b>1,805</b>

**Collection Fund Provision for Bad and Doubtful Debts**

**(F) COLLECTION FUND SURPLUSES AND DEFICITS**

The year-end surplus or deficit on the Collection Fund is to be shared between billing and precepting authorities on the basis of estimates made on 15 January of the year-end balance. For 2008/09 there was no distribution of surplus based on this calculation.

There was an in-year surplus of £128k on the Collection Fund in 2008/09.

The overall effect of this was to change the balance on the Account from a deficit of £114k at 1 April 2008 to a surplus of £14k at 31 March 2009.

The surplus on the Collection Fund at 31 March 2009 will be allocated in future years to the District Council, Nottinghamshire County Council, the Police Authority and the Fire Authority in proportion to the value of the respective demands and precepts made on the Collection Fund.

The balance at 31 March 2009 has been disaggregated for the purpose of these Accounts to attribute relevant amounts to the precepting authorities and the billing authority as follows:

2007/08 £000	AUTHORITY	2008/09 £000
9	Bassetlaw District Council	-6
89	Nottinghamshire County Council	-7
12	Nottinghamshire Police Authority	-0
4	Nottinghamshire Fire Authority	-1
<b>114</b>	<b>Balance at 31 March</b>	<b>-14</b>

#### Collection Fund - Share of Balance

The amounts attributable to the County Council and the Police and Fire Authorities above are shown as debtors in the 2008/09 Balance Sheet (2007/08 comparables shown as creditors).

## GROUP ACCOUNTS

### Introduction to the Group Accounts

The Council's Statement of Accounts include the accounts of a company where the Council is the sole shareholder. A1 Housing (Bassetlaw) Ltd was incorporated on 16 September 2004 and commenced trading on 4 October 2004. The company's principle activity during the year was the management and maintenance of the housing stock owned by the Council, which numbered 6,947 dwellings as at 31 March 2009 (6,959 as at 31 March 2008). The company is responsible for the day to day management of the housing services which includes housing management, warden services, housing repairs, capital works and technical and design services.

Under the management agreement with the Council the company receives a sum of money to run the business of managing and maintaining the stock on behalf of the Council.

The Council has maintained a bank account solely for A1 Housing (Bassetlaw) Ltd transactions on a Service Level Agreement basis. This is not shown within the Council's accounts, adjustments to the A1 Housing (Bassetlaw) Ltd accounts to reflect this Bank balance of £.950M are Debtors of £.974m and to Creditors of -£.024M. The Council uses all daily cash balances for Treasury Management purposes. Short-term borrowing and investments are reflected in the Balance Sheet of Bassetlaw District Council only. To enable a Group Cash Flow to be prepared the A1 Bank Account, held under a BDC Mandate has been recognised as such within the Group Cash Flow.

The accounting policies of A1 Housing (Bassetlaw) Ltd are consistent with those of Bassetlaw District Council.

The following group financial statements show the consolidated position of the Council and its interest in A1 Housing (Bassetlaw) Ltd.

**GROUP INCOME AND EXPENDITURE ACCOUNT FOR 2008/09**

<b>2007/08 Net Total £'000</b>		<b>2008/09 Gross Expend £'000</b>	<b>2008/09 Gross Income £'000</b>	<b>2008/09 Net Total £'000</b>
1,298	Central Services to the Public	10,569	-8,728	1,841
0	Children and Education Services	51	-49	2
12,002	Cultural, Environmental & Planning Services	17,445	-3,300	14,145
804	Highways	2,096	-1,147	949
1,628	Housing Services- General Fund	25,922	-24,290	1,632
2,288	Corporate & Democratic Core	2,218	-232	1,986
173	Non Distributed Costs	144	-359	-215
<b>18,193</b>	<b>Gross Expenditure and Income</b>	<b>58,445</b>	<b>-38,105</b>	<b>20,340</b>
-2,974	Housing Services – Housing Revenue	22,533	-25,190	-2,657
84	Exceptional Items of Group not included in costs of specific services	0	0	0
<b>15,303</b>	<b>Net Cost of Services</b>	<b>80,978</b>	<b>-63,295</b>	<b>17,683</b>
60	Gain or Loss on Disposal of Assets	313	0	313
617	Parish Precepts	685	0	685
2,056	Interest payable and similar charges	2,665	0	2,665
-697	Interest and Investment Interest	-943	0	-943
1,133	Pensions Interest Costs and Expected return on Assets	1,029	1,193	2,222
1,640	Contribution to Housing Pooled Capital Receipts	438	0	438
0	Exceptional Items – Impairment Financial Assets	2,172	0	2,172
<b>20,112</b>	<b>Net Operating Expenditure Before Reserves Movements</b>	<b>87,337</b>	<b>-62,102</b>	<b>25,235</b>
-2,100	General Government Grants			-1,915
-9,232	Non Domestic Rates Distribution			-9,678
-5,768	Demand on Collection Fund			-5,994
<b>3,012</b>	<b>Income and Expenditure Account Deficit/Surplus (-)</b>			<b>7,648</b>

**Group Income and Expenditure Account**



<b>STATEMENT OF MOVEMENT ON GROUP BALANCES 2008/09</b>
--

2007/08 £'000		2008/09 £'000
3,012	Income and Expenditure Account Surplus (-)/Deficit	7,648
	Net Additional Amount Required by Statute to be debited or credited to the Income and Expenditure Account	-6,973
4,009		
-62	Transferred from other balances	-439
-201	Balance Brought Forward	-2,613
-1,260	Balance Carried Forward	-2,377

Statement of Movement on Group Balances

<b>RECONCILIATION OF THE SINGLE ENTITY SURPLUS OR DEFICIT FOR THE YEAR TO THE GROUP SURPLUS OR DEFICIT</b>
--

2007/08 £'000		2008/09 £'000
2,920	Surplus (-)/ Deficit on Authority's own Income and Expenditure Account	7,620
-8,737	Adjustments for Transactions with other group Entities	-9,169
-5,817	Surplus in the Group Income and Expenditure Account attributable to the Authority	-1,549
8,829	Surplus (-)/Deficit from Subsidiary Profit and Loss Account	9,197
3,012	Group Account Surplus (-)/Deficit	7,648

Reconciliation of Single Entity Surplus or Deficit for the year to the Group Surplus or Deficit

<b>GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES</b>
---

2007/08	2007/08 Restated		Bassetlaw District Council	A1 Housing	2008/09
£'000	£'000		£'000	£'000	£'000
3,012	3,012	Surplus (-) or deficit on the Income and Expenditure Account	7,620	28	7,648
-91,116	-91,116	Surplus (-) or deficit arising on revaluation of fixed assets	10,929	0	10,929
7,832	7,402	Actuarial gains (-) and losses on Pension Fund assets and liabilities	-5,521	-168	-5,689
-326	-326	Any other gains (-) and losses required to be included in the statement	-3		-3
1,353	1,353	De-recognition of Premiums and Discounts – exceptional item	0		0
-79,245	-79,675	<b>Total Recognised gains (-) and losses for the year</b>	<b>13,025</b>	<b>-140</b>	<b>-12,885</b>

# GROUP BALANCE SHEET

Restated 2007/08 Total £'000		Bassetlaw District Council £'000	A1 Housing £'000	Adjust- ments £'000	2008/09 Total £'000
	<b>Fixed Assets</b>				
	<u>Intangible Assets</u>				
424	Software	427	0	0	427
<b>424</b>		<b>427</b>	<b>0</b>	<b>0</b>	<b>427</b>
	<u>Operational Assets</u>				
308,029	Council Dwellings	296,653	0	0	296,653
35,185	Other Land and Buildings	31,096	0	0	31,096
1,593	Vehicles, Plant and Equipment	2,438	0	0	2,438
755	Infrastructure Assets	966	0	0	966
2,254	Community Assets	1,856	0	0	1,856
<b>347,816</b>		<b>333,009</b>	<b>0</b>	<b>0</b>	<b>333,009</b>
	<u>Non Operational Assets</u>				
0	Assets Under Construction	29	0	0	29
20,871	Investment Assets	21,011	0	0	21,011
0	Surplus Assets Held for Disposal	21	0	0	21
<b>369,111</b>	<b>Total Fixed Assets</b>	<b>354,497</b>	<b>0</b>	<b>0</b>	<b>354,497</b>
50	Long Term Investments	0	0	0	0
81	Long Term Debtors	57	0	0	57
0	Deferred Premia on the Early Repayment of Borrowing	0	0	0	0
<b>369,242</b>	<b>Total Long Term Assets</b>	<b>354,554</b>	<b>0</b>	<b>0</b>	<b>354,554</b>
	<u>Current Assets</u>				
163	Stocks and Works in Progress	85	81	0	166
8,865	Debtors	7,524	741	-762	7,503
13,178	Investments	12,861	0	0	12,861
343	Cash and Bank	0	950	0	950
<b>22,549</b>	<b>Total Current Assets</b>	<b>20,470</b>	<b>1,772</b>	<b>-762</b>	<b>21,480</b>
	<u>Current Liabilities</u>				
-13,608	Borrowing repayable on demand or within 12 months	-63	0	0	-63
-9,781	Creditors	-7,693	-1,779	762	-8,710
0	Bank Overdraft	-790	0	0	-790
-443	Capital Contributions Unapplied	-591	0	0	-591
<b>-23,832</b>	<b>Total Current Liabilities</b>	<b>-9,137</b>	<b>-1,779</b>	<b>762</b>	<b>-10,154</b>
<b>367,959</b>	<b>Total Assets less Current Liabilities</b>	<b>365,887</b>	<b>-7</b>	<b>0</b>	<b>365,880</b>
	<u>Long Term Liabilities</u>				
-41,178	Long Term Borrowing	-56,156	0	0	-56,156
-540	Government Grants Deferred	-552	0	0	-552
-1,648	Grants and Contributions Deferred	-2,333	0	0	-2,333
-518	Developers Contributions Unapplied	-601	0	0	-601
-44,595	Liability related to defined benefit pension scheme	-35,018	-4,626	0	-39,644
<b>279,479</b>	<b>Total Assets less Liabilities</b>	<b>271,227</b>	<b>-4,633</b>	<b>0</b>	<b>266,594</b>

Group Balance Sheet

2007/08 Total		Bassetlaw District Council	A1 Housing	2008/09 Total
£'000		£'000	£'000	£'000
	<b>Reserves</b>			
431	Other Earmarked Reserves	174	0	174
1,260	LABGI Earmarked Reserve	184	0	184
0	Job Evaluation Reserve	815	0	815
87,254	Revaluation Reserve	61,661	0	61,661
4,184	Usable Capital Receipts Reserve	15,097	0	15,097
0	Major Repairs Reserve	0	0	0
228,459	Capital Adjustment Account	227,345	0	227,345
-1,427	Financial Instruments Adjustments Account	-2,806	0	-2,806
77	Deferred Capital Receipts	52	0	52
-44,596	Pension Reserve	-35,018	-4,626	-39,644
-9	Collection Fund	6	0	6
1,233	Housing Revenue Account Balance	1,333	0	1,333
2,764	General Fund Balance	2,384		2,384
-151	A1 Profit and Loss Reserve	0	-7	-7
<b>279,479</b>	<b>Total Reserves</b>	<b>271,227</b>	<b>-4,633</b>	<b>266,594</b>

**Group Reserves**

**GROUP CASH FLOW STATEMENT**

2007/08		BDC – adjusted 2008/09	A1 – adjusted 2008/09	Group Cashflow
£'000		£'000	£'000	£'000
<b>-9,824</b>	<b>Revenue Activities Net Cash Inflow (-) / Outflow</b>	<b>-13,068</b>	<b>11,229</b>	<b>-1,839</b>
	<b>Return on Investments and Servicing of Finance</b>			
1,903	Interest Paid	2,583	0	2,583
-527	Interest Received	-498	0	-498
<b>1,376</b>		<b>2,085</b>	<b>0</b>	<b>2,085</b>
<b>-5,448</b>	<b>Sub Total</b>	<b>-10,983</b>	<b>11,229</b>	<b>246</b>
	<b>Capital Activities</b>			
17,767	Purchase of Fixed Assets	17,978	0	17,978
1,592	Deferred Charges	0	0	0
0	Other Capital Cash Payments	1,970	0	1,970
-53	Long Term Debtors	-24	0	-24
-4,579	Sale of Fixed Assets	-14,692	0	-14,692
-4,799	Capital Grants Received	-5,068	0	-5,068
-1,747	Other Capital Cash Receipts	-193	0	-193
<b>6,589</b>	<b>Subtotal</b>	<b>-29</b>	<b>0</b>	<b>-29</b>
<b>2,791</b>	<b>Net Cash Inflow (-) / Outflow Before Financing</b>	<b>-11,012</b>	<b>11,229</b>	<b>217</b>
	<b>Management of Liquid Resources</b>			
9,022	Decrease / Increase (-) in Short Term Investments	1,358	0	1,358
	<b>Financing</b>			
3,508	Repayments of amounts Borrowed	3,608	0	3,608
-15,000	New long term loans raised	-5,000	0	-5,000
-1,000	New short term loans raised	0	0	0
<b>-3,470</b>	<b>Net Cash Outflow / Inflow (-) on Financing</b>	<b>780</b>	<b>0</b>	<b>780</b>
<b>-679</b>	<b>Decrease / Increase (-) in Cash and Cash Equivalents</b>	<b>-11,046</b>	<b>11,229</b>	<b>183</b>

Group Cash Flow Statement

## NOTES TO THE GROUP ACCOUNTS

### 1. MATERIAL ADDITIONAL AMOUNTS

There are no material, additional amounts or details to the disclosure notes contained within the Statement of Accounts in relation to A1 Housing (Bassetlaw) Ltd.

### 2. THE ENTITIES INCLUDED IN THE GROUP ACCOUNTS

The Accounts of Bassetlaw District Council and A1 Housing (Bassetlaw) Ltd have been consolidated in the Group Accounts.

### 3. INTER COMPANY TRANSACTIONS

The Group Accounts exclude transactions between the two organisations; this ensures that expenditure and income is only reflected once within the account. These net adjustments total £9.174m in 2008/09 and £8.645m in 2007/08.

A1 Housing (Bassetlaw) Ltd prepares their accounts under the requirements of the Companies Act. A1 Housing (Bassetlaw) Ltd has incorporated the requirements of FRS17 relating to pensions within their accounts.

Group Accounts require that all transactions between the two entities be removed to reflect the true financial position of the group. These adjustments are shown in the tables above. The adjustments are related to the amounts owed/due between Bassetlaw District Council and A1 Housing (Bassetlaw) Ltd and vice versa.

A1 Housing (Bassetlaw) Ltd has created a debtor of £.974M (£.247M in 2007/08) net of a Creditor -£.024M (£0 in 2007/08) to reflect their bank balance position. This amount has been adjusted for in the A1 Housing (Bassetlaw) Ltd Balance Sheet as cash and bank on consolidation.

#### Bassetlaw District Council

Debtors reduced by £0.024m to £7.524m (£0.008m to £8.674m 2007/08)  
Creditors reduced by £0.522m to £7.3693m (£0.590m to £9.049m 2007/08)

#### A1 Housing (Bassetlaw) Ltd.

Debtors reduced by £0.522m to £.219m (£0.837m to £0.191m 2007/08)  
Creditors reduced by £0.024m to £1,539m (£0.008m to £1.250m 2007/08)

A1 Housing (Bassetlaw) Ltd accounts can be obtained from the Managing Director, A1 Housing (Bassetlaw) Ltd., Carlton Forest House, Hundred Acre Lane, Worksop, Nottinghamshire, S80 0TS.

### 4. STATUS OF A1 HOUSING (BASSETLAW) LTD

The company is limited by guarantee without share capital. The liability of the Members in the event of winding up is limited to £1 for each Member.

## ANNUAL GOVERNANCE STATEMENT

### **1. Introduction**

- 1.1 Bassetlaw District Council has a corporate governance framework consistent with the principles of the 2007 CIPFA/SOLACE Framework *"Delivering Good Governance in Local Government."* This Statement explains how Bassetlaw delivers good governance and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

### **2. Scope of Responsibility**

- 2.1 Bassetlaw District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 2.2 Bassetlaw 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.
- 2.3 In discharging this overall responsibility, Bassetlaw District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

### **3. The Purpose of the Governance Framework**

- 3.1 Governance is about how local government bodies ensure that they do the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. The governance framework comprises the systems and processes, culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and, where appropriate, 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, and in accordance with legislative requirements.
- 3.2 The system of internal control is a significant part of that framework, designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 3.3 The governance framework has been in place at Bassetlaw District Council for the year ended 31 March 2009, and up to the date of approval of the Statement of Accounts.

## Governance Arrangements

- 4.1 The key elements of the systems and processes that comprise Bassetlaw District Council's governance arrangements are detailed below. These provide assurance and evidence in support of Bassetlaw District Council's Annual Governance Statement.

### 4.2 *Principal Statutory Obligations*

These are identified by:

- The responsibilities for statutory obligations are formally established within the Council's Constitution. This determines individual Officer and Member responsibilities; defines the scheme of delegation to Officers; and provides full guidance on all Officer and Member codes and protocols. It also provides the terms of reference for the Cabinet and other Committees. Structure charts and job descriptions further define the responsibilities of key Officers.
- An accessible record of statutory obligations is maintained by legal and available electronically on the intranet. Service managers hold hard copies of the Constitution within each team.
- Effective procedures are in place to identify, evaluate, communicate, implement, comply with and monitor legislative change within the Council. This is maintained by the appointment of suitably qualified and experienced Officers; accurate and specific job descriptions and person specifications; provision of appropriate induction and awareness training; and effective communication via the Policy Team and key Officers across the organisation.
- Effective action is taken to overcome areas of non compliance through internal/external audit reports and the recommendations therein; monitoring reports to the Management Team and Cabinet/Scrutiny on progress of delivery against approved Action Plans; and effective training with regard to Freedom of Information Act requests and official complaints.

### 4.3 *Organisation Objectives*

These are identified by:

- The Council ensures that its vision, strategic plans, priorities and targets are developed through a robust mechanism in consultation with the local community and other key stakeholders.
- The Corporate Plan takes account of all the consultation results, and sets out to address the local and national priorities in conjunction with the Council's partners.
- Corporate priorities and objectives are clearly set out in the Corporate Plan, which demonstrates clear linkages to the annual budgets and the Medium Term Financial Plan.



- Departmental service delivery plans are aligned with the corporate priorities, and in turn, these are directly linked into the Medium Term Financial Plan, IT Strategy, HR strategy, and Asset Management Plan.
- The Council's objectives are clearly communicated to staff, stakeholders and partners, through the distribution of hard copy Corporate Plans to all. It is also available on the Council's website, and disseminated via a number of publications produced by the Policy function and through the adopted Communication strategy.

#### **4.4 *Effective Corporate Governance Arrangements***

These are identified and embedded by:

- The Council has adopted a Code of Corporate Governance in line with the CIPFA/SOLACE guidance, and a communication strategy in relation to the Code has been developed, approved and implemented.
- The Code is reviewed on an annual basis, and is updated in response to any changed requirements. Reports on compliance are continuously monitored, and an annual report i.e. the Annual Governance Statement, is prepared and submitted to Members. This produces an Action Plan, which identifies any particular weaknesses in complying with the Code. Internal and external audit reports also comment on the adequacy of corporate governance arrangements.
- The responsibility for overseeing corporate governance has been formally delegated to the Standards Committee, for which clear terms of reference have been adopted and approved.
- Governance training has been provided to all key Officers and Members, including induction training, and arrangements are in place for the continuation of that training.
- The Code is reported to full Council on an annual basis, and is published and accessible to all staff, the public and other stakeholders.

#### **4.5 *Performance Management Arrangements***

These are identified by:

- The Council has a clearly defined performance management framework that identifies all sources, links to documentation, defines who is responsible, how it is collected and measured, the approval and monitoring process, quality assurance, and how performance is improved over time.
- Key Performance Indicators have been established and arrangements are in place for their collection, monitoring and reporting. They are also included within departmental Service Delivery Plans and reported to the Performance Improvement Scrutiny Committee via the Performance Clinic reports.
- Information in relation to Bassetlaw's performance compared to local neighbours, peer authorities etc. is monitored and acted upon, to ensure continuous improvement takes

place within the authority, and that the results improve to the upper quartile wherever possible.

- Performance management systems are regularly reviewed to take account of changes in organisational structure, new local and national indicators, and internal and external service reviews. They are also collected, developed and monitored in conjunction with the key strategic partners e.g. A1 Housing.

#### 4.6 ***Core Principles***

The Authority is being asked to approve an updated “*Local Code of Corporate Governance*” at the full Council meeting on 29<sup>th</sup> June 2009 which recognises that effective governance is achieved through the following core principles:

- (i) Focusing on the purpose of the Authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.
- (ii) Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
- (iii) Promoting the values of the authority (Ambitious for the Community; Positive; Innovative; Decisive and take Responsibility), and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- (iv) Taking informed and transparent decisions, which are subject to effective scrutiny and managing risk.
- (v) Developing the capacity and capability of Members to be effective and ensuring that Officers – including the statutory Officers – also have the capability and capacity to deliver effectively.
- (vi) Engaging with local people and other stakeholders to ensure robust local public accountability.

The table overleaf demonstrates how these core principles have been upheld during the year 2008/09.

An Action Plan is included as Appendix A1 to this statement showing the actions the Council proposes to take in 2009/10 to strengthen its compliance with the core principles.

Core Principle	Supporting Principles	Specific Actions
<p>Focusing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.</p>	<p>Exercising strategic leadership by clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users.</p> <p>Ensuring that users receive a high quality of service whether directly, or in partnership or by commissioning.</p> <p>Ensuring that the authority makes best use of its resources and that taxpayers and service users receive excellent value for money.</p>	<ul style="list-style-type: none"> <li>The Council's purpose and vision is published in the Corporate Plan – <i>Bassetlaw – Moving Up A Gear 2007-2010</i>. The Corporate Plan provides a basis for corporate and service planning and shaping the Community Strategy - <i>Moving Forward – 2007 – 2009</i> and the Nottinghamshire Local Area Agreement.</li> <li>The Council reviews on a regular basis the vision for the local area.</li> <li>The Council publishes reports on a timely basis to communicate its activities and achievements, its financial position and performance e.g. Annual Best Value Performance Plan, Quarterly Performance Reports to Scrutiny, Annual Report of the Council (including Summary Accounts) to Council.</li> <li>The Council has decided how the quality of service for users is to be measured and makes sure that the information needed to review service quality effectively and regularly is available.</li> </ul> <ul style="list-style-type: none"> <li>The Council sets service standards and has an effective monitoring process in place.</li> <li>The Council has a Partnership Toolkit in place. The toolkit ensures that all partnerships focus on 8 areas of principle. These are as follows: <ul style="list-style-type: none"> <li>Defined objectives</li> <li>Robust Financial Management/Financial Regulations</li> <li>Proper Constitutional Framework/Legal Framework</li> <li>Defined Codes of Conduct</li> <li>Commitment to Equality and Diversity</li> <li>Robust Performance Management and Monitoring arrangements</li> <li>Clear accountability reporting/scrutiny arrangements</li> <li>Embedded risk management</li> </ul> </li> <li>The Council's Key Partnerships are held on a Partnership Register. On an annual basis each key partnership is self-assessed against the key principles identified in the Partnership Toolkit. The Council's key Partnerships are reported to Cabinet annually.</li> <li>The Council has effective arrangements in place to deal with failure in service delivery. This is achieved through the Council's performance management framework.</li> </ul> <ul style="list-style-type: none"> <li>The Council has a Value for Money Strategy in place, which is refreshed on an annual basis. The Strategy includes how value for money is to be measured and ensures that it has the information needed to review value for money and performance effectively. It also provides an Action Plan for future areas of work.</li> </ul>
<p>Members and Officers working together to achieve a common purpose with clearly defined functions and roles.</p>	<p>Ensuring effective leadership throughout the Authority by being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.</p> <p>Ensuring that a constructive working relationship exists between elected Members and Officers and that the responsibilities of Members and Officers are carried out to a high</p>	<ul style="list-style-type: none"> <li>The Council has set out a clear statement of the respective roles and responsibilities of the Cabinet and other Committees within the Constitution.</li> <li>Effective monitoring arrangements are in place to monitor service delivery through the performance management framework.</li> <li>The Council has put in place effective management arrangements at the top of the organisation e.g. quarterly performance management reports.</li> <li>The Council has in place a Scheme of Delegation, which is under periodic review.</li> <li>The Council has determined that the Chief Executive is responsible and accountable for all aspects of operational management.</li> <li>The Council has developed effective processes to ensure effective communication between Members and Officers in</li> </ul>

Core Principle	Supporting Principles	Specific Actions
	<p>standard.</p> <p>Ensuring relationships between the Authority and the public are clear so that each know what to expect of the other.</p>	<p>their respective roles.</p> <ul style="list-style-type: none"> <li>The Council has developed processes to ensure that the Leader and Chief Executive agree their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained.</li> <li>The Council has established terms and conditions for remuneration of Members and Officers and there is an effective structure for managing the process including an effective Remuneration Panel.</li> <li>The Council has made the Head of Finance &amp; Property (the Section 151 Officer) responsible for ensuring that appropriate advice is given on all financial matters, for keeping proper records and accounts and for maintaining an effective system of internal control.</li> <li>The Council has made the Director of Corporate Services (the Monitoring Officer) responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.</li> <li>The Council has in place a robust Performance Management Framework to monitor service delivery.</li> <li>The Council ensures that its vision, strategic plans, priorities and targets are developed through a robust mechanism, and in consultation with the local community and other key stakeholders and that they are clearly articulated and disseminated.</li> <li>The Council has a Partnership Toolkit in place that ensures that key partnerships focus on eight areas of principle.</li> </ul>
<p>Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.</p>	<p>Ensuring Authority Members and Officers exercise leadership by behaving in ways that uphold high standards of conduct and exemplify effective governance.</p> <p>Ensuring that organisational values are put into practice and are effective.</p>	<ul style="list-style-type: none"> <li>The Council's leadership sets a tone for the organisation by creating a climate of openness, support and respect.</li> <li>The Council has ensured that standards of conduct and personal behaviour expected of Members and staff, of work between Members and staff and between the Council, its partners and the community are defined and communicated through statutory and other codes of conduct.</li> <li>The Council has put in place arrangements to ensure that Members and staff of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.</li> <li>The Council has developed shared values including leadership values both for the Council and its staff reflecting public expectations about the conduct and behaviour of individuals and groups within and associated with the Council.</li> <li>The Council has put in place arrangements to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and to monitor their continuing compliance in practice.</li> <li>The Council has an effective Standards Committee in place.</li> <li>The Council uses the Council's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the Council through the work of the Local Strategic Partnership.</li> <li>The Council when pursuing partnerships, agree a set of values against which decision-making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively e.g. equalities.</li> </ul>
<p>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.</p>	<p>Exercising leadership by being rigorous and transparent about how decisions are taken and listening to and acting upon the outcome of constructive scrutiny.</p>	<ul style="list-style-type: none"> <li>The Council has developed an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall and that of any organisation for which it is responsible.</li> <li>The Council has developed open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.</li> <li>The Council has put in place arrangements so that conflicts of interest on behalf of Members and employees can be avoided.</li> <li>The Council has put in place effective transparent and accessible arrangements for dealing with complaints.</li> <li>The Council has put in place an Overview &amp; Scrutiny Committee which acts as an Audit Committee and is independent of the Cabinet.</li> <li>The Council has developed an effective Standards Committee that lies at the heart of decision-making and awareness raising on standards issues.</li> </ul>

Core Principle	Supporting Principles	Specific Actions
	<p>Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs.</p> <p>Making sure that an effective risk management system is in place.</p> <p>Recognising the limits of lawful action and observing both the specific requirements of legislation and the general responsibilities placed on local authorities by public law, but also accepting responsibility to use their legal powers to the full benefit of the citizens and communities in its area.</p>	<ul style="list-style-type: none"> <li>The Council has ensured that those making decisions are provided with information that is fit for purpose i.e. relevant and timely, primarily through reports to Cabinet, Scrutiny and other committees, and gives clear explanations of technical issues and their implications.</li> <li>The Council has ensured that professional advice on legal and financial matters is available and recorded well in advance of decision-making and used appropriately when decisions have significant legal or financial implications.</li> <li>The Council has ensured that risk management is embedded into the culture of the Council, with Members and managers at all levels recognising that risk management is part of their job and a duty placed on all. This is achieved through quarterly reviews and existing reporting mechanisms.</li> <li>The Council has put in place a Whistle-Blowing policy to which staff and all those contracting with the Council have access via the Council's own intranet.</li> <li>The Council has observed all specific legislative requirements placed on itself, as well as the requirements of general law, and in particular to integrate the key principles of administrative law – rationality, legality and natural justice into its procedure and decision making.</li> <li>The Council when working in partnership has put in place protocols for working together which include a shared understanding of respective roles and responsibilities of each organisation.</li> <li>The Council when working in partnership has ensured that there are robust procedures for scrutinising decisions and behaviour and that these decisions and behaviour are compliant with any local Council rules/codes or complies with any rules/codes developed for the purpose of the partnership.</li> <li>The Council when working in partnership has ensured that partnership papers are easily accessible and meetings are held in public unless there are good reasons for confidentiality. <ul style="list-style-type: none"> <li>The partners must ensure that <ul style="list-style-type: none"> <li>The partnership receives good quality advice and support and information about the views of citizens and stakeholders, so that robust and well reasoned decisions are made;</li> <li>Risk is managed at a corporate and operational level.</li> </ul> </li> </ul> </li> </ul>
<p>Developing the capacity and capability of Members to be effective and ensuring that Officers – including the statutory Officers – also have the capability and capacity to deliver effectively.</p>	<p>Making sure that Members and Officers have the skills, knowledge, experience and resources they need to perform well in their roles.</p> <p>Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.</p> <p>Encouraging new talent for Membership of the authority so that best use can be made of resources in balancing continuity and renewal.</p>	<ul style="list-style-type: none"> <li>The Council provides training programmes tailored to individual needs for Members and Officers to update their knowledge on a regular basis.</li> <li>The Council has ensured that the statutory Officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council.</li> <li>The Council has assessed the skills required by Members and Officers and makes a commitment to develop those skills to enable roles to be carried out effectively.</li> <li>The Council develops skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.</li> <li>The Council has made the political parties aware of the need to carry into effect this principle.</li> </ul>
<p>Engaging with local people and</p>	<p>Exercising leadership through a robust</p>	<ul style="list-style-type: none"> <li>The Council, through its publications e.g. Corporate Plan, Community Strategy, Annual Report etc., has made clear to all</li> </ul>

Core Principle	Supporting Principles	Specific Actions
<p>other stakeholders to ensure robust local public accountability.</p>	<p>scrutiny function, which effectively engages local people and all local institutional stakeholders including partnerships, and develops constructive accountability relationships.</p> <p>Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the Authority, in partnership or by commissioning.</p> <p>Making best use of resources by taking an active and planned approach to meet responsibility to staff.</p>	<p>staff and the community the roles and functions it undertakes as a local authority.</p> <ul style="list-style-type: none"> <li>• The Council produces an Annual Report to the Overview &amp; Scrutiny committee on the activity of the scrutiny function.</li> <li>• The Council conducts an annual evaluation of its scrutiny function, and reports this to full Council.</li> </ul> <ul style="list-style-type: none"> <li>• The Council has established clear channels of communication with all sections of the community and other stakeholders e.g. Bassettlaw News, and has put in place monitoring arrangements to ensure that they operate effectively.</li> <li>• The Council holds meetings in public unless there are appropriate reasons for confidentiality.</li> <li>• The Council has put in place arrangements to enable the Council to engage with all sections of the community effectively. These arrangements recognise that different sections of the community have different priorities and established processes are in place for dealing with these competing demands e.g. work of the Link Officers.</li> <li>• The Council has established a clear policy on the types of issues they will meaningfully consult or engage with the public and service users on including a feedback mechanism for those consulted e.g. small participatory budgeting exercise for 2009/10.</li> <li>• The Council on an annual basis publishes reports giving information on the Council's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period.</li> <li>• The Council ensures that as a whole it is open and accessible to the community, service users and its staff, and ensures that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.</li> <li>• The Council has put in place an effective system to protect the rights of staff. It has ensured that policies for whistle-blowing are accessible to staff and those contracting with the Council and arrangements for the support of whistle-blowers are in place.</li> </ul> <ul style="list-style-type: none"> <li>• The Council has developed a clear policy on how staff and their representatives are consulted and involved in decision-making.</li> </ul>

#### **4.7 Strategic and Operational Risk Management**

The Council has adopted a corporate risk management strategy, and operates a fully integrated risk management system across the organisation which involves:

- There is a written strategy and policy in place for managing risk, which has been formally approved, and is monitored and reported on a regular basis, including partnership risks.
- The Council has clear structures and processes in place for risk management, i.e. all reports to Council, Cabinet, or committees include a section on risk; a Cabinet Member has been appointed as 'risk champion'; and risk management is considered in the annual Service Delivery Plan process.
- The Council has developed a corporate approach to the identification and evaluation of risk which is disseminated through the Risk Management Policy, briefings, and training.
- The Council has well defined procedures for recording and reporting risk through its use of corporate and project risk registers, action plans, monthly risk management meetings with Heads of Service, and the adoption of a new risk-based approach to internal audit.
- The Council has well-established and clear arrangements for financing risk in terms of all legal requirements for insurance are being met, and a comprehensive review of insurance excesses and cap levels is undertaken each year.
- The Council undertakes risk management training for Officers and Members on a regular basis.
- The Council adopts a corporate risk management structure with quarterly reporting to the Management Team and Members of the Cabinet.
- External guidance in risk management is purchased through the insurance provider.
- Strategic risks are cross referenced to the Council's ambitions and priorities, and detail the risk and mitigation owners and explain the potential consequences if risks materialise.
- Risk management is embedded across the organisation and when working in partnership with other service providers.
- Specific areas of risk, for example those relating to financial instruments, are managed through policies, associated practice notes and indicators.

#### **5. Review of Effectiveness**

- 5.1 Bassetlaw 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 results of the review are reported to the Cabinet, Overview & Scrutiny committee, and full Council. In doing this, Bassetlaw is looking to provide assurance that its governance arrangements are adequate and operating effectively in practice, or where gaps are revealed, that actions are planned to ensure effective governance in the future.

5.2 The review of effectiveness is informed by the work of the Chief Executive, Directors, Heads of Service, and Managers within the Council, who have responsibility for the development and maintenance of the governance framework. In addition to this, the Council has the annual Internal Audit Opinion, the Review of the Effectiveness of Internal Audit Systems, and also the comments made by the Council's external auditors and other review agencies and inspectorates.

5.3 The process of maintaining and reviewing the effectiveness of the governance framework includes the following measures and actions:

- The Council carries out a programme of monitoring which runs throughout its annual cycle. This includes quarterly scrutiny of all budgets; regular reviews of Service Delivery Plans by Heads of Service and Directors; quarterly monitoring of Best Value Performance Indicators and Local Area Agreement targets; and bi-annual monitoring of the Corporate Plan.
- The Cabinet carries out functions that are not the responsibility of any other part of the authority, and Members of the Cabinet are assigned portfolio areas. This allows the Cabinet to monitor the activities of the Council, and each Cabinet Member has a specific Role Description setting out the responsibilities of their portfolio.
- There is a robust and well-established Overview and Scrutiny function, which is delivered through the Performance Improvement Scrutiny and the Overview & Scrutiny Committees.
- The Monitoring Officer carries out a continuous review of all legal and ethical matters, receiving copies of all agendas, minutes, reports and associated papers, commenting when necessary, or taking appropriate action, should it be required. The Monitoring Officer is also responsible for monitoring the Local Code of Corporate Governance.
- The Standards Committee is responsible for standards and probity, and receives regular reports from the Monitoring Officer.
- The Overview & Scrutiny Committee carries out an overview of the activities of the Council's internal and external audit functions. Members are provided with copies of all reports produced by Internal Audit and by the Audit Commission. They approve the annual plans for each, and receive regular progress reports throughout the year. The Internal Audit Manager submits to them an Annual Report and Opinion, and the external auditor (Audit Commission) submits an Annual Audit and Inspection Letter.
- The Internal Audit service is a hybrid of in-house service, working in conjunction with a private firm of auditors, providing a continuous review in accordance with the Council's obligations under the Local Government Act 1972, and the Accounts and Audit Regulations 2006. It operates under the Auditing Practices Board Guidelines and CIPFA Code of Practice for Internal Audit in Local Government.
- The Council's external auditors (Audit Commission) review the activities of the Council and issue an opinion on the annual accounts. Conclusions and significant issues arising are included in their report to those charged with governance.



## **6. Efficiency / Value For Money**

- 6.1 The Council prides itself on delivering quality services at an affordable price, and is recognised as being efficient.
- 6.2 There is strong commitment to the principles of Best Value, Annual Efficiency Reviews, and continuous improvement. The Best Value Review methodology takes into account the requirement of the Gershon efficiency and collaboration agendas. An essential part of Internal Audit's role is to make recommendations where appropriate through management Action Plans to ensure measures are taken to improve and strengthen the efficiency and effectiveness of the Council's services.
- 6.3 The Council continues to develop its budgetary monitoring and control processes to ensure that financial resources are used to their best advantage. Service Planning underpins financial planning with increased expenditure in any service being justified to the Management Team or, where necessary, approved by Cabinet. Key to the service planning process is a requirement to demonstrate planning for continuous improvement over several years. The Performance Improvement Scrutiny Committee is tasked with prioritising resources to ensure that the objectives within the annual Performance Plan are supported by the individual Service Delivery Plans and that improvements are in line with corporate objectives. Economic and efficient use of services is subject to review through the work of both internal and external audit.
- 6.4 A key improvement in this area during 2008/09 was the introduction of the Star Chamber process, which enabled the Council to reinvest in strategic public services through the use of the Service Improvement Bid process. The principle was to make efficiency savings from non-priority areas by removing 'excesses' from the budget. This in turn created headroom for the budget, which could then be successfully applied to one-off service improvements.

## **7. Financial Management**

- 7.1 Ensuring that an effective system of internal financial control is maintained and operated is the responsibility of the S151 Officer. The systems of internal financial control provide reasonable, but not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.
- 7.2 Internal financial control is based on a framework of management information, financial regulations and administration procedures, which include the separation of duties, management supervision and a system of delegation and accountability. Ongoing development and maintenance of the various processes will be the joint responsibility of the S151 Officer and other managers within the Council. The Council's processes undertaken during 2008/09 include the following:
  - the setting of annual budgets;
  - monitoring of actual income and expenditure against the annual budgets;
  - monthly budget reviews to estimate the likely outturn figures;
  - periodic reporting of the Council's financial position to Members;
  - the 'Star Chamber' process of efficiency savings;
  - the Service Improvement Bid review process;
  - clearly defined capital expenditure guidelines as outlined in the Capital Strategy;
  - the monitoring of finances against a Medium Term Financial Plan.
- 7.3 During 2008/09, the Council has strengthened these processes and this, amongst other things, has had a positive effect on the Council's "Use of Resources" score under certain Key Lines of Enquiry.

7.4 The Council has produced comprehensive procedure notes/manuals for all key financial systems on a phased basis, and these are regularly reviewed. The controls created by management are evaluated to ensure:

- Council objectives are being achieved;
- The economic and efficient use of resources;
- Compliance with policies, procedures, laws and regulations;
- The safeguarding of Council assets;
- The integrity and reliability of information and data.

7.5 The Council's financial management arrangements consist of a number of interlocking strands:

- Financial Regulations – These provide the framework for managing the Council's financial affairs. They identify the financial responsibilities of the Cabinet, Portfolio Holder and Officers. They also set out the procedures that the Council has adopted for financial planning, budgeting, risk management, auditing, treasury management and procurement of goods and services, including standing orders for contracts.
- Medium Term Financial Planning – The Council publishes revenue and capital projects for a three to five year period. The projections are reviewed and updated on an annual basis. Additionally, to inform the capital planning process the Council has developed a Capital Strategy and Prioritisation Process to prioritise, target and measure the performance of its capital resources. The Strategy has been developed in consultation with stakeholders and partners and is co-ordinated as part of the capital Service Improvement Bid process.
- Budget Preparation – The Council has a robust budgetary process driven by the objectives outlined in its Corporate Plan. In 2008/09 the Council strengthened the links between the budget and the Plan by using the Star Chamber and Service Improvement Bid process to prioritise the allocation of resources in line with the strategic objectives of the Council.
- Budget Management – A new robust budget monitoring system was introduced during 2008/09 that is designed to manage areas of known budget risk, to plan for predictable budget peaks, to identify change management issues, and to forecast year end outturns. This enables accurate forecasting to be undertaken and reported to Cabinet/Scrutiny on a quarterly basis. The Head of Finance & Property also reviews all of the balance sheet entries to ensure consistency of treatment.
- Budgeting, Monitoring and Reporting – Budgets are assigned to responsible Officers, and key budget control information is produced on a monthly basis for those Officers to manage. Summaries of their monthly forecasts are reported to the Finance Portfolio-holder, the Director of Resources, and all Heads of Service. The headline variances are also reported quarterly to Cabinet and Performance Improvement Scrutiny Committee.
- Performance Management – The Council has had a performance management framework for several years based on a range of local and national performance indicators. The Council's strategic priorities are monitored through the performance management framework. Every action in the Council's Corporate Plan has a responsible Officer and each action has its own performance measure. Performance data is reported quarterly to the Management Team and to the Performance Improvement Scrutiny Committee, and on an annual basis to Cabinet. An annual progress report is published on the Council's website and the Council feeds back progress direct to community groups and through its newspaper 'Bassetlaw News'.

Areas where performance is below target are highlighted and responsible Officers are required to provide a Performance Improvement Plan for these items. The Council uses benchmarking figures to compare itself with other Council's and is engaging with business process re-engineering specialists as a key step to improving performance.

The Council has a comprehensive software package to enhance performance monitoring. The system enables a more sophisticated analysis of performance trends, provides early warnings of dips in performance, and provides instant access to performance information for all Members and Managers, enabling comparisons to be made quickly with previous years performance, national benchmarks and similar authorities, and tracks progress of implementing key actions and priorities.

## **8. Use Of Resources Auditor Judgement**

- 8.1 In February 2009, the Council received its "Use of Resources" Auditor Judgement for 2008.
- 8.2 The assessment evaluates how well local authorities manage and use their financial resources, and focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Authority's priorities and improve services.
- 8.3 The assessment concluded that Bassetlaw maintained an overall level 3 out of 4: "consistently above minimum requirements – performing well". This was a positive report, with 4 individual 'Sub Key lines of Enquiry' showing an increase in score from a level 2 to a level 3. Summary scores are detailed below as compared with the previous year:

<b>Key Line of Enquiry</b>	<b>2007 Score</b>	<b>2008 Score</b>
Financial Reporting	3	3
Financial Management	3	3
Financial Standing	3	2
Internal Control	2	3
Value for Money	2	2

- 8.4 The Auditor Judgement for 2009 will be materially different to that experienced for 2008 and previous years. Nevertheless, an Action Plan has been developed to ensure that the Council further improves and maintains performance in each aspect of the Use of Resources judgement.

## **9. Group Activities**

- 9.1 The Council's only Group activities relate to the ALMO, A1 Housing.
- 9.2 From an internal control perspective;
- A1 Housing utilise the Council's corporate systems and are safeguarded by the controls therein.
  - A1 Housing finance staff are included in some Council wide finance working groups / meetings.
  - There are regular monitoring meetings between Officers of A1 Housing and Officers of the Council at a senior level.
  - A1 Housing has its own appointed external auditors.

- Equally, A1 Housing is subject to examination by the Council's own Internal Audit Service.
- A1 Housing has its own risk management arrangements, which in 2007 the Audit Commission found to be "robust and well embedded".
- A1 has its own Financial Regulations and Contract Procedure Rules, which were approved by the Council in 2006.
- A1 has its own financial monitoring arrangements, with management accounts prepared on a monthly basis and reviewed by the A1 Board and/or A1's Finance & Organisational Health Champions Group.
- Service Level Agreements are in place that are regularly reviewed and monitored.

## **10. Significant Governance Issues**

10.1 The Review of Effectiveness set out in section 5 above demonstrates that the control environment is operating effectively. Further evidence to support this conclusion comes from:

- *The Annual Review of the Effectiveness of the System of Internal Audit*, which concluded:
  - "The overall results are good";
  - "the internal audit system is effective";
  - "The required standards of the Code (of Practice Self-Assessment Compliance) have been met".
- The Acting Audit Manager's *Annual Report on Internal Audit 2008/09*, which concluded:
  - "We (Bentley Jennison) are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of Bassetlaw District Council's arrangements. For the 12 months ended 31 March 2009, based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of Bassetlaw District Council's arrangements for control is adequate assurance (Amber)."
  - "In arriving at our opinion, we have taken into account:
    - The results of all internal audits undertaken during the year ended 31 March 2009;
    - The results of follow-up action taken in respect of audits from previous years;
    - Whether fundamental or significant recommendations have been accepted by management and, if not, the consequent risks;
    - The affects of any material changes in the organisation's objectives or activities;
    - Matters arising from previous reports or other assurance providers to the Overview & Scrutiny Committee and the Council;
    - Whether or not any limitations have been placed on the scope of internal audit;
    - Whether there have been any resource constraints imposed upon us which may have impinged on our ability to meet the full internal audit needs of the organisation; and
    - What proportion of the organisation's internal audit needs have been covered to date."

- There were, however, some areas where weaknesses had been identified and where improvements in the control environment were required. Areas identified included the need to:
  - Complete timely reconciliations between the sub-systems and the Main Accounting System;
  - Implement improvements in the processes for checking insurance cover;
  - Address weaknesses in the processes for the authorisation and letting of contracts and the non-adherence to Contract Procedure Rules and Financial Regulations;
  - Revise, update or introduce Procedure Notes;
  - Improve file maintenance and documentation for receipting and banking;
  - Ensure income is held securely and banked on a weekly basis, and the need to investigate the use of current arrangements with Security Collection Agents;
  - Log and monitor all Section 106 Agreements.
- Where weaknesses had been identified, action plans had been completed/issued and the necessary actions taken by the appropriate Manager to implement the recommendations made.
- During the course of the year, a total of 174 recommendations were made, of which, 170 were accepted and either have been implemented or are to be implemented.
- The Audit Commission *Annual Governance Report 2007/08* concluded:
  - “I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006. I am satisfied that, in all significant respects, Bassetlaw District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.”
  - With regard to the Best Value Performance Plan: “The District Auditor.... did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.”

10.2 Over the coming year, Bassetlaw District Council will take steps to address the issues identified within the Action Plan (Appendix A1), to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness, and we will monitor their implementation and operation as part of our next annual review.

Signed:  
Chief Executive

Date 29<sup>th</sup> June 2009

Council Leader

Date 29<sup>th</sup> June 2009

**2008/09 ANNUAL GOVERNANCE STATEMENT**  
**ACTION PLAN FOR 2009/10**

**KEY**

HoCEP Head of Community Engagement and Prosperity

SMSS Strategic Manager Support Services

HoF&P Head of Finance and Property

HoHR Head of Human Resources

<b>Core Principle</b>	<b>Supporting Principles</b>	<b>Specific Actions</b>	<b>Action By</b>
Focusing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area	Exercising strategic leadership by clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users.	<ul style="list-style-type: none"> <li>Publish Service Delivery Plans reflecting the Council's vision and corporate priorities.</li> <li>Launch a new 3 year Corporate Plan (2010 – 2013).</li> <li>Engage with the National Pilot on Participatory Budgeting in rural communities programme.</li> </ul>	<p>HoCEP – April 2010</p> <p>HoCEP – April 2010</p> <p>SMSS – March 2010</p>
Focusing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area	Ensuring that the authority makes best use of its resources and that taxpayers and service users receive excellent value for money.	<ul style="list-style-type: none"> <li>Complete first phase of Property Reviews (70 properties).</li> <li>Refresh of Value For Money Strategy.</li> <li>Engage Business Process Re-engineering specialists and deliver organisational change.</li> <li>Star Chamber process.</li> </ul>	<p>HoF&amp;P – March 2010</p> <p>HoF&amp;P – May 2009</p> <p>Management Team – December 2009</p> <p>HoF&amp;P – November 2009</p>
Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs.	<ul style="list-style-type: none"> <li>Adopt a Climate Change Strategy for the Council.</li> <li>Complete property backlog repairs assessments and establish programme for improvement.</li> </ul>	<p>HoF&amp;P – September 2009</p> <p>HoF&amp;P – March 2010</p>

Core Principle	Supporting Principles	Specific Actions	Action By
Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	Recognising the limits of lawful action and observing both the specific requirements of legislation and the general responsibilities placed on local authorities by public law, but also accepting responsibility to use their legal powers to the full benefit of the citizens and communities in its area.	<ul style="list-style-type: none"> <li>Produce a guidance note for Members and Officers that recognises the limits of lawful activity placed on the Council by the "ultra vires" doctrine, but also explains how the powers can be utilised to the full benefit of the community.</li> </ul>	Council's Solicitor – September 2009
Developing the capacity and capability of Members to be effective and ensuring that officers – including the statutory officers – also have the capability and capacity to deliver effectively	Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.	<ul style="list-style-type: none"> <li>Produce a formal Training Plan for Members of the Overview &amp; Scrutiny Committee for the year.</li> </ul>	Council's Solicitor – September 2009
Developing the capacity and capability of Members to be effective and ensuring that officers – including the statutory officers – also have the capability and capacity to deliver effectively	Encouraging new talent for membership of the authority so that best use can be made of resources in balancing continuity and renewal.	<ul style="list-style-type: none"> <li>Develop frontline leadership competencies and empower leaders through appropriate development training.</li> </ul>	HoHR – March 2010
Engaging with local people and other stakeholders to ensure robust local public accountability	Exercising leadership through a robust scrutiny function, which effectively engages local people and all local institutional stakeholders including partnerships, and develops constructive accountability relationships.	<ul style="list-style-type: none"> <li>Undertake budget consultation process with stakeholders.</li> </ul>	HoF&P/HoCEP – October 2009
Engaging with local people and other stakeholders to ensure robust local public accountability	Taking an active and planned approach to dialogue with, and accountability to the public to ensure effective and appropriate service delivery whether directly by the Authority, in partnership or by commissioning.	<ul style="list-style-type: none"> <li>Undertake full review of procurement arrangements within the authority.</li> </ul>	HoF&P/SMSS – December 2009

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## **INDEPENDENT AUDITOR'S REPORT TO BASSETLAW DISTRICT COUNCIL – AUDIT CERTIFICATE AND OPINION**

### **Opinion on the financial statements**

I have audited the Authority and Group accounting statements and related notes of Bassetlaw District Council for the year ended 31 March 2009 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 Bassetlaw 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 prepared by the Audit Commission.

### **Respective responsibilities of the Head of Finance & Property and auditor**

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

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

I report to you my opinion as to whether the Authority and Group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- \* the financial position of the Authority and its income and expenditure for the year; 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 financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the 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 financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and
- \* the Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Group as at 31 March 2009 and its income and expenditure for the year then ended.

## ***Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources***

### **Authority's Responsibilities**

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

### **Auditor's Responsibilities**

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

## **Conclusion**

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

**Certificate**

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

**Andrew Blackburn**  
**District Auditor**  
**Audit Commission**  
**Littlemoor House**  
**Littlemoor**  
**Eckington S21 4EF**

**November 2009**

## **GLOSSARY OF TERMS**

### **ACCOUNTING POLICIES**

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- Recognising
- Selecting measurement bases for, and
- Presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or loss is to be recognised; the basis on which it is to be measured, and where in the revenue account or balance sheet it is to be presented.

### **ACCRUALS**

Sums included in the final accounts of the Council to cover income or expenditure attributable to the accounting period for which payments have not been received/made in the financial year. Local authorities accrue for both revenue and capital expenditure.

### **ADMINISTRATIVE BUILDINGS**

Buildings that either have a shared use or are not charged directly to a service. The costs relating to all such buildings are usually pooled and then allocated to the users of the buildings on some appropriate basis (usually the floor area occupied by each user).

### **AMORTISATION**

The measure of the consumption or other reduction in the useful life of an intangible asset.

### **ARMS LENGTH MANAGEMENT COMPANY**

The Council is the sole shareholder of this company that it created solely for the purpose of managing its Housing stock.

### **BALANCES**

Surplus of income over expenditure that may be used to finance expenditure. Balances can be earmarked in the accounts for specific purposes. Those that are not, represent resources set aside for such purposes as general contingencies and cash flow management.

### **BALANCE SHEET**

A statement of the recorded assets, liabilities and other balances at a specific date at the end of an accounting period.

### **BILLING AUTHORITIES**

Those authorities that set the council tax and collect the council tax and non-domestic rates.

## **CAPITAL ADJUSTMENT ACCOUNT**

This account replaced the former Capital Financing Account with effect from 1<sup>st</sup> April 2007 and provides a balancing mechanism between the different rates at which assets depreciated under the SORP and are financed through the capital controls system. It should be noted that this account and the Revaluation Reserve are matched by fixed assets within the balance sheet; they are not resources available to the authority.

## **CAPITAL CHARGES**

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

## **CAPITAL EXPENDITURE**

Spending that produces or enhances an asset, like land, buildings, roads, vehicles, plant and machinery. Definitions are set out in Section 40 of the Local Government and Housing Act 1989. Any expenditure that does not fall within the definition must be charged to a revenue account.

## **CAPITAL PROGRAMME**

The capital projects an authority proposes to undertake over a set period of time. The usual period covered by a capital programme is three to five years.

## **CAPITAL RECEIPTS**

The proceeds from the sale of fixed assets such as land and buildings. Capital receipts can be used to repay any outstanding debt on fixed assets or to finance new capital expenditure within rules set down by government. Capital receipts cannot, however, be used to finance revenue expenditure.

## **CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)**

The professional accountancy body concerned with local authorities and the public sector.

## **COLLECTION FUND**

The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the charging Authority in relation to Non-Domestic Rates and Council Tax and illustrates the way in which the fund balance is distributed to preceptors and the General Fund.

## **COMMUNITY ASSETS**

These are assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings not used in the direct provision of services.

## **CONTINGENT LIABILITIES**

Potential losses for which a future event will establish whether a liability exists and for which it is inappropriate to set up a provision in the accounts.

## **COUNCIL TAX**

The main source of local taxation to local authorities. Council tax is levied on households within its area by the billing authority and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.

## **COUNCIL TAX BASE**

The council tax base of an area is equal to the number of band "D" equivalent properties. It is calculated by counting the number of properties in each of the eight council tax bands and then converting this into an equivalent number of band "D" properties (e.g. a band "H" property pays twice as much council tax as a band "D" property and therefore is equivalent to two band "D" properties). For the purpose of calculating revenue support grant, the Government assumes a 100% collection rate. For the purpose of calculations made by a local authority of the basic amount of council tax for its area for each financial year, the authority makes an estimate of its collection rate and reflects this in the tax base.

## **CURRENT EXPENDITURE**

Expenditure on running costs such as that in respect of employees, premises and supplies and services.

## **DEFERRED CAPITAL RECEIPTS**

Amounts derived from the sale of assets that will be received in instalments over agreed periods of time. These arise mainly from mortgages on the sale of council houses.

## **DEFERRED CHARGES**

Expenditure of a capital nature for which there is no tangible asset acquired by the Council. This would include capital grants or renovation grants to private persons.

## **DEFERRED CREDITORS**

This is the term applied to deferred capital receipts. These transactions arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years, e.g. mortgages. The balance is reduced by the amount repayable in any financial year.

## **DEFERRED GRANTS**

Amounts received or receivable that have been used to finance capital expenditure within the year. Under the capital accounting arrangements these amounts will be written off over the same period as the assets to which they relate.

## **DEPRECIATION**

Charges reflecting the wearing out, consumption or other reduction in the useful life of a fixed asset.

## **EARMARKED RESERVES**

These are reserves set aside for a specific purpose or a particular service, or type of expenditure.

## **EMOLUMENTS**

All sums paid to or receivable by an employee and any sums due by way of expenses allowance (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employee or employer are excluded.

## **EXTERNAL AUDIT**

The independent examination of the activities and accounts of local authorities to ensure that the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure that the authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## **FEES AND CHARGES**

Income raised by charging users of services for the facilities. For example, local authorities usually make charges for the use of leisure facilities, car parks and the collection of trade refuse etc.

## **FINANCE LEASE**

Arrangement whereby the lessee is treated as owner of the leased asset and is required to include such assets within fixed assets on the balance sheet.

## **FINANCIAL INSTRUMENT**

A physical or electronic document that has intrinsic monetary value or transfers value.

## **FINANCIAL INSTRUMENT ADJUSTMENT ACCOUNT**

An account that holds the accumulated difference between the financing costs included in the Income and Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.

## **FINANCIAL REPORTING STANDARD (FRS)**

A statement of accounting practice issued by the Accounting Standards Board.

## **FINANCIAL YEAR**

The local authority financial year commences on 1<sup>st</sup> April and ends on 31<sup>st</sup> March the following year.

## **FIXED ASSET**

Tangible asset that yields benefits to the Council and the services it provides for a period of more than one year.

## **GAAP**

Generally Accepted Accounting Principles is the standard framework of guidelines for financial accounting. It includes the standards, conventions and rules accountants follow in recording and summarising transactions and in the preparation of financial statements.

## **GENERAL FUND**

The main revenue fund of a billing authority. Day to day spending on services is met from this fund. Spending on the provision of council housing must be charged to a separate housing revenue account.

## **GROSS EXPENDITURE**

The total cost of providing a council's services before taking into account income from government grants and fees and charges for services.

## **HOUSING BENEFIT**

Financial help given to local authority or private tenants whose income is below prescribed amounts. The Government finances about 95% of the cost of benefits to non HRA tenants ("rent allowances") and the whole of the cost of benefits to HRA tenants (through the rent rebate element of housing subsidy).

## **HOUSING REVENUE ACCOUNT**

A local authority statutory account covering revenue income and expenditure on the housing services relating to its housing stock.

## **HOUSING SUBSIDY**

This represents a Government grant payable towards the cost of providing Local Authority housing and the management and maintenance of that housing.

## **IMPAIRMENT**

Impairment occurs when that value of an asset has reduced. This can be either as a result of a general fall in prices or by a clear consumption of economic benefits such as by physical damage to the asset.

## **INFRASTRUCTURE ASSETS**

Expenditure on works of construction or improvement but which have no tangible value, such as construction of, or improvement to highways.

## **INTERNAL AUDIT**

An independent appraisal function established by the management of an organisation for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper economic, efficient and effective use of resources. Every local authority is required to maintain an adequate and efficient internal audit. A review of the effectiveness of the internal audit function of a local authority has to be considered and approved by the authority's Members each year.

## **INVESTMENTS**

Deposits for less than one year with approved institutions.

## **LONG TERM DEBTORS**

Amounts due to the Council more than one year after the balance sheet date.

## **MINIMUM REVENUE PROVISION (MRP)**

The minimum annual provision from revenue towards a reduction in an authority's overall borrowing requirement.

## **NATIONAL NON-DOMESTIC RATE (NNDR)**

Under the revised arrangements for uniform business rates, that came into effect on 1st April 1990, the Council collect Non-Domestic Rates for its area based on local rateable values, multiplied by a national uniform rate. The total amount, less certain reliefs and deductions, is paid to a central pool

managed by the Government, that in turn, pays back to Authorities their share of the pool based on a standard amount per head of the local adult population.

## **NET EXPENDITURE**

Gross expenditure less specific service income, but before deduction of revenue support grant.

## **NON-OPERATIONAL ASSET**

Fixed assets held by the Council but not directly used or consumed in the delivery of its services. This would include surplus properties awaiting disposal.

## **OPERATIONAL ASSET**

Fixed assets held by the Council and used or consumed in the delivery of its services.

## **OPERATIONAL LEASE**

An arrangement whereby the risks and rewards of ownership of the leased asset remain with the leasing company.

## **PENSION FUND**

An employees' pension fund maintained by an authority, or a group of authorities, in order primarily to make pension payments on retirement of participants. It is financed from contributions from the employing authority, the employee and investment income.

## **PRECEPT**

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf.

## **PRECEPTING AUTHORITIES**

Those authorities that are not billing authorities (i.e. do not collect Council Tax or NNDR) and precept upon the billing authority, which then collects on their behalf. Nottinghamshire County Council, Nottinghamshire Police Authority, Nottinghamshire Fire and Rescue and Parish Councils all precept upon Bassetlaw District Council.

## **PRIVATE FINANCE INITIATIVE**

A means of procurement for delivering investment in public infrastructure that supports public services using a partnership arrangement with private sector. The private sector assumes the majority of the risks of the scheme.

## **PROVISIONS**

Sums set aside to meet future expenditure where a specific liability is known to exist but that cannot be measured accurately.

## **PUBLIC WORK LOANS BOARD (PWLb)**

A Government body that meets part of the Council's loan finance for capital purposes.



## **RELATED PARTIES**

Two or more parties are related parties when at any one time in the financial period:

- One party has direct or indirect control of the other party; or
- The parties are subject to common control from the same source; or
- One party has influence over the financial or operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- The parties, in entering a transaction are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an authority include:

- Central Government;
- Local authorities and other bodies precepting or levying demands on the council tax;
- Its subsidiary and associated companies;
- Its joint ventures and joint venture partners;
- Its Members;
- Its Chief Officers.

For individuals identified as related parties, the following are also presumed to be related parties:

- Members of close family, or the same household, and
- Partnerships, companies, trusts and other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

## **RESERVES**

Amounts set aside in the accounts for future purposes that fall outside the definition of provisions. They include general balances and reserves that have been earmarked for specific purposes. Expenditure is not charged directly to a reserve, but to the appropriate service revenue account.

## **REVALUATION RESERVE**

This reserve replaced the former Fixed Asset restatement Account on 1<sup>st</sup> April 2007 and records unrealised revaluation gains arising since that date from holding assets. It should be noted that this reserve and the Capital Adjustment Account are matched by fixed assets within the balance sheet; they are not resources available to the authority.

## **REVENUE SUPPORT GRANT (RSG)**

This funding is the Government Grant provided by the Department of Communities and Local Government (DCLG) that is based on the Government's assessment as to what should be spent on local services. The amount provided by the DCLG is fixed at the beginning of each financial year.

## **SOFT LOANS**

A "soft loan" is where a loan has been made for policy reasons, rather than as a financial instrument. These loans may be interest free or at rates below prevailing market rates. Commonly, such loans are made to local organisations that undertake activities that the authority considers benefit the local population.

## **STATEMENT OF ACCOUNTS**

Local authorities are required to prepare, in accordance with proper practices, a statement of accounts in respect of each financial year, which contains prescribed financial statements and associated notes. Members of the Authority must approve the statement by 30<sup>th</sup> June following the end of the financial year.

## **STATEMENT OF RECOMMENDED PRACTICE (SORP)**

The accounts have been produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2007: A Statement of Recommended Practice. This has introduced a number of changes.

## **STATEMENT OF STANDARD ACCOUNTING PRACTICE (SSAP)**

A statement of accounting practice issued by the Accounting Standards Board.

## **TOTAL COST**

The total cost of a service or activity includes all costs that relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads that need to be apportioned.

## **TRADING SERVICES**

Services that are, or are generally, intended to be, financed mainly from charges levied on the users of the service.

## **USABLE CAPITAL RECEIPTS**

Amounts available to finance capital expenditure in future years.

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