

Gedling Borough Council Annual Statement of Accounts 2014/15



ANNUAL STATEMENT OF ACCOUNTS 2014/15

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GEDLING BOROUGH COUNCIL
ANNUAL STATEMENT OF ACCOUNTS 2014/15
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Please note that the rationale for the order of the financial statements in the Statement of Accounts is that it shows in sequence the changes in the Council's financial resources over the year (Movement in Reserves Statement), the gains and losses that contributed to these changes in resources (Comprehensive Income and Expenditure Statement), how the resources available to the authority are held in the form of assets and liabilities (Balance Sheet), and how the movement in resources has been reflected in cashflows (Cash Flow Statement).

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INTRODUCTION

The Accounting Statements for the year 2014/15 are set out in the following pages. The Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which defines proper accounting practices and principles required to give a 'true and fair' view of the financial position and transactions of a local authority. The Council's accounts are subject to audit by KPMG, and the certificates are shown on pages 79 to 82.

Compliance with the Code addresses all the requirements of International Financial Reporting Standards as they relate to local government.

The financial statements comprise:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement
- Notes to the Accounts and Accounting Policies
- Collection Fund Account and Notes

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

ACCOUNTING POLICIES

The purpose of the Statement of Accounting Policies is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. They explain the principles, bases, conventions, rules and practices applied by an authority to the presentation of assets, liabilities, gains, losses and changes in reserves. Except where specified in the Code or in specific legislative requirements, it is for the authority to select policies that are the most appropriate to its particular circumstances.

FINANCIAL OVERVIEW

2014/15 saw further significant reductions in government funding for Local Government, together with increasing cost pressures such as the implementation of the living wage and reduced fees and charges. A significant budget review was undertaken and budget reduction proposals totalling £2.458m were approved, to be delivered over the 5 year period of the Council's Medium Term Financial Plan. This together with continuing uncertainty surrounding the future funding of local government ensured that 2014/15 was another challenging year.

Business Rates Retention

The Business Rates Retention Scheme was introduced on 1 April 2013. Business Rates income was previously paid into a national pool which was then redistributed by central government to local authorities on a needs based formula via the local government settlement. The new regime replaced this centralised system, with 50% of income now being retained locally (subject to a significant tariff) whilst the remaining 50% continues to be redistributed on the needs based formula system via Revenue Support Grant (RSG).

The portion of the Council's income that comes from retained business rates will change according to movements in its local business rates income, the intention being to provide an incentive for growth. Any growth however is subject to a levy, designed to limit disproportionate benefit for authorities with significant amounts of business property, and which might make large gains for relatively small investments in business rate growth. Levies paid are used to fund a safety net, designed to provide protection against significant drops in business rate income.

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During 2014/15 Gedling's share of the business rates growth above its Baseline Funding Level of £2,739,887 was £63,930, of which 50% is payable to the Nottinghamshire Rates Pool (see below), 9% to Nottinghamshire County Council and 1% to the Combined Fire Authority, leaving retained growth for Gedling of £25,572.

Gedling has entered into a pooling arrangement with several other Nottinghamshire authorities, led by Nottinghamshire County Council. Under this, members make levy payments, if applicable, into the Pool, rather than to the government. Pool funds are then distributed by the lead authority in accordance with a Memorandum of Understanding. This ensures that no member is worse off by being in the Pool by offering a safety net mechanism equivalent to that offered by central government, and then shares any remaining surplus. The Pool outturn figures for 2014/15 have been finalised and the sum identified for redistribution to Gedling is £50,085. This has been transferred to a reserve earmarked for spending on future projects, which are to be agreed by the members of the Nottinghamshire Pool.

Financial Outturn

The financial outturn for 2014/15 fell broadly in line with quarterly monitoring, and highlights that the Council has maintained its robust financial management. A detailed outturn report was submitted to Cabinet on 25 June 2015 and can be accessed via the Council's website at www.gedling.gov.uk.

a) General Fund Revenue Account

Net General Fund Revenue Expenditure on services for 2014/15 totalled £12.905m, representing an underspending of £0.182m against the final approved estimate. The outturn position together with movements on Financing budgets i.e. Business Rates growth/Collection Fund outturn and additional RSG redistributed by central government, enabled a contribution of £0.381m to General Fund Balances to be made, compared to the revised estimate of a £0.176m contribution from balances. Accordingly, the closing balance on the General Fund is £6.575m. This level of balances remains above the minimum required in the Council's medium term financial plan, however a balance will always need to be maintained to finance expenditure pending receipt of local taxes and other income, and to meet unexpected expenditure requirements. In particular, £0.8m will be required to fund the Council's share of the Business Rates Collection Fund deficit at 31 March 2015, which under regulations does not impact on the General Fund until 2015/16. In addition, £0.1m will be required to finance budgets carried forward to 2015/16.

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

- Development Management

Additional expenditure of £37,400 was incurred due to higher than anticipated court costs in respect of a judicial review of planning cases relating to a wind turbine and to crematoria.

- Rent Allowances

The outturn on rent allowances was favourable by £51,500 against the approved estimate. This is partly due to volatility in the level of eligible overpayments and the associated loss of subsidy, and also to significant volatility in the profile of some types of overpayment recoveries.

- Employee Expenses

Savings of £384,100 were identified by positive vacancy management during 2014/15 and were recognised in the budgets during quarterly monitoring. These were partly offset by additional staffing requirements for hackney carriage licencing, planning and waste services. The underspending against the final approved estimate was £53,000, and this is in addition to the vacancy provision target of £90,000.

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- Utilities

Net savings of £97,800 were made against the original estimate due to savings at leisure centres, partly offset by increased usage at the civic centre.

- Income

A fall in the number of major planning applications resulted in a reduction in income of £35,700.

Leisure Centre fees and charges were lower than the original estimate by £119,800, the main contributory factors being a fall in the number of users of swimming sessions, a reduction in the number of theatre bookings at Arnold Leisure Centre, and a promotion offering reduced joining fees for the DNA leisure membership scheme.

A knowledge test for taxi drivers was introduced in July 2014 and whilst it was anticipated that this would reduce demand for licencing in the borough, evidence indicates that this has not been the case. Net income was higher than the original estimate by £119,300 and this includes a revenue contribution of £50,000 to capital expenditure facilitate customer improvements at the depot.

HMRC confirmed in February 2011 that as section 45 of the Environmental Protection Act created a special legal regime for VAT purposes, trade waste services operated by local authorities were to be treated as non-business supplies. In conjunction with its advisers the Council submitted a claim for the reimbursement of output tax previously paid. Following a lengthy process to assess the large number of claims and the potential for unjust enrichment, HMRC adopted a generic approach to reimbursement and subsequently settled 20% of the Council's claim. This resulted in net income to the General Fund of £34,100.

- Earmarked Reserves and Provisions

Reserve and provision requirements have been reviewed. The closing position on earmarked reserves is a balance of £3.722m a net increase of £1.006m in the year. The most significant movements are detailed below.

A Transformation Reserve of £189,600 was established to provide for future change management costs.

An additional contribution of £189,900 was made to the Risk Management Reserve to manage future risks in the delivery of the budget reduction programme.

An Economic Development Reserve was established. Remaining economic development monies totalling £274,000 were set aside to provide for committed and future projects.

The Earmarked Grants reserve contains grants which are received for specific purposes to fund qualifying expenditure in future financial years. Notable grants added during 2014/15 included £140,600 New Burdens grant, £85,800 Severe Weather Recovery grant and £30,200 Domestic Violence Grant.

b) Capital Expenditure and Financing

Total capital investment during 2014/15 totalled £2.636m and this was financed by the use of capital receipts, grants and contributions and General Fund revenue contributions as set out at note 29 on page 65. The major elements of the capital programme included private sector housing improvement grants, the refurbishment of Arnold Leisure Centre, the purchase of replacement vehicles and equipment, and the development of Gedling Country Park.

The capital programme was financed by capital receipts, revenue contributions and grants and contributions, the most significant being Disabled Facilities Grant in respect of private sector housing improvements grants, and S106 Developer Contributions for Gedling Country Park. The

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Council will continue to be dependent on capital receipts realised from the sale of assets, and on contributions from other agencies, to support funding of its capital schemes.

The Council continues to take advice from its treasury advisers with regard to the timing of borrowing and no new borrowing was undertaken during 2014/15. Following the maturity of a £1m loan the total external debt at 31 March 2015 was £9.812m. The Council minimises its net cash surpluses as a response to uncertainties in the investment market.

c) **Balance Sheet**

Net Worth on the balance sheet moved by £9.423m in the year, from negative £2.917m at 1 April 2014 to negative £12.340m at 31 March 2015. The negative net worth position is largely due to the technical actuarial valuation requirements of the Pension Fund under IAS19 – Employment Benefits.

The increase in the Pension Deficit of £11.538m is due to the specific technical calculations required under IAS19 which measure the net present value of future assets and liabilities based on actuarial assumptions. This technical valuation bears no resemblance to the cash position on the fund which remains healthy. Full details of the pension valuations and assumptions are included in note 31 to the financial statements, on pages 66 to 72. The total pension liability of £43.630m reflects the Authority's underlying commitment to pay retirement benefits. Whilst this has a substantial impact on the net worth of the Authority, the deficit will be made good by increasing contributions over the remaining working life of employees, as assessed by the scheme actuary.

During 2014/15 there were two significant revaluation losses due to falls in market value. Property, Plant and Equipment car park asset values decreased by £954,000 due to the introduction of a new parking order, reducing income yields, and an Investment Property development land asset decreased by £1.26m following the recognition of current market conditions specific to the plot. However, the value of the Council's other non-current assets reflected an improvement in market conditions, with net revaluation gains of £3.2m being recognised.

Changes in pension fund and asset valuations do not have an impact at taxpayer level.

REVENUE TAX COLLECTION

The Collection Fund accounts are set out on pages 74-77. During the year 98.2% of the Council Tax due was collected and 99.0% of the National Non Domestic Rate.

The implementation of the Business Rates Retention Scheme on 1 April 2013 introduced a requirement to maintain separate Collection Fund Revenue Accounts for Council Tax and NNDR.

The Council Tax account shows a deficit of £0.559m, and this has been disaggregated on the balance sheet in accordance with accounting requirements. Gedling Borough Council acts as an agent in respect of Council Tax, and only the proportion of the deficit calculated as attributable to Gedling Borough Council is shown on the Council Tax Collection Fund Adjustment Account, amounting to £55,000. The proportions attributable to Nottinghamshire County Council, Nottinghamshire Police and Crime Commissioner and the Combined Fire Authority are included in the overall Council Tax Collection Fund debtors with these parties, together with appropriate shares of arrears, bad debt provisions and prepayments.

The NNDR account shows a deficit of £2.002m, and again this has been disaggregated in accordance with accounting requirements. Only the proportion of the deficit calculated as attributable to Gedling Borough Council is shown on the NNDR Collection Fund Adjustment Account, amounting to £801,000. The proportions attributable to Central Government, Nottinghamshire County Council, and the Combined Fire Authority are included in the overall NNDR Collection Fund debtors with these parties, together with appropriate shares of arrears, bad debt provisions and prepayments.

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THE ECONOMY

The Council's current robust financial position, combined with the Medium Term Financial Plan and projections for reserves and balances, means that it is well placed to deal with ongoing uncertainty in the UK and global economies. However, the Council will continue to monitor the external environment and develop and refine strategies to counter threats from the wider economy. Ongoing pressures on costs, income streams and funding have necessitated critical reviews of services during the 2015/16 budget process, and further significant expenditure reductions are planned over the next few years.

Further funding uncertainties lie ahead, with expectations of further Central Government grant cuts and a growing reliance on New Homes Bonus and business growth to fund services. Despite this the Council's overall financial and operational management arrangements remain robust.

MS KIMBERLEY, CPFA

Chief Financial Officer, June 2015

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STATEMENT OF ACCOUNTING POLICIES

FOR GEDLING BOROUGH COUNCIL

ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those Regulations require to be prepared in accordance with the proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the 2014/15 Code) and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

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

2. Accruals of Income and Expenditure

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

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

An exception to this principle relates to electricity and similar quarterly payments, which are charged at the date of meter readings rather than being apportioned between financial years. This policy is consistently applied each year and is unlikely to have a material effect on the year's accounts.

3. Cash and Cash Equivalents

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

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

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

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

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

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

5. Charges to Revenue for Non Current Assets

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

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

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

6. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

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

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Post Employment Benefits

Employees of the Authority are members of The Local Government Pensions Scheme, administered by Nottinghamshire County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions) earned as employees worked for the Authority.

The Local Government Pension Scheme

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

- The liabilities of the Nottinghamshire County Council pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate that reflects the time value of money and the characteristics of the liability.
- The assets of Nottinghamshire County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value

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

- Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - past service cost – the increase in liabilities as a result of scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
 - Net interest on the net defined benefit liability (asset), ie. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of the contribution and benefit payments.
- Re-measurements comprising:
 - The return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
 - 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Nottinghamshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

7. Events After the Reporting Period

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

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

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

8. Financial Instruments

Financial Liabilities

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

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

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

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Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has not undertaken any repurchase of early settlement of borrowing during 2014/15.

Financial Assets

Financial assets are classified in two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available for sale financial assets – assets that have a quoted market price and/or do not have fixed or determinable payments. There were no available for sale financial assets held during 2014/15.

Loans and Receivables

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

However, the Council has provided car loans to employees at less than market rates (soft loans). In normal circumstances soft loans would be recognised and measured in the accounts at fair value, in accordance with the Code as disclosed in notes 11 to 12 to the financial statements on pages 42 to 46. However, car loans to employees have been considered at length and it has been concluded that the sum outstanding of £34,902 is not material. Accordingly, no additional calculations for fair value have been undertaken and car loans are recognised at the value of the sums loaned less repayments made.

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

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

9. Government Grants and Contributions

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

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

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

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

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

10. Intangible Assets

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

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

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

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

11. Inventories

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

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

12. Investment Property

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

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Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms length.

Properties are not depreciated but values are reviewed annually according to the market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

13. Leases

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

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

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. The Authority did not have any arrangements of this type during 2014/15.

The Authority as Lessee:

Finance Leases

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

Lease payments are apportioned between:

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

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

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

The Authority does not currently have any finance leases as lessee in excess of the de-minimis level.

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Operating Leases

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

The Authority as Lessor:

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

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

Operating Leases

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

14. **Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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

Cost Head:	Basis of Charge:
• Administrative Buildings	Area Occupied
• Financial Services, Legal & Democratic Services etc.	Actual time spent by staff via usage statistics
• Personnel and Payroll	Proportionate to number of payslips generated
• Service Department Administration	Actual time spent by staff
• Information Technology	Systems operated, equipment utilised and time spent on Programming and Development
• Banking Services, Central Print Room, Central Postage, Customer Services.	Usage statistics

15. **Property, Plant and Equipment**

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

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Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

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

16. Provisions, Contingent Liabilities and Contingent Assets and Reserves

Provisions

Provisions are made where an event has taken place that gives the authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or

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service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

Reserves

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

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

17. **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

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

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18. VAT

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

19. Collection Fund

As a billing authority, Gedling Borough Council is required to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non-domestic rates. The Council acts as an agent, collecting and distributing council tax and non-domestic rates income on behalf of itself, and of the major precepting authorities and central government.

The transactions of the Collection Fund are wholly prescribed by legislation. Billing authorities have no discretion to determine which receipts and payments are accounted for within the fund and which outside it.

Gedling's share of non-domestic rating income and its own council tax demand are paid out of the Collection Fund and credited to the Comprehensive Income and Expenditure Statement (CIES). The transactions presented in the Collection Fund Statement are limited to the cash flows permitted by statute for the financial year, however each authority will recognise income on a full accruals basis, ie. sharing out in full the surplus or deficit on the Collection Fund at the end of the year, even though it will be distributed to, or recovered from, the relevant authorities in a subsequent financial year. The difference between the accrued income included in the CIES and the estimated income share or demand is reversed out via the Movement in Reserves Statement, and transferred to the Collection Fund Adjustment Account.

There is no requirement for a separate Collection Fund Balance Sheet. Instead Collection Fund balances are distributed across the balance sheets of the billing authority, central government, and precepting authorities. In Gedling's accounts this is represented by the establishment of a debtor or creditor position with each organisation for the difference between the preceptors' and central government's share of business rates income or council tax demand and the cash collected, and settlement of the surplus/deficit on the Collection Fund.

As the billing authority, Gedling Borough Council's Cash Flow Statement includes in 'operating activities' only its own share of the council tax and non-domestic rating income collected with movements in the debtor/creditor position with preceptors and central government being included in the Cash Flow Statement as 'financing activities'.

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STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

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

THE RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER

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

In preparing this Statement of Accounts, the Chief Financial Officer has:

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

The Chief Financial Officer has also:

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

CERTIFICATION

I certify that this Statement of Accounts presents a True and Fair view of the financial position of the Authority as at 31 March 2015 and its income and expenditure for the year then ended.

Signed:

**MS Kimberley CPFA
Chief Financial Officer
22 September 2015**

This Statement was approved by the Audit Committee at its meeting on 22 September 2015, in accordance with the authority given by the delegation arrangements under section 3 of the Council's Constitution.

Signed:

**Councillor P Feeney
Chair of the Audit Committee
22 September 2015**

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Financial Statements

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MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement in-year on the different reserves held by the authority (see the Balance Sheet on pages 26 to 27), analysed into "Usable" Reserves (ie. those that can be applied to fund expenditure or reduce local taxation), and other "Unusable" Reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing an authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES) on page 25. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting and purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves, undertaken by the Council.

2014/15 Statement

Balance at 1 April 2014 per Balance Sheet

Surplus/(Deficit) on the Provision of Services (accounting basis)
Other Comprehensive Income and Expenditure

Total Comprehensive Income and Expenditure

Adjs between accg. basis and funding basis under regulations (note 5)

Net increase/(decrease) before transfers to Earmarked Reserves

Transfers (to)/from Earmarked Reserves (note 6)

Increase or (Decrease) in the year 2014/15

Balance at 31 March 2015 per Balance Sheet

General Fund Balance	Earmarked Gen. Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	TOTAL RESERVES
£000s	£000s	£000s	£000s	£000s	£000s	£000s
6,194	2,716	375	851	10,136	(13,053)	(2,917)
(2,668)	0	0	0	(2,668)	0	(2,668)
0	0	0	0	0	(6,755)	(6,755)
(2,668)	0	0	0	(2,668)	(6,755)	(9,423)
4,055	0	(314)	(542)	3,199	(3,199)	0
1,387	0	(314)	(542)	531	(9,954)	(9,423)
(1,006)	1,006	0	0	0	0	0
381	1,006	(314)	(542)	531	(9,954)	(9,423)
6,575	3,722	61	309	10,667	(23,007)	(12,340)

2013/14 Comparatives

Balance at 1 April 2013 per Balance Sheet

Surplus/(Deficit) on the Provision of Services (accounting basis)
Other Comprehensive Income and Expenditure

Total Comprehensive Income and Expenditure

Adjs between accg. basis and funding basis under regulations (note 5)

Net increase/(decrease) before transfers to Earmarked Reserves

Transfers (to)/from Earmarked Reserves (note 6)

Increase or (Decrease) in the year 2013/14

Balance at 31 March 2014 per Balance Sheet

General Fund Balance	Earmarked Gen. Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	TOTAL RESERVES
£000s	£000s	£000s	£000s	£000s	£000s	£000s
4,940	2,389	0	244	7,573	(10,957)	(3,384)
226	0	0	0	226	0	226
0	0	0	0	0	241	241
226	0	0	0	226	241	467
1,355	0	375	607	2,337	(2,337)	0
1,581	0	375	607	2,563	(2,096)	467
(327)	327	0	0	0	0	0
1,254	327	375	607	2,563	(2,096)	467
6,194	2,716	375	851	10,136	(13,053)	(2,917)

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COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amounts to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations, which may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement on page 24.

2013/14			2014/15			
Gross Exp £000s	Total Inc. £000s	Net Exp. £000s		Gross Exp £000s	Total Inc. £000s	Net Exp. £000s
			Net Cost of Services:			
2,335	(1,280)	1,055	Central Services to the Public	2,111	(1,110)	1,001
7,205	(2,999)	4,206	Cultural & Related Services	7,025	(3,102)	3,923
6,269	(1,957)	4,312	Environmental & Regulatory Services	6,110	(2,250)	3,860
1,941	(804)	1,137	Planning Services	1,895	(673)	1,222
540	(334)	206	Highways & Transport Services	1,453	(312)	1,141
29,186	(28,127)	1,059	Housing Services (Incl Rent Allws)	29,503	(28,498)	1,005
1,789	(4)	1,785	Corporate & Democratic Core	1,726	(3)	1,723
18	0	18	Non Distributed Costs	76	0	76
49,283	(35,505)	13,778	Cost of Services	49,899	(35,948)	13,951
			Other Operating Expenditure:			
472	0	472	Payment of Precepts to Parishes	519	0	519
16	0	16	Drainage Board Levy	16	0	16
4	0	4	Pensions Administration Cost	10	0	10
1	0	1	Payments of Housing capital receipts to Government Pool	1	0	1
22	(541)	(519)	(Gain)/Loss on disposal of PPE	305	(571)	(266)
515	(541)	(26)		851	(571)	280
			Financing and Investment I&E:			
393	0	393	Interest Payable on Debt	393	0	393
1,287	0	1,287	Net Pensions Interest Cost	1,377	0	1,377
0	(194)	(194)	Interest Receivable and similar income	0	(163)	(163)
44	(109)	(65)	Income & Exp re. Investment properties & changes in their fair value (note 9)	1,261	(113)	1,148
3	(63)	(60)	(Gain)/Loss on disposal of Inv't Assets	0	0	0
1,727	(366)	1,361		3,031	(276)	2,755
			Taxation and Non Specific Grants:			
0	(5,773)	(5,773)	Council Tax Income	0	(5,926)	(5,926)
0	(2,935)	(2,935)	Non Domestic Rates	0	(2,954)	(2,954)
0	(5,235)	(5,235)	Non Ring-fenced Government Grants	0	(4,730)	(4,730)
0	(1,255)	(1,255)	Capital grants and contributions (note 7)	0	(708)	(708)
0	(141)	(141)	Donated Assets (note 7)	0	0	0
0	(15,339)	(15,339)		0	(14,318)	(14,318)
51,525	(51,751)	(226)	(Surpl)/Def on Provision of Services	53,781	(51,113)	2,668
	(909)		(Surplus) / Deficit on revaluation of non current assets (PPE)			(3,212)
	668		Actuarial re-measurements on Pension assets and liabilities			9,967
	(241)		Other Comprehensive Income and Expenditure			6,755
	(467)		Total Comprehensive Income and Expenditure			9,423

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BALANCE SHEET

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

31 March 2014			31 March 2015	
£000s	£000s		£000s	£000s
17,536		Property, Plant & Equipment (note 8)		
2,179		Land and Buildings	20,611	
62		Vehicles, Plant and Equipment	2,666	
2,622		Infrastructure	381	
1,362		Community Assets	2,813	
	23,761	Assets Under Construction	1	
	6,192			26,472
	96	Investment Property (note 9)		4,936
	2,063	Intangible Assets (note 10)		109
	32,112	Long Term Debtors (note 13)		2,055
		LONG TERM ASSETS		33,572
6,532		Short Term Investments	7,532	
129		Inventories	111	
4,104		Short Term Debtors (note 14)	3,743	
1,557		Cash and Cash Equivalents (note 15)	610	
	12,322			11,996
		CURRENT ASSETS		
(1,001)		Short Term Borrowing (under 1 year)	(2,001)	
(2,349)		Short Term Creditors (note 16)	(2,398)	
(68)		Provisions under 1 year (note 17)	(66)	
	(3,418)			(4,465)
		CURRENT LIABILITIES		
(322)		Provisions over 1 year (note 17)	(811)	
(9,812)		Long term Borrowing (PWL B)	(7,812)	
(32,092)		Net Pensions Liability (note 31)	(43,630)	
(194)		Deferred Liabilities	(177)	
(1,410)		Capital Grants & Contributions Received in Advance (note 27)	(898)	
(103)		Revenue Grants & Contributions Received in Advance (note 27)	(115)	
	(43,933)			(53,443)
	(2,917)	LONG TERM LIABILITIES		
		NET ASSETS / (LIABILITIES)		(12,340)

ANNUAL STATEMENT OF ACCOUNTS 2014/15

BALANCE SHEET

31 March 2014			31 March 2015	
£000s	£000s		£000s	£000s
	(2,917)	NET ASSETS / LIABILITIES FROM ABOVE		(12,340)
		Usable Reserves (MiRS p 24)		
		General Fund	6,575	
6,194		Earmarked Reserves (note 6)	3,722	
2,716		Capital Receipts Reserve	61	
375		Capital Grants and Contributions Unapplied	309	
851				
	10,136			10,667
		Unusable Reserves (note 19)		
		Revaluation Reserve	5,509	
2,407		Pensions Reserve	(43,630)	
(32,092)		Capital Adjustment Account	16,177	
17,277		Deferred Capital Receipts	1	
4		Collection Fund Adjustment Account - CTax	(55)	
(62)		Collection Fund Adjustment Account - NDR	(801)	
(384)		Short-term Accumulating Compensated Absences Account	(208)	
(203)				
	(13,053)			(23,007)
	(2,917)	TOTAL RESERVES		(12,340)

ANNUAL STATEMENT OF ACCOUNTS 2014/15

CASH FLOW STATEMENT

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

2013/14		2014/15
£000s		£000s
226	Net Surplus / (Deficit) on the Provision of Services per the Comprehensive Income and Expenditure Statement	(2,668)
3,965	Total of adjustments to net Surplus/(Deficit) on Provision of Services for non-cash movements	5,643
(1,902)	Total of adjustments to the net Surplus/(Deficit) on Provision of Services for items that are investing and financing activities	(1,360)
2,289	Net cash flow from operating activities (see note 20)	1,615
1,037	Investing activities (see note 21)	(2,063)
(1,344)	Financing activities (see note 22)	(499)
1,982	Net Increase / (Decrease) in Cash & Cash Equivalents	(947)
(425)	Cash and Cash Equivalents at the beginning of the reporting period	1,557
1,557	Cash and Cash Equivalents at the End of the Reporting Period	610

Analysis of Cash and Cash Equivalents at Balance Sheet dates:

Bank Account balances and cash in transit
 Imprest accounts
 Cash equivalents (call accounts)

Total Cash and Cash Equivalents per Balance Sheet

31 March 2014	31 March 2015
£000s	£000s
(900)	(751)
7	11
2,450	1,350
1,557	610

ANNUAL STATEMENT OF ACCOUNTS 2014/15

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Please refer to the full Statement of Accounting Policies, which can be found on pages 8 to 20.

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

An authority must disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued, but not yet adopted by the Code for the relevant financial year.

The 2015/16 Code includes the adoption from 1 April 2015 of amendments to:

IFRS 13 - Fair Value Measurement

It is not anticipated that IFRS13, which defines fair value, will have a material impact on the financial statements. It is to be applied prospectively, ie. only to transactions after the date of the policy change, and will not require the publication of a third balance sheet.

Annual improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle

It is not anticipated that these improvements will have a material impact on the financial statements.

Amendments to IAS19 - Employee Benefits (Defined Benefit Plans: Employee Contributions)

It is not anticipated that these amendments will have a material impact on the financial statements.

Other

It is not anticipated that IFRIC21 - Levies, or changes to the Code in relation to Heritage Assets, will have a material impact on the financial statements.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out on pages 8 to 20, the authority may have to make certain judgements about complex transactions or those involving uncertainty about future events. The only critical judgement in 2014/15 is the ongoing uncertainty about future levels of funding for local government, however the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service.

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

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

The estimated items in the Authority's Balance Sheet at 31 March 2015 for which there is a significant risk of causing a material adjustment in the forthcoming financial year are as follows:

ANNUAL STATEMENT OF ACCOUNTS 2014/15

NOTES TO THE FINANCIAL STATEMENTS

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements in relation to the discount rate used, the rate at which salaries are projected to increase, changes in the retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £1.806m. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. See note 31 on pages 66 to 72 for further details.
Property Plant and Equipment	Depreciation and amortisation is provided to write down the assets to their residual values over their estimated useful lives. The selection of these residual values and useful lives requires the exercise of management judgements considering anticipated usage levels in service provision and levels of repairs and maintenance. A review of balance sheet values is undertaken each year end to assess if any of the assets have not been used at the estimated rates and if any impairment charges are required.	If the useful lives of assets are reduced, depreciation increases and the carrying amount of the asset falls. If assets lives were 10% lower than estimated the annual depreciation charge would be increased by approximately £173,800. However, as the asset values are reviewed on an annual basis this level of incorrect estimation is unlikely. See note 8 on pages 38 to 40 for further details.
Provisions	The Authority has made provisions of £50,000 each for Transferred Housing Stock Repairs and Transferred Housing Stock Environmental Warranty Excesses. These provide amounts to cover for an estimated number of future claims. It is possible the actual number may exceed the estimate. The Business Rate Retention scheme introduced a requirement to maintain a provision for rating appeals. The system is complex and neither the number of successful appeals nor the percentage reduction in rateable value achieved can be pre-determined. The current provision totals £1,777,200 of which the Council's share as billing authority is £710,900.	A change of 5% in the assumed success rate for NDR appeals could increase or decrease the provision requirement by around £400,000. Of this, the Council's share as billing authority would be £160,000. See note 17 on page 48 for further details on Provisions.
Arrears	An estimate of the impairment of sundry debtors is based upon the age and type of each debt. The percentages for impairment applied reflect an assessment of the recoverability of each debt based on past experience and a view of the impact of the prevailing economic climate. The provision for impairment at 31 March 2015 is £1,636,100.	If collection rates were to deteriorate, a 10% increase on the impairment percentage would require an additional £149,000 to be set aside as an allowance.

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

ANNUAL STATEMENT OF ACCOUNTS 2014/15

NOTES TO THE FINANCIAL STATEMENTS

5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

<u>2014/15</u>	Usable Reserves			Total Mov't on Usable Reserves	Mov't on Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		
	£000s	£000s	£000s	£000s	£000s
<u>Adjustments primarily involving the Capital Adjustment Account (note 19)</u>					
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement					
Charges for depreciation & impairment of non-current assets	1,331	0	0	1,331	(1,331)
Revaluation losses/(reversals) on Property Plant and Equipment	954	0	0	954	(954)
Movement in market value of investment properties	1,256	0	0	1,256	(1,256)
Amortisation of intangible assets	49	0	0	49	(49)
Capital grants & contributions applied	(594)	0	0	(594)	594
Revenue Expenditure Funded from Capital Under Statute	119	0	0	119	(119)
Carrying Amounts debited as part of the gain or loss on disposals of non-current assets	299	0	0	299	(299)
Income from Donated Assets	0	0	0	0	0
Insertion of items NOT debited or credited to the Comprehensive Income & Expenditure Statement					
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	(533)	0	0	(533)	533
Capital expenditure charged against General Fund Balance	(156)	0	38	(118)	118
<u>Adjustments primarily involving the Capital Grants Unapplied Account</u>					
Capital grants and contributions unapplied, credited to the Comprehensive Income & Expenditure Statement	(114)	0	114	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(694)	(694)	694
Sub-total of items adjusted	2,611	0	(542)	2,069	(2,069)

ANNUAL STATEMENT OF ACCOUNTS 2014/15

NOTES TO THE FINANCIAL STATEMENTS

5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

<u>2014/15 (Continued)</u>	Usable Reserves			Total Mov't on Usable Reserves	Mov't on Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		
	£000s	£000s	£000s	£000s	£000s
Sub-total of adjustments from prev. page	2,611	0	(542)	2,069	(2,069)
<u>Adjustments primarily involving the Capital Receipts Reserve</u>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(510)	510	0	0	0
Transfer of capital grant repayments in excess of £10,000 credited to Income and Expenditure Statement	(33)	33	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	(859)	0	(859)	859
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	1	(1)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash (note 19)	0	3	0	3	(3)
<u>Adjustments primarily involving the Pensions Reserve (note 19)</u>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	3,250	0	0	3,250	(3,250)
Employers pension contributions and direct payments to pensioners payable in the year	(1,679)	0	0	(1,679)	1,679
<u>Adjustments primarily involving the Collection Fund Adjustment A/C (note 19)</u>					
Amount by which council tax & NNDR income credited to the Comprehensive Income & Expenditure Statement differs to that income calculated for the year in accordance with statutory requirements	410	0	0	410	(410)
<u>Adjustments primarily involving the Accumulated Absences Account (note 19)</u>					
Amount by which officer remuneration credited to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	5	0	0	5	(5)
Total Net adjs between Accounting basis and Funding basis under regulation (per Movement in Reserves Statement on p24)	4,055	(314)	(542)	3,199	(3,199)

ANNUAL STATEMENT OF ACCOUNTS 2014/15

NOTES TO THE FINANCIAL STATEMENTS

5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2013/14 Comparatives

Adjustments primarily involving the Capital Adjustment Account (note 19)

Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement

Charges for depreciation & impairment of non-current assets

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Mov't on Usable Reserves	Mov't on Unusable Reserves
	£000s	£000s	£000s	£000s	£000s
Charges for depreciation & impairment of non-current assets	1,542	0	0	1,542	(1,542)
Revaluation losses/(reversals) on Property Plant and Equipment	(29)	0	0	(29)	29
Movement in market value of investment properties	36	0	0	36	(36)
Amortisation of intangible assets	58	0	0	58	(58)
Capital grants & contributions applied	(574)	0	0	(574)	574
Revenue Expenditure Funded from Capital Under Statute	160	0	0	160	(160)
Carrying Amounts debited as part of the gain or loss on disposals of non-current assets	21	0	0	21	(21)
Income from Donated Assets	(141)	0	0	(141)	141
Insertion of items NOT debited or credited to the Comprehensive Income & Expenditure Statement					
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	(532)	0	0	(532)	532
Capital expenditure charged against General Fund Balance	(356)	0	4	(352)	352
Adjustments primarily involving the Capital Grants Unapplied Account					
Capital grants and contributions unapplied, credited to the Comprehensive Income & Expenditure Statement	(681)	0	681	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(78)	(78)	78
Sub-total of items adjusted	(496)	0	607	111	(111)

Insertion of items NOT debited or credited to the Comprehensive Income & Expenditure Statement

Statutory provision for the financing of capital investment (Minimum Revenue Provision)

Capital expenditure charged against General Fund Balance

Adjustments primarily involving the Capital Grants Unapplied Account

Capital grants and contributions unapplied, credited to the Comprehensive Income & Expenditure Statement

Application of grants to capital financing transferred to the Capital Adjustment Account

Sub-total of items adjusted

ANNUAL STATEMENT OF ACCOUNTS 2014/15

NOTES TO THE FINANCIAL STATEMENTS

5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

	Usable Reserves			Total Mov't on Usable Reserves	Mov't on Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		
	£000s	£000s	£000s	£000s	£000s
2013/14 Comparatives contd.					
Sub-total of adjustments from prev. page	(496)	0	607	111	(111)
<u>Adjustments primarily involving the Capital Receipts Reserve</u>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(547)	547	0	0	0
Transfer of capital grant repayments in excess of £10,000 credited to Income and Expenditure Statement	0	0	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	(173)	0	(173)	173
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	1	(1)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash (note 19)	0	2	0	2	(2)
<u>Adjustments primarily involving the Pensions Reserve (note 19)</u>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	3,631	0	0	3,631	(3,631)
Employers pension contributions and direct payments to pensioners payable in the year	(1,635)	0	0	(1,635)	1,635
<u>Adjustments primarily involving the Collection Fund Adjustment A/C (note 19)</u>					
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement differs to the council tax income calculated for the year in accordance with statutory requirements	399	0	0	399	(399)
<u>Adjustments primarily involving the Accumulated Absences Account (note 19)</u>					
Amount by which officer remuneration credited to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2	0	0	2	(2)
Total Net adjs between Accounting basis and Funding basis under regulation (per Movement in Reserves Statement on p24)	1,355	375	607	2,337	(2,337)

ANNUAL STATEMENT OF ACCOUNTS 2014/15

NOTES TO THE FINANCIAL STATEMENTS

6. TRANSFERS TO/FROM EARMARKED RESERVES

Contributions to Earmarked Reserves provide financing for future expenditure plans, and contributions posted back from such reserves helped to meet General Fund expenditure during 2013/14 and 2014/15.

	Balance 31 Mar 2013	Transfers out during 2013/14	Transfers in during 2013/14	Balance 31 Mar 2014	Transfers out during 2014/15	Transfers in during 2014/15	Balance 31 Mar 2015
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Arnold Master Plan	177	(177)	0	0	0	0	0
IT Equipment Replacement Reserve	289	(61)	124	352	(104)	169	417
Community and Crime Disabled Adaptations	110	(60)	13	63	0	25	88
Risk Management	22	0	0	22	0	0	22
Housing and Housing Benefits Reserve	150	(6)	40	184	(30)	190	344
Insurance Fund	342	(21)	105	426	0	24	450
Efficiency & Innovation	231	(1)	50	280	(21)	14	273
Asset Management	163	0	31	194	(50)	0	144
Local Development Framework & Planning Reserve	101	(22)	0	79	(9)	75	145
S106 Revenue Reserve	68	0	80	148	(61)	31	118
Earmarked Grants Reserve	127	(16)	0	111	(15)	0	96
Joint Use Maintenance Reserve	323	(165)	227	385	(149)	305	541
CCTV Reserve	194	(156)	106	144	(144)	105	105
Local Authority Mortgage Scheme Reserve	71	0	51	122	0	92	214
Rural Broadband Resv.	21	0	22	43	0	23	66
Apprentice Resv.	0	0	90	90	0	0	90
Land Charges Resv.	0	0	48	48	0	6	54
NNDR Pool Reserve	0	0	25	25	0	0	25
Transformation Reserve	0	0	0	0	0	67	67
Economic Development Reserve	0	0	0	0	0	189	189
Total Earmarked Reserves per Balance Sheet p26-27	2,389	(685)	1,012	2,716	(583)	1,589	3,722
Net Movement in Year per MiRS p24		327			1,006		

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

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

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

Disabled Adaptations Reserve - to provide resources to fund potential future requests for disabled access grants.

ANNUAL STATEMENT OF ACCOUNTS 2014/15

NOTES TO THE FINANCIAL STATEMENTS

6. TRANSFERS TO/FROM EARMARKED RESERVES (Continued)

Risk Management Fund - monies set aside from savings in insurance premiums, to be used to reduce the risk of loss or injury in the provision of Council services, with the objective of reducing future insurance costs, and to provide for potential underachievement against the approved budget reduction programme.

Housing and Housing Benefit Reserve - to provide for future risk of rising caseload for homelessness, and to cover unpredictable increases in the volume or category of housing benefit claimants. The reserve is also to provide for costs which may arise from the planned transfer of Housing Benefit to DWP, to form part of Universal Credit.

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

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

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

Local Development Framework & Planning Reserve - to cover the costs of any future inspection by the Planning Inspectorate and fluctuations in workload arising from the planning application process.

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

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

Joint Use Maintenance Reserve - to fund maintenance falling within the Joint Use Agreement for schools and leisure centres within the borough.

Closed Circuit Television (CCTV) Reserve - to provide for the cost of replacing CCTV equipment, based on a rolling replacement programme.

Local Authority Mortgage Scheme Reserve - to provide for potential defaults in connection with two LAMS schemes launched in April 2012 and June 2013, under which the Council indemnifies Lloyds for 20% of individual loans for 5 years (see note 13).

Rural Broadband Reserve - to provide for community benefit from the roll out of broadband services to rural areas

Apprentice Reserve - to provide for the employment of future apprentices in line with the Council's priorities.

Land Charges Reserve - to provide for future claims made by property search companies seeking refunds for fees paid to access land charge data. See note 17 (Provisions) for current land charge claims.

NNDR Pool Reserve - represents the Council's share of surpluses arising from its membership of the Nottinghamshire Rates Pool for Economic Development projects.

Transformation Reserve - to provide for the change management costs of implementing the budget reduction programme.

Economic Development Reserve - to provide for committed and future economic development projects.

ANNUAL STATEMENT OF ACCOUNTS 2014/15

NOTES TO THE FINANCIAL STATEMENTS

7. ANALYSIS OF CAPITAL GRANTS AND CONTRIBUTIONS AND DONATED ASSETS INCLUDED IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Capital Grants and Contributions

Department for Communities and Local Government:

Growth Point Grant

(438) 0

Travellers Site Grant

(647) 0

Department for Environment and Rural Affairs:

WREN Grant (Waste Recycling Environmental)

(14) (34)

Other Grants and Contributions:

Developers' Section 106 Contributions

(1) (570)

DWP (Department for Works & Pensions)

(20) 0

Sport England

(131) (104)

CENEX

(4) 0

Total Capital Grants & Contributions per CIES on page 25

(1,255) (708)

Donated Assets

Gedling Homes - Community Facilities

(141) 0

Total Donated Assets per CIES on page 25

(141) 0

ANNUAL STATEMENT OF ACCOUNTS 2014/15

NOTES TO THE FINANCIAL STATEMENTS

8. PROPERTY, PLANT & EQUIPMENT

Movements in 2014/15

Cost or Valuation:

	Land & Bldgs. £000s	Vehicles Plant & Equipm't £000s	Infra-Struct. Assets £000s	Comm'y Assets £000s	Assets Under Constrn. £000s	Total £000s
As at 1 April 2014	18,960	8,979	453	6,386	1,362	36,140
Additions	539	1,023	326	196	0	2,084
Donations	0	0	0	0	0	0
Revaln incr/(decr) recognised in the Revaluation Reserve	1,941	0	0	0	0	1,941
Revaln incr/(decr) recognised in the Surplus/Deficit on Provision of Services	(954)	0	0	0	0	(954)
Derecognition-Disposals	(291)	(1,187)	0	0	0	(1,478)
Other movements in cost or valuation	987	0	0	374	(1,361)	0
As at 31 March 2015	21,182	8,815	779	6,956	1	37,733

Accumulated Depreciation and Impairment:

As at 1 April 2014	(1,424)	(6,800)	(391)	(3,764)	0	(12,379)
Depreciation Charge	(417)	(528)	(7)	(379)	0	(1,331)
Depreciation written out to the Revaluation Reserve	1,270	0	0	0	0	1,270
Depreciation written out to the Surplus/Deficit on Provision of Services	0	0	0	0	0	0
Derecognition-Disposals	0	1,179	0	0	0	1,179
As at 31 March 2015	(571)	(6,149)	(398)	(4,143)	0	(11,261)

Net Book Value 31/3/14	17,536	2,179	62	2,622	1,362	23,761
Net Book Value 31/3/15	20,611	2,666	381	2,813	1	26,472

ANNUAL STATEMENT OF ACCOUNTS 2014/15

NOTES TO THE FINANCIAL STATEMENTS

8. PROPERTY, PLANT & EQUIPMENT (Continued)

Comparative Movements in 2013/14

Cost or Valuation:

	Other Land & Bldgs. £000s	Vehicles Plant & Equipm't £000s	Infra- Struct. Assets £000s	Comm'y Assets £000s	Assets Under Constrn. £000s	Total £000s
As at 1 April 2013	17,906	9,298	453	6,245	372	34,274
Additions	316	175	0	0	1,010	1,501
Donations	0	0	0	141	0	141
Revaln incr/(decr) recognised in the Revaluation Reserve	705	0	0	0	0	705
Revaln incr/(decr) recognised in the Surplus/Deficit on Provision of Services	13	0	0	0	0	13
Derecognition-Disposals	0	(494)	0	0	0	(494)
Other movements in cost or valuation	20	0	0	0	(20)	0

As at 31 March 2014

Accumulated Depreciation and Impairment:

As at 1 April 2013	(1,247)	(6,556)	(384)	(3,346)	0	(11,533)
Depreciation Charge	(397)	(720)	(7)	(418)	0	(1,542)
Depreciation written out to the Revaluation Reserve	205	0	0	0	0	205
Depreciation written out to the Surplus/Deficit on Provision of Services	15	0	0	0	0	15
Derecognition-Disposals	0	476	0	0	0	476

As at 31 March 2014

Net Book Value 31/3/13	16,659	2,742	69	2,899	372	22,741
Net Book Value 31/3/14	17,536	2,179	62	2,622	1,362	23,761

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NOTES TO THE FINANCIAL STATEMENTS

8. PROPERTY, PLANT & EQUIPMENT (Continued)

Depreciation

The following useful lives have been used in the calculation of depreciation on a straight line basis:

Land and Buildings	25 to 181 years
Vehicles, Plant and Equipment	5 to 25 years
Infrastructure	10 to 25 years

Revaluation

The authority carries out a rolling programme which ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Items within a class of Property, Plant and Equipment are revalued simultaneously within that rolling programme. All valuations are completed by K. Walters MRICS, the Council's in-house valuer, who is a chartered surveyor.

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Vehicles, Plant and Equipment are valued on a depreciated historic cost basis as a proxy for Fair Value.

Significant Capital Contracts

The following capital contracts had been entered into but not fully completed as at 31 March 2015. The figures represent the estimated value of works still to be completed in 2015/16, and not the full contract values.

	2014/15
	£000s
Arnold Leisure Centre Refurbishment	23
Gedling Colliery site works	48
Gedling Country Park	159
Total	230

9. INVESTMENT PROPERTIES

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

	2013/14	2014/15
	£000s	£000s
Rental from Investment Property	(109)	(113)
Direct operating expenses arising from Investment Property	9	5
Net (Gain)/Loss	(100)	(108)

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

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

	2013/14	2014/15
	£000s	£000s
Balance at the start of the year	6,230	6,192
Additions (purchase, construction & subsequent expenditure)	0	0
Disposals	(3)	0
Net gain/(loss) from fair value adjustments	(35)	(1,256)
Transfers (to)/from Property, Plant and Equipment	0	0
Balance at the end of the year per Balance Sheet	6,192	4,936

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NOTES TO THE FINANCIAL STATEMENTS

10. INTANGIBLE ASSETS

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

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

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £49,439 charged to revenue in 2014/15 was mainly charged to IT, and then absorbed as an overhead across all the service headings in Cost of Services. Other small charges were made directly to services.

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

	2013/14	2014/15
	£000s	£000s
Gross carrying amount	745	745
Accumulated amortisation	(591)	(649)
Net carrying amount at start of year	154	96
Additions - purchases	0	62
Amortisation for the year	(58)	(49)
Net carrying amount at end of year per Balance Sheet	96	109
<u>Represented by:</u>		
Gross carrying amount	745	807
Accumulated amortisation	(649)	(698)
Total	96	109

ANNUAL STATEMENT OF ACCOUNTS 2014/15

NOTES TO THE FINANCIAL STATEMENTS

11. FINANCIAL INSTRUMENTS

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

Initial Recognition

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

Initial Measurement

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

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

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

Soft Loans

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

The only "soft loans" identified by the Council in 2014/15 were car loans to employees. It is the Council's view that the outstanding sum of £34,902 is not material, and accordingly, no calculation for fair value has been undertaken. Car loans are therefore recognised in the balance sheet at the value of the sums loaned, less repayments made.

ANNUAL STATEMENT OF ACCOUNTS 2014/15

NOTES TO THE FINANCIAL STATEMENTS

11. FINANCIAL INSTRUMENTS (Continued)

Subsequent Measurement

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

Most loan debts and investments will feature transaction costs which should be applied to the initial carrying amount, however where these are judged to be not material, for example the 0.035% charge made by PWLB, the transaction costs may be charged immediately to the Income and Expenditure Account. This is the treatment adopted by Gedling Borough Council.

Premiums and Discounts

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

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

No premiums or discounts were paid or received by the Council during 2014/15.

Gedling Borough Council's Financial Instruments:

(a) Category of Liabilities:

Amortised Costs:

- (i) **Long and Short Term Borrowing** - Total debt outstanding on the balance sheet on 31 March 2015 is £9.813m, split between long term debt (repayable within periods beyond one year) and short term (repayable within one year), which includes accrued interest. The "fair value" of the total debt has been calculated by PWLB as £12.966m. However, since the whole of the Council's debt is held with the Public Works Loans Board (PWLB), for which there is no comparable lender, the "fair" value is deemed to be the sum that would fall due for payment, subject to the prevailing early repayment discount rates, on 31 March 2015.
- (ii) **Long and Short Term Creditors** - Operational creditors are financial instruments of short duration, with no formal effective interest rate, and are required to be valued at their original amounts, ie. the carrying amount is a reasonable approximation of fair value. Long term creditors are represented by grants received in advance of £1.013m. Short-term creditors outstanding at 31 March 2015, which are classed as financial instruments, totalled £2.102m.

Fair Value through Profit and Loss:

No Liabilities Held for Trading are used by the Council.

ANNUAL STATEMENT OF ACCOUNTS 2014/15

NOTES TO THE FINANCIAL STATEMENTS

11. FINANCIAL INSTRUMENTS (Continued)

(b) Category of Assets:

Loans and Receivables:

- (i) **Long Term Debtors** - As discussed above, the only soft loans identified by Gedling Borough Council are car loans to employees. The sum outstanding at 31 March 2015 was £34,902, which is not material. The Council has made two advances of £1m each to Lloyds Bank in respect of the Local Authority Mortgage Scheme and these are held on the balance sheet as long-term debtors. Interest is paid on these advances at rates that were fixed at inception, and no formal calculations of EIR are deemed necessary, the carrying amounts representing a reasonable approximation of fair value.
- (ii) **Long Term Investment** - The Council held no investments with maturities of over 12 months at 31 March 2015.
- (iii) **Short Term Investment** - Investments held at 31 March 2015 amounted to £7.532m, including accrued interest, and consisted of fixed term deposits with approved counterparties. All the rates were fixed at inception, with interest paid on maturity. No formal calculation of EIR is deemed necessary, and the carrying amount is a reasonable approximation of the fair value.
- (iv) **Short Term Debtors** - Operational debtors are financial instruments of short duration, with no formal effective interest rate, and are required to be valued at their original amount, ie. the carrying amount is a reasonable approximation of fair value. Debtors outstanding at 31 March 2015, which are classed as financial instruments, totalled £2.032m net of impairment provisions for doubtful debts.
- (v) **Cash and Cash Equivalents** - The fair value of cash balances in hand (or overdrawn) is deemed to be the carrying value. The Council's cash balances overdrawn at 31 March 2015 totalled £0.751m, however these are combined on the Balance Sheet as part of the overall Cash and Cash Equivalents balance of £0.610m in hand. As this overdrawn position is only a result of daily cashflow management, the net position continues to be shown with current assets (note 15).

Available-for-Sale:

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

Fair Value through Profit and Loss:

No assets are held for trading by the Council.

Held to Maturity:

The Code prohibits the use of this category.

Summary

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

Summary of Financial Instruments

Liabilities at Amortised Cost:

Borrowing
Creditors and Receipts in Advance

Assets at Amortised Cost:

Short Term Investments (up to 12 months)
Debtors
Cash and Cash Equivalents

Long Term		Short Term	
2013/14	2014/15	2013/14	2014/15
£000s	£000s	£000s	£000s
(9,812)	(7,812)	(1,000)	(2,001)
(1,513)	(1,013)	(1,772)	2,102
0	0	6,532	7,532
2,039	2,035	2,611	2,032
0	0	1,557	610

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NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

Credit Risk:

Credit risk arises from deposits with banks and financial institutions. The Council's Treasury Management Policy is to select counterparties by the use of a creditworthiness methodology provided by its treasury advisers. This is based on a sophisticated model that incorporates credit ratings from all three main rating agencies, supplemented by information relating to positive and negative outlooks and other technical market information. The result is a banding for the suggested duration of investments with any given counterparty, from "do not use" to 60 months. Any deviation from these suggested durations must be specifically approved by the Chief Financial Officer and reported to Full Council at the earliest opportunity. Full credit rating information is received from the Council's treasury advisers on a weekly basis, with any changes in between being notified by ratings alerts. Accordingly, changes to the approved counterparty list can be made promptly in order to minimise the Council's exposure to risk.

The Council also operates an investment limit of £5m per Counterparty. Any investment in excess of this limit is subject to the specific approval of the Chief Financial Officer. The Council did not experience any non-performance from any of its counterparties in respect of its temporary investments or cash equivalents during 2014/15.

Liquidity Risk:

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

PWLB Maturity Analysis

Short Term Borrowing

Repayable within 1 year:

Principal

Interest accruals

Short Term Borrowing per Balance Sheet

Long Term Borrowing

Repayable in 1 to 2 years

Repayable in 2 to 5 years

Repayable in 5 to 10 years

Repayable in over 10 years

Long Term Borrowing per Balance Sheet

	2013/14 £000s	2014/15 £000s
Principal	(1,000)	(2,000)
Interest accruals	(1)	(1)
Short Term Borrowing per Balance Sheet	(1,001)	(2,001)
Repayable in 1 to 2 years	(2,000)	(1,000)
Repayable in 2 to 5 years	(1,000)	0
Repayable in 5 to 10 years	0	0
Repayable in over 10 years	(6,812)	(6,812)
Long Term Borrowing per Balance Sheet	(9,812)	(7,812)

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

ANNUAL STATEMENT OF ACCOUNTS 2014/15

NOTES TO THE FINANCIAL STATEMENTS

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

Market Risk:

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

Price Risk:

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

Foreign Exchange Risk:

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

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NOTES TO THE FINANCIAL STATEMENTS

13. LONG TERM DEBTORS

	2013/14	2014/15
	£000s	£000s
Car Loans	38	35
Local Loan to Voluntary Group	1	0
Local Authority Mortgage Scheme	2,000	2,000
Other	24	20
Total Long Term Debtors per Balance Sheet	2,063	2,055

The Council's Local Authority Mortgage Schemes (LAMS) were launched in April 2012 and June 2013, each with the objective of stimulating the local economy and housing market by supporting first-time buyers. This is achieved by the Council providing indemnities to its partner, Lloyds TSB, to enable the bank to offer suitable applicants a 95% mortgage on terms normally applicable to a 75% loan. The two advances of £1m each represent Housing service-based capital expenditure, and will be in place for 5 years, creating long term debtors on the Council's balance sheet.

14. SHORT TERM DEBTORS

	2013/14	2014/15
	£000s	£000s
Central Government Departments	553	188
Other Local Authorities	1,221	780
Other Entities and Individuals	2,330	2,775
Net Short Term Debtors per Balance Sheet	4,104	3,743

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

15. CASH AND CASH EQUIVALENTS

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

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

The balance of cash and cash equivalents is made up as follows:

	31/03/14	31/03/15
	£000s	£000s
Cash balance at bank and cash in transit	(900)	(751)
Imprest Accounts	7	11
	(893)	(740)
Call Accounts	2,450	1,350
Total Cash and Cash Equivalents per Balance Sheet	1,557	610

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NOTES TO THE FINANCIAL STATEMENTS

16. SHORT TERM CREDITORS AND RECEIPTS IN ADVANCE

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

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

Central Government Departments
Other Local Authorities
Other Entities and Individuals

2013/14	2014/15
£000s	£000s
(367)	(109)
(372)	(666)
(1,610)	(1,623)
(2,349)	(2,398)

Total Short Term Creditors per Balance Sheet

17. PROVISIONS

Over one year:

Balance at 1 April 2014

Additional Provisions made in 2014/15

Used in 2014/15

Reversed in 2014/15

Balance at 31 March 2015

Under one year:

Balance at 1 April 2014

Additional Provisions made in 2014/15

Used in 2014/15

Reversed in 2014/15

Balance at 31 March 2015

Transf'd Stock Env. Warranties £000s	Transf'd Stock Repairs £000s	Land Charges £000s	NNDR Appeals £000s	Total Provisions £000s
(50)	(50)	0	(222)	(322)
0	0	0	(489)	(489)
0	0	0	0	0
0	0	0	0	0
(50)	(50)	0	(711)	(811)
0	0	(68)	0	(68)
0	0	0	0	0
0	0	2	0	2
0	0	0	0	0
0	0	(66)	0	(66)

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

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

Land Charges - The Council is involved in proceedings brought by groups of Property Search Companies for refunds of fees paid to the Council to access land searches data. One claim has been settled, however a second group of companies is also seeking refunds, and the Council remains in negotiations with regard to these claims. The latest estimate of the value of outstanding claims is £59,000 plus costs. It is still possible that additional claimants may come forward, and a reserve of £25,000 has been earmarked for any such future claims, see note 6.

NNDR Appeals - The Business Rate Retention regime places a liability on the Council to refund ratepayers who successfully appeal against the rateable value of their properties on the rating list. A provision of £710,900 has been made, representing the Council's estimated share of such liabilities at 31 March 2015.

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NOTES TO THE FINANCIAL STATEMENTS

18. USABLE RESERVES

Movements in the authority's Usable Reserves are detailed in the Movement in Reserves Statement on page 24, and in note 5 on pages 31 to 34.

19. UNUSABLE RESERVES

Revaluation Reserve	2,407	5,509
Capital Adjustment Account	17,277	16,177
Deferred Capital Receipts Reserve	4	1
Pensions Reserve	(32,092)	(43,630)
Collection Fund Adjustment Account - Council Tax	(62)	(55)
Collection Fund Adjustment Account - Non Domestic Rates	(384)	(801)
Accumulated Absences Account	(203)	(208)

	31/03/14	31/03/15
	£000s	£000s
Revaluation Reserve	2,407	5,509
Capital Adjustment Account	17,277	16,177
Deferred Capital Receipts Reserve	4	1
Pensions Reserve	(32,092)	(43,630)
Collection Fund Adjustment Account - Council Tax	(62)	(55)
Collection Fund Adjustment Account - Non Domestic Rates	(384)	(801)
Accumulated Absences Account	(203)	(208)
Total Unusable Reserves	(13,053)	(23,007)

Total Unusable Reserves

Revaluation Reserve

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

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

Balance at 1st April

Upward revaluation of assets

Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services

Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services

Difference between fair value depreciation and historic cost depreciation

Accumulated gains on assets sold or scrapped

Amount written off to the Capital Adjustment Account

Balance at 31st March

	2013/14	2014/15
	£000s	£000s
Balance at 1st April	1,578	2,407
Upward revaluation of assets	918	3,278
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(9)	(66)
Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services	909	3,212
Difference between fair value depreciation and historic cost depreciation	(80)	(110)
Accumulated gains on assets sold or scrapped	0	0
Amount written off to the Capital Adjustment Account	(80)	(110)
Balance at 31st March	2,407	5,509

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NOTES TO THE FINANCIAL STATEMENTS

19. UNUSABLE RESERVES (Continued)

Capital Adjustment Account

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

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

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 5 on pages 31 to 34 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2013/14	2014/15
	£000s	£000s
Balance at 1st April	17,135	17,277
<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>		
Charges for depreciation and impairment of non-current assets	(1,542)	(1,331)
Revaluation (losses)/reversals on Property, Plant and Equipment	29	(954)
Amortisation of Intangible Assets	(58)	(49)
Revenue Expenditure funded from Capital under Statute (REFCUS)	(160)	(119)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(21)	(299)
	(1,752)	(2,752)
Adjusting amount written out of the Revaluation Reserve	80	110
Net written out amount of non-current assets consumed in the year	(1,672)	(2,642)
<u>Capital financing applied in the year:</u>		
Use of Capital Receipts Reserve to finance new capital expenditure	173	859
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	574	594
Applications of grants to capital financing from the Capital Grants Unapplied Account	78	694
Statutory provision for the financing of capital investment charged against the General Fund	532	533
Capital expenditure charged against the General Fund	352	118
	1,709	2,798
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(36)	(1,256)
Donated Assets credited to the Comprehensive Income and Expenditure Statement	141	0
Balance at 31st March	17,277	16,177

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NOTES TO THE FINANCIAL STATEMENTS

19. UNUSABLE RESERVES (Continued)

Pensions Reserve

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

	2013/14	2014/15
	£000s	£000s
Balance at 1 April	(29,428)	(32,092)
Actuarial gains or losses on pensions assets and liabilities	(668)	(9,967)
Reversal of items relating to benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,631)	(3,250)
Employer's pension contributions and direct payments to pensioners payable in the year	1,635	1,679
Balance at 31 March	(32,092)	(43,630)

Deferred Capital Receipts Reserve

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

	2013/14	2014/15
	£000s	£000s
Balance at 1 April	6	4
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0
Transfer to the Capital Receipts Reserve on the receipt of cash	(2)	(3)
Balance at 31 March	4	1

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NOTES TO THE FINANCIAL STATEMENTS

19. UNUSABLE RESERVES (Continued)

Collection Fund Adjustment Accounts

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

Council Tax:

Balance at 1 April

Amount by which council tax income credited to the Comprehensive Income and Expenditure Account is different from council tax income calculated for the year in accordance with statutory arrangements

Balance at 31 March

2013/14	2014/15
£000s	£000s
(47)	(62)
(15)	7
(62)	(55)

Non Domestic Rates:

Balance at 1 April

Amount by which non domestic rate income credited to the Comprehensive Income and Expenditure Account is different from NDR income calculated for the year in accordance with statutory arrangements

Balance at 31 March

2013/14	2014/15
£000s	£000s
0	(384)
(384)	(417)
(384)	(801)

Accumulated Absences Account

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

Balance at 1 April

Settlement or cancellation of accrual made at the end of the preceding year
Amounts accrued at the end of the current year

Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements

Balance at 31 March

2013/14	2014/15
£000s	£000s
(201)	(203)
201	203
(203)	(208)
(2)	(5)
(203)	(208)

ANNUAL STATEMENT OF ACCOUNTS 2014/15

NOTES TO THE FINANCIAL STATEMENTS

20. CASH FLOW STATEMENT - OPERATING ACTIVITIES

Net Surplus / (Deficit) on the Provision of Services per CIES on p25

Adjustments to the net surplus / (deficit) on the Provision of Services for non-cash movements:

Depreciation	1,542	1,331
Impairment and downward revaluations/(reversals)	(29)	954
Amortisation	58	49
Increase / (Decrease) in revenue creditors	316	(55)
(Increase) / Decrease in revenue debtors	(209)	(188)
(Increase) / Decrease in stocks and works in progress	24	18
Pension liability	1,996	1,571
Carrying amount of non current assets sold	21	299
Increase / (Decrease) in Collection Fund Adjustment Account	399	410
Other non-cash items charged to net surplus/(deficit) on provision of services	(153)	1,254

Adjustments to the net surplus / (deficit) on the Provision of Services for items that are investing and financing activities:

Proceeds from sales of property, plant and equipment, and other investment property receipts and payments

Net cash flow from Operating Activities per Cash Flow Statement on p28

	2013/14	2014/15
	£000s	£000s
	226	(2,668)
	1,542	1,331
	(29)	954
	58	49
	316	(55)
	(209)	(188)
	24	18
	1,996	1,571
	21	299
	399	410
	(153)	1,254
	3,965	5,643
	(1,902)	(1,360)
	2,289	1,615

Cash flows for operating activities include the following items:

Interest Received
Interest Paid

	2013/14	2014/15
	£000s	£000s
	(239)	(163)
	393	393

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NOTES TO THE FINANCIAL STATEMENTS

21. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2013/14	2014/15
	£000s	£000s
Purchase of property, plant and equipment, investment property and intangible assets	(1,623)	(2,121)
Purchase of short term and long term investments	0	(1,000)
Other payments for investing activities	(1,009)	(5)
Proceeds from sale of property, plant and equipment, investment property and intangible assets	530	265
Proceeds from short-term and long term investments	1,500	0
Other receipts from investing activities	109	113
Capital grants	477	282
Capital contributions	1,053	403
Net cash flows from Investing Activities per Cash Flow Statement on p28	1,037	(2,063)

22. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2013/14	2014/15
	£000s	£000s
Cash receipts of short-term and long-term borrowing	0	0
Other receipts from financing activities	47	52
Repayment of short-term and long-term borrowing	(600)	(1,000)
Movement on NDR creditor with CLG - pre Business Rates Retention Scheme	(349)	0
Movement on NDR debtor with preceptors and CLG	(379)	236
NDR Deferrals income	72	0
Movement on Council Tax debtors with Preceptors	(106)	95
Domestic Violence Partnership grant held for Principal	0	181
Other payments for financing activities	(29)	(63)
Net cash flows from Financing Activities per Cash Flow Statement on p28	(1,344)	(499)

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NOTES TO THE FINANCIAL STATEMENTS

23. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by Cabinet on the basis of budget reports analysed across Portfolios, which represent the segments reported to Management. These reports are prepared on a different basis to the accounting policies used in the financial statements - in particular, costs relating to employee benefits such as outstanding leave and post-employment benefits, which are based on payments of employee pension contributions rather than the current cost of benefits accrued in the year. Furthermore, technical capital charges relating to impairment losses in excess of the balance on the Revaluation Reserve, as well as amortisation, are not recognised within the Portfolio analysis. Conversely, contributions to, and funding from, Earmarked Reserves are included in the Portfolio analysis, but are not recognised in the Comprehensive Income and Expenditure Statement. The income and expenditure of the authority's Portfolios are shown in the table below.

2014/15 Statement

	Community Development £000s	Health & Housing £000s	Public Prot'n & Communication £000s	Environment £000s	Leisure & Development £000s	Finance & Performance £000s	Total £000s
Fees, charges and other service income	(272)	(1,144)	(908)	(2,766)	(3,479)	(1,408)	(9,977)
Government grants	0	(27,414)	(371)	(86)	0	(184)	(28,055)
Total Income	(272)	(28,558)	(1,279)	(2,852)	(3,479)	(1,592)	(38,032)
Employee expenses	474	926	1,819	3,385	3,041	2,617	12,262
Other service expenses	842	27,973	1,815	3,836	1,886	2,323	38,675
Support service recharges	506	640	(894)	141	679	(1,072)	0
Total Expenditure	1,822	29,539	2,740	7,362	5,606	3,868	50,937
Net Expenditure	1,550	981	1,461	4,510	2,127	2,276	12,905

ANNUAL STATEMENT OF ACCOUNTS 2014/15
NOTES TO THE FINANCIAL STATEMENTS

23. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (Continued)

<u>2013/14 Statement</u>	Community Development £000s	Health & Housing £000s	Public Prot'n & Communication £000s	Environment £000s	Leisure & Development £000s	Finance & Performance £000s	Total £000s
Fees, charges and other service income	(165)	(1,247)	(734)	(2,542)	(3,731)	(1,405)	(9,824)
Government grants	0	(27,058)	(494)	0	(5)	(112)	(27,669)
Total Income	(165)	(28,305)	(1,228)	(2,542)	(3,736)	(1,517)	(37,493)
Employee expenses	372	989	1,841	3,474	3,072	2,605	12,353
Other service expenses	849	27,463	1,818	3,844	2,654	978	37,606
Support service recharges	451	702	(1,001)	89	773	(1,014)	0
Total Expenditure	1,672	29,154	2,658	7,407	6,499	2,569	49,959
Net Expenditure	1,507	849	1,430	4,865	2,763	1,052	12,466

Reconciliation of Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

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

Net Expenditure in the Portfolio Analysis

Amounts in the Comprehensive Income and Expenditure Statement but not reported to Management in the Portfolio Analysis:

Amounts included in the Portfolio Analysis but not included in the Comprehensive Income and Expenditure Statement:

Cost of Services in the Comprehensive Income and Expenditure Statement (see page 25)

2013/14 £000s	2014/15 £000s
12,466	12,905
678	1,142
634	(96)
13,778	13,951

ANNUAL STATEMENT OF ACCOUNTS 2014/15
NOTES TO THE FINANCIAL STATEMENTS

23. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (Continued)

Reconciliation to Subjective Analysis

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

2014/15 Statement

Service Analysis	Amounts not reported to Mgt.	Amounts in Analysis but not incl. in CIES to COS	Net Cost of Services	Corporate Amounts	Total
£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	0	550	(9,427)	0	(9,427)
Interest & other Investment Income	0	163	163	(163)	0
Income from Council Tax	0	0	0	(5,926)	(5,926)
Income from Non Domestic Rates	0	116	116	(2,954)	(2,838)
Government Grants & Contributions	0	0	(28,055)	(5,438)	(33,493)
Donated Assets	0	0	0	0	0
Investment Property income and gains on fair value	0	113	113	(113)	0
Total Income	0	942	(37,090)	(14,594)	(51,684)
Employee expenses	188		12,450	0	12,450
Other service expenses	0	(2,178)	36,497	0	36,497
Depreciation, amortisation and impairment	954	1,499	2,453	0	2,453
Interest payments	0	(393)	(393)	393	0
Pensions Interest & Administration Costs (IAS19)	0	0	0	1,387	1,387
Precepts and Levies	0	(16)	(16)	535	519
Payments to Housing Capital Receipts Pool	0	(1)	(1)	1	0
Net (Gain)/Loss on disposal of non current assets	0	55	55	(266)	(211)
Investments Property expenditure and losses on fair value	0	(4)	(4)	1,261	1,257
Total Expenditure	1,142	(1,038)	51,041	3,311	54,352
(Surplus) or Deficit on the Provision of Services (page 25)	1,142	(96)	13,951	(11,283)	2,668

ANNUAL STATEMENT OF ACCOUNTS 2014/15
NOTES TO THE FINANCIAL STATEMENTS

23. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (Continued)

Reconciliation to Subjective Analysis

2013/14 Statement

	Service Analysis	Amounts not reported to Mgt.	Amounts in Analysis but not incl. in CIES to COS	Net Cost of Services	Corporate Amounts	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(9,824)	0	590	(9,234)	0	(9,234)
Interest & other Investment Income	0	0	195	195	(195)	0
Income from Council Tax	0	0	0	0	(5,773)	(5,773)
Income from Non Domestic Rates	0	0	0	0	(2,934)	(2,934)
Government Grants & Contributions	(27,669)	0	35	(27,634)	(6,490)	(34,124)
Donated Assets	0	0	0	0	(141)	(141)
Investment Property income and gains on fair value	0	0	109	109	(109)	0
Total Income	(37,493)	0	929	(36,564)	(15,642)	(52,206)
Employee expenses	12,353	707	0	13,060	0	13,060
Other service expenses	37,606	0	(1,653)	35,953	0	35,953
Depreciation, amortisation and impairment	0	(29)	1,829	1,800	0	1,800
Interest payments	0	0	(393)	(393)	393	0
Pensions Interest & Administration Costs (IAS19)	0	0	0	0	1,291	1,291
Precepts and Levies	0	0	(16)	(16)	488	472
Payments to Housing Capital Receipts Pool	0	0	(1)	(1)	1	0
Net (Gain)/Loss on disposal of fixed assets	0	0	(52)	(52)	(579)	(631)
Investments Property expenditure and losses on fair value	0	0	(9)	(9)	44	35
Total Expenditure	49,959	678	(295)	50,342	1,638	51,980
(Surplus) or Deficit on the Provision of Services (page 25)	12,466	678	634	13,778	(14,004)	(226)

ANNUAL STATEMENT OF ACCOUNTS 2014/15

NOTES TO THE FINANCIAL STATEMENTS

24. MEMBERS' ALLOWANCES

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

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

	2013/14	2014/15
	£000s	£000s
Allowances:		
Basic	184	185
Special Responsibility	83	86
Expenses:		
Car mileage and public transport	5	7
Conferences and subsistence	5	6
	277	284

25. EXTERNAL AUDIT COSTS

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

	2013/14	2014/15
	£	£
Audit Services carried out by the appointed auditor	55,860	55,860
Additional charges for NNDR work	0	900
Grant Certification	17,100	13,750
Refund in respect of previous year grant certification	0	(3,018)
National Fraud Initiative	1,150	1,150
Rebate of Charges by the Audit Commission	(6,370)	(5,741)
Total External Audit Costs	67,740	62,901

Following the outsourcing of the Audit Commission's audit practice, Gedling's external audit services are now provided by KPMG, on the basis of a risk-based approach to audit planning.

The Audit Commission has agreed a revised structure and a business model that focuses on core functions for the period until its planned closure. These arrangements have enabled cost savings to be made and a further rebate of charges was made in October 2014. In addition, a refund was received from KPMG in respect of previous year grant certification work. This was as a result of fewer issues arising during the audit than in previous years.

ANNUAL STATEMENT OF ACCOUNTS 2014/15

NOTES TO THE FINANCIAL STATEMENTS

26. OFFICERS' REMUNERATION

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

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

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

Number of Employees in each Remuneration Band:

(excluding employer pension contributions)

£50,000 to £54,999

£55,000 to £59,999

£60,000 to £64,999

£65,000 to £69,999

£70,000 to £74,999

£75,000 to £79,999

£80,000 to £84,999

£85,000 to £89,999

£90,000 to £94,999

£95,000 to 99,999

2013/14 Number	2014/15 Number
1	1
1	1
0	0
0	0
3	0
1	3
0	0
0	0
0	0
1	2
7	7

Total number of employees whose remuneration exceeds £50,000

There is also a requirement to disclose by job title the individual remuneration for senior employees whose basic salary is £50,000 or more, but less than £150,000. Any staff in receipt of salaries of £150,000 or more are required to be identified by name, however this does not apply at Gedling Borough Council as no employee is paid a salary at this level. For these officers it is also a requirement that employer pension contributions be disclosed.

The remuneration paid to the Authority's senior employees in 2014/15 and 2013/14 is detailed in the table below.

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NOTES TO THE FINANCIAL STATEMENTS

26. OFFICERS' REMUNERATION (Continued)

Individual Posts in receipt of a basic salary exceeding £50,000:	Salary, Fees & All'wces	Exps All'wces	Benefits in Kind	Comp'n for loss of Office	Total exc Pension Contribs	Employer Pension Contribs	Total
	£	£	£	£	£	£	£
<u>2014/15</u>							
Chief Executive	98,334	649	104	0	99,087	12,095	111,182
Corporate Director	76,000	360	58	0	76,418	9,385	85,803
Corporate Director	75,375	17	3	0	75,395	9,271	84,666
Corporate Director	74,810	369	59	0	75,238	0	75,238
Corporate Director	66,652	0	0	30,000	96,652	7,798	104,450
Council Solicitor & Monitoring Officer	55,585	144	23	0	55,752	6,837	62,589
Service Mgr-Planning & Economic Development	54,439	51	8	0	54,498	6,569	61,067
<u>2013/14</u>							
Chief Executive	98,334	735	118	0	99,187	17,897	117,084
Corporate Director	75,000	19	3	0	75,022	13,650	88,672
Corporate Director	72,500	491	78	0	73,069	0	73,069
Corporate Director	72,500	265	42	0	72,807	13,195	86,002
Corporate Director	72,500	76	12	0	72,588	13,195	85,783
Service Mgr-Planning & Economic Development	56,377	73	12	0	56,462	10,261	66,723
Council Solicitor & Monitoring Officer	53,188	64	10	0	53,262	9,680	62,942

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NOTES TO THE FINANCIAL STATEMENTS

27. GRANTS, CONTRIBUTIONS AND DONATED ASSETS

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

	2013/14	2014/15
	£000s	£000s
<u>Credited to Taxation and Non-Specific Grant Income:</u>		
Revenue Support Grant (including redistributed sums)	(4,084)	(3,073)
New Homes Bonus	(1,116)	(1,564)
Council Tax Freeze Grant	0	(61)
New Burden Grants	(35)	(32)
Non Ring-fenced Grants shown on CIES p25	(5,235)	(4,730)
Capital Grants and Contributions shown on CIES p25	(1,255)	(708)
Donated Assets shown on CIES p25	(141)	0
Total Non Ring-fenced Grants included in CIES	(6,631)	(5,438)
<u>Credited to Services:</u>		
Housing Benefits	(27,058)	(27,414)
Grants for Revenue Expenditure funded from Capital	(486)	(371)
Other Grants & Contributions	(215)	(297)
Total grants & contributions credited to Services	(27,759)	(28,082)
Total Grants, Contributions and Donated Assets	(34,390)	(33,520)

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

	2013/14	2014/15
	£000s	£000s
<u>Capital</u>		
Developers' Section 106 Contributions	(1,410)	(898)
	(1,410)	(898)
<u>Revenue</u>		
Developers' Section 106 Contributions	(92)	(115)
Other grants and contributions	(11)	0
	(103)	(115)

ANNUAL STATEMENT OF ACCOUNTS 2014/15

NOTES TO THE FINANCIAL STATEMENTS

28. RELATED PARTIES

In accordance with IAS24, the Council is required to disclose material transactions with related parties, ie. bodies or individuals that have the potential to control or influence the Council, or be influenced by the Council. Disclosure of these transactions allows readers of the accounts to assess the extent to which the Council might have been constrained in its ability to operate independently, or might have secured the means to limit another party's ability to bargain freely with the Council.

Central Government

The UK Central Government has significant influence over the Council's general operations, being responsible for providing the statutory framework within which the Council operates, providing the majority of its funding in the form of grants, and prescribing the terms of many of the transactions that the Council has with other parties (eg. council tax bills, housing benefits etc). Grants received from government departments are included in note 27 on page 62.

Members

Elected members of the council, and potentially close members of their families, exert direct control over the Council's financial and operating policies and as such must be identified as related parties. The statutory disclosure requirements in respect of members allowances are satisfied by note 24 on page 59. The aggregation option for individual transactions has been taken on the basis that the council is satisfied that all the transactions entered into have been concluded in accordance with its procedures for preventing undue influence.

Officers

Officers on the Council's Senior Leadership Team (SLT), and the closest members of their families, have the potential to significantly influence the policies of the Council, however this is limited by the Scheme of Delegation. During 2014/15 no interests were declared by members of SLT and the statutory disclosure requirements in respect of officer remuneration are satisfied by note 26 on pages 60 to 61.

Other Public Bodies

The council has pooled budget arrangements with Rushcliffe and Broxtowe Borough Councils but these are not material.

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

Letters were sent to all elected members, members of the Senior Leadership Team and to the deputy S151 and Monitoring Officers, explaining the requirements of IAS24, and seeking declarations to assist the demonstration of compliance with the standard. The information provided has been used in the preparation of the disclosures below. Details of outstanding debtors and creditors in respect of related parties are included within notes 14 and 16 on pages 47 and 48 respectively. The Council also maintains a register of members' interests, together with a record of interests declared at Cabinet and Council meetings.

Most transactions with related parties are disclosed elsewhere in the Statement of Accounts, as indicated above, however material transactions not otherwise disclosed are set out in the table below. Material transactions are generally defined as those over £10,000, however, consideration is also given to "the surrounding circumstances", ie. a transaction that is not material to the Council may well be material to the related party.

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NOTES TO THE FINANCIAL STATEMENTS

28. RELATED PARTIES (Continued)

<u>Organisation/Body</u>	<u>Nature of relationship</u>	<u>Receipts £000s</u>	<u>Payments £000s</u>
APSE Midlands	Elected member is a representative	0	13
Citizens' Advice Bureau	Elected members are trustees and/or representatives	0	53
Derwent Living	Elected member is a director	0	17
East Midlands Council	Elected member is a representative	(32)	10
Gedling CVS	Elected members are trustees and/or representatives	0	30
Gedling Homes	Elected member is a director and/or representative	(364)	2
Gedling Conservation Trust	Elected member is a trustee and/or representative	0	29
Groundwork Greater Nottingham	Elected member is a representative	0	23
Local Government Association	Elected members are board members and/or representatives	0	21
Mapperley Golf Club	Elected members are representatives and/or have a management interest	(64)	0
Netherfield Primary School	Elected member is a governor	(11)	0
NHS Trust	Elected members are trustees, members and/or representatives	(63)	0
Nottinghamshire Police & Crime Commissioner's Office	Elected member is a member of the Crime Panel	(20)	16
Redhill Academy	Elected member is a trustee and governor	(43)	2
Rural Community Action Nottingham (RCAN)	Elected member is a representative	0	11
Other local authorities	Material employee relationships	(499)	871
Parish Council grant aid	GBC elected members on parish councils	0	29

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NOTES TO THE FINANCIAL STATEMENTS

29. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2013/14	2014/15
	£000s	£000s
Opening Capital Financing Requirement (CFR)	11,436	12,384
<u>Additions:</u>		
Property, Plant & Equipment (note 8)	1,501	2,084
Intangible assets (note 10)	0	62
Revenue expenditure funded from capital under statute (REFCUS)	646	490
Long Term Debtor - Local Authority Mortgage Scheme	1,000	0
Total Capital Investment	3,147	2,636
<u>Financing:</u>		
Capital receipts	(173)	(860)
Government Grants	(925)	(371)
Other Grants and Contributions	(566)	(1,405)
Minimum Revenue Provision (MRP)	(535)	(534)
Total Sources of Finance	(2,199)	(3,170)
Closing Capital Financing Requirement (CFR)	12,384	11,850
<u>Explanation of movements in the year:</u>		
Increase in underlying need to borrow - Supported by Government financial assistance	0	0
Increase in underlying need to borrow - Not supported by Government financial assistance	948	(534)
Increase/(Decrease) in Capital Financing Requirement (CFR)	948	(534)

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NOTES TO THE FINANCIAL STATEMENTS

30. TERMINATION BENEFITS

Termination benefits are payable as a result of either the Council's decision to terminate an employee's employment before the normal retirement age, or an employee's decision to accept voluntary redundancy in exchange for those benefits. Voluntary early retirement does not represent a termination benefit, being instead a "post employment benefit".

Five compulsory redundancies were made during 2014/15, incurring liabilities of £44,606. There were also four voluntary redundancies, incurring total liabilities of £101,784.

Exit Packages per Cost-Band	Number of Compulsory Redundancies		Number of other departures agreed in year		Total number of exit packages by cost-band		Total cost of exit packages in each band £	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£0 to £20,000	1	4	1	2	2	6	17,474	46,128
£20,000 to £40,000	0	1	0	1	0	2	0	45,560
£40,000 to 60,000	0	0	0	1	0	1	0	54,702
	1	5	1	4	2	9	17,474	146,390

31. POST-EMPLOYMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME

(i) Participation in the Pension Scheme:

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

The Council participates in the Local Government Pension Scheme (LGPS) administered locally by Nottinghamshire County Council. This is a funded defined benefit scheme with index linked benefits, meaning that that the authority and employees both pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The scheme is contracted out of the State Second Pension and until 31 March 2014, benefits were based on final salary and length of service. Changes to the LGPS came into effect on 1 April 2014 and all benefits accrued from this date are now based on a career average revalued salary and length of service on retirement.

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

The actuary, Barnett Waddingham, is instructed by Nottinghamshire County Council to undertake pension expense calculations, and has prepared its figures in accordance with its understanding of IAS19. The principal risks to Gedling Borough Council are the longevity assumptions, statutory changes to the scheme, changes to inflation and bond yields, and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirement to charge to the General Fund the amount required by statute, as described in the accounting policies note.

Further information can be found in the annual report of the Nottinghamshire County Council Pension Fund, which is available upon request from Nottinghamshire County Council, County Hall, West Bridgford, Nottingham NG2 7QP.

ANNUAL STATEMENT OF ACCOUNTS 2014/15

NOTES TO THE FINANCIAL STATEMENTS

31. POST-EMPLOYMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME (Continued)

(ii) Explanation of terms:

Liabilities (obligations) - the post employment benefits that have been promised under the formal terms of the pension scheme. Liabilities are measured on an actuarial basis, estimating the future cashflows that will arise from them based on such things as mortality rates, employee turnover, salary growth and expected early retirements under the scheme rules, discounted to present values.

Assets - the Council's attributable share of the investments held in the pension scheme to cover the liabilities, measured at fair value at the balance sheet date.

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

Service cost - comprising:

Current service cost - the increase in the present value of a defined benefit scheme's liabilities (defined benefit obligation) resulting from employee service in the current period.

Past service cost - the change in the present value of a scheme's liabilities for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of a change to a defined benefit scheme) or a curtailment (a significant reduction in the number of employees covered by a scheme).

Gains or losses on settlements - arising when an authority enters into a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit scheme.

Net interest cost - the change during the period in the net defined benefit liability/asset that arises from the passage of time. It comprises interest costs on the liabilities and the interest income on plan assets.

Re-measurement of the net defined liability/(asset) comprising:

Actuarial gains and losses - changes in the present value of the defined benefit obligation resulting from (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), and (b) the effects of changes in the actuarial assumptions.

Return on plan assets - excluding amounts included in net interest on the net defined benefit liability/(asset).

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

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

Benefits paid - payments to discharge liabilities directly to pensioners.

(iii) Transactions relating to post-employment benefits:

Pensions are accounted for in accordance with IAS19. The cost of retirement benefits are recognised in the Cost of Services in the Comprehensive Income and Expenditure Statement (page 25) when they are earned by employees, rather than when they are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, therefore the real cost of post employment (retirement) benefits is reversed out of the General Fund via the Movement in Reserves Statement (page 24). Transactions affecting the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement are shown below.

ANNUAL STATEMENT OF ACCOUNTS 2014/15

NOTES TO THE FINANCIAL STATEMENTS

31. POST EMPLOYMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME (Continued)

Comprehensive Income and Expenditure Statement (CIES):

Cost of Services:

a) Service cost comprising:

Current service cost
Past service cost

b) Other Operating Expenditure:

Administration Cost

c) Financing & Investment Income & Expenditure:

Net Interest Cost

Total Post Employment benefits charged to the Surplus or Deficit on the Provision of Services

Re-measurement of the net defined liability comprising:

Return on plan assets in excess of interest (gain)
Other actuarial (gains) and losses on assets
Actuarial (gains) and losses on changes in financial assumptions
Actuarial (gains) and losses on changes in demographic assumptions
Experience (gains) and losses on defined benefit obligation

Total Re-measurements (See Comprehensive Income and Expenditure Statement on page 25)

Total Post Employment benefits charged to the Comprehensive Income and Expenditure Statement

Movement in Reserves Statement:

Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code (see note 5)

2013/14	2014/15
£000s	£000s
2,322	1,787
18	76
4	10
1,287	1,377
3,631	3,250
(843)	(3,682)
1,753	0
1,413	13,649
3,951	0
(5,606)	0
668	9,967
4,299	13,217
(3,631)	(3,250)

Actual amount charged against the General Fund Balance for pensions in the year:

Employer's contributions payable to the scheme
Discretionary payments (added years, pension strain etc)

Total

2013/14	2014/15
£000s	£000s
1,504	1,523
131	156
1,635	1,679

ANNUAL STATEMENT OF ACCOUNTS 2014/15

NOTES TO THE FINANCIAL STATEMENTS

31. POST EMPLOYMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME (Continued)

(iv) Pensions Liabilities and Assets recognised in the Balance Sheet:

The amounts included in the balance sheet arising from the Council's obligation in respect of its defined benefit scheme is as follows:

	2010/11 £000s	2011/12 £000s	2012/13 £000s	2013/14 £000s	2014/15 £000s
Present value of the funded defined benefit obligation	62,036	74,351	81,735	85,195	102,219
Fair value of assets	(46,816)	(47,208)	(54,160)	(55,010)	(60,581)
Net liability arising from the funded defined benefit obligation (LGPS)	15,220	27,143	27,575	30,185	41,638
Present value of the unfunded obligation (Discretionary Benefits)	1,620	1,792	1,853	1,907	1,992
Net Pension Liability on the Balance Sheet	16,840	28,935	29,428	32,092	43,630

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits. These total £104.211m, including funded and unfunded obligations.

The net pension liability of £43.630m has a substantial impact on the net worth of the authority, as recorded in the Balance Sheet, reducing it by 139%. However, statutory arrangements for funding the deficit means that the financial position of the authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie. before payments fall due), as assessed by the actuary, therefore finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

Reconciliation of the movements in the fair value of scheme liabilities:

	2013/14 £000s	2014/15 £000s
Opening defined benefit obligation	83,588	87,102
Current service cost	2,322	1,787
Interest Cost	3,710	3,786
Change in financial assumptions	1,413	13,649
Change in demographic assumptions	3,951	0
Experience loss/(gain) on defined benefit obligation	(5,606)	0
Estimated Benefits Paid (net of transfers in)	(2,670)	(2,555)
Past Service Cost including curtailments	18	76
Contributions by Scheme Participants	507	496
Unfunded Pension Payments	(131)	(130)
Closing defined benefit obligation	87,102	104,211

ANNUAL STATEMENT OF ACCOUNTS 2014/15

NOTES TO THE FINANCIAL STATEMENTS

31. POST EMPLOYMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME (Continued)

Reconciliation of the movements in the fair value of scheme assets:

Opening fair value of scheme assets

Interest on assets	2,423	2,409
Return on plan assets in excess of interest	843	3,682
Other actuarial gains/(losses)	(1,753)	0
Administration expenses	(4)	(10)
Contributions by Employer including Unfunded Benefits	1,635	1,679
Contributions by Scheme Participants	507	496
Estimated Benefits paid including Unfunded Benefits	(2,801)	(2,685)

2013/14 £000s	2014/15 £000s
54,160	55,010
2,423	2,409
843	3,682
(1,753)	0
(4)	(10)
1,635	1,679
507	496
(2,801)	(2,685)
55,010	60,581

Closing fair value of scheme assets

LGPS assets allocated to Gedling Borough Council by asset class

Equities	39,537	40,157	42,705	70
Gilts	3,791	4,401	1,893	3
Other Bonds	3,250	2,751	4,276	7
Property	6,499	6,051	7,071	12
Cash	1,083	1,650	2,946	5
Inflation-linked Pooled Fund	n/a	n/a	1,690	3

2012/13 £000s	2013/14 £000s	2014/15	
		£000s	%
39,537	40,157	42,705	70
3,791	4,401	1,893	3
3,250	2,751	4,276	7
6,499	6,051	7,071	12
1,083	1,650	2,946	5
n/a	n/a	1,690	3
54,160	55,010	60,581	100

Total assets allocated to Gedling Borough Council

It is estimated that Gedling Borough Council's share of the total assets in the fund is approximately 2%.

Information regarding the detail of the total assets held in the Fund at 31 December 2014 is summarised in the table below. This represents the percentages of the total Fund held in each asset class, split by those that have a quoted market price in an active market, and those that do not. Further information regarding the Fund's precise asset allocations is available from Nottinghamshire County Council Pension Fund as administering authority.

Asset Class

Fixed Interest Gov't Securities	UK	3.1	0.0	3.1
	Overseas	0.0	0.0	0.0
Corporate Bonds	UK	6.7	0.0	6.7
	Overseas	0.3	0.0	0.3
Equities	UK	32.7	0.1	32.8
	Overseas	36.0	0.0	36.0
Property	All	0.0	11.7	11.7
Others:	Private equities	0.0	1.8	1.8
	Inflation-linked pooled fund	2.8	0.0	2.8
	Cash/temporary investments	0.0	4.8	4.8

Quoted %	Unquoted %	Total %
3.1	0.0	3.1
0.0	0.0	0.0
6.7	0.0	6.7
0.3	0.0	0.3
32.7	0.1	32.8
36.0	0.0	36.0
0.0	11.7	11.7
0.0	1.8	1.8
2.8	0.0	2.8
0.0	4.8	4.8
81.6	18.4	100.0

Total

ANNUAL STATEMENT OF ACCOUNTS 2014/15

NOTES TO THE FINANCIAL STATEMENTS

31. POST EMPLOYMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME (Continued)

(v) Basis for estimating Liabilities and Assets:

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. Both the LGPS and the Discretionary Benefit liabilities have been assessed by Barnett Waddingham Ltd. Actuaries, an independent firm of actuaries. No differentiation has been made between the two schemes in terms of assumptions. Estimates for the Nottinghamshire County Council Pension Fund are based on the latest full valuation of the scheme at 31 March 2013. The actuary's estimate for the duration of Gedling Borough Council's liabilities is 18 years.

Significant assumptions used by the actuary as at 31 March 2015 are as follows:

Expected return on assets:

For accounting years beginning on or after 1 January 2013, the expected return on assets and interest cost were replaced with a single Net Interest Cost, which effectively sets the expected return equal to the IAS19 discount rate.

The discount rate is the annualised yield at the 18-year point on the Merrill Lynch AA rated corporate bond yield curve which has been chosen to meet the requirements of IAS19 and with the consideration of the Council's liabilities. This is consistent with the approach used at the last accounting date.

Mortality assumptions:

Assumed life expectations from the age of 65 are as follows:

		31 Mar 13 Years	31 Mar 14 Years	31 Mar 15 Years
Retiring today-	Male	18.7	22.0	22.1
	Female	22.8	25.1	25.2
Retiring in 20 years-	Male	20.7	24.1	24.2
	Female	24.6	27.4	27.6

Financial Assumptions

The financial assumptions used for IAS19 purposes are as follows, and were set with reference to market conditions at 31 March 2015.

	31 March 2013		31 March 2014		31 March 2015	
	% pa	Real %	% pa	Real %	% pa	Real %
Retail Price Index increase	3.4	-	3.5	-	3.2	-
Consumer Price Index increase	2.6	-0.8	2.7	-0.8	2.4	-0.8
Salary Increase	4.8	1.4	4.5	1.0	4.2	1.0
Pension Increase	2.6	-0.8	2.7	-0.8	2.4	-0.8
Discount rate for liabilities	4.5	1.1	4.4	0.9	3.3	0.1

The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England (BOE), specifically the 18-year point on the BOE market implied inflation curve. The RPI assumption is therefore 3.2% per annum. This is consistent with the approach used at the last accounting date.

As future pension increases are expected to be based on CPI rather than RPI, the actuary has made a further assumption that CPI will be 0.8% below RPI, ie. 2.4%. This is considered to be a reasonable estimate for the future differences in the indices, based on the different calculation methods.

Salary increases are assumed to be 1.8% above CPI in addition to a promotional scale.

ANNUAL STATEMENT OF ACCOUNTS 2014/15

NOTES TO THE FINANCIAL STATEMENTS

31. POST EMPLOYMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME (Continued)

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions, occurring at the end of the reporting period, and assume for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes to some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity analysis:

Adjustment to discount rate:

Present value of total obligation
Projected service cost

Adjustment to long term salary increase:

Present value of total obligation
Projected service cost

Adjustment to pension increase and deferred revaluation

Present value of total obligation
Projected service cost

Adjustment to mortality age rating assumption

Present value of total obligation
Projected service cost

	£000s	£000s	£000s
	+0.1%	0%	-0.1%
Present value of total obligation	102,405	104,211	106,050
Projected service cost	2,188	2,240	2,293
	+0.1%	0%	-0.1%
Present value of total obligation	104,508	104,211	103,915
Projected service cost	2,241	2,240	2,239
	+0.1%	0%	-0.1%
Present value of total obligation	105,767	104,211	102,683
Projected service cost	2,293	2,240	2,189
	+ 1 Year	None	- 1 Year
Present value of total obligation	100,500	104,211	107,956
Projected service cost	2,162	2,240	2,318

Asset and liability matching strategy

The LGPS administered by Nottinghamshire County Council does not operate an asset and liability matching strategy. The Pension Fund accounts include a section on the nature and extent of risks arising from financial instruments, and directs readers to the Fund's Risk Management Strategy and Risk Register. This information is available in the Pension Fund Annual Report via the fund's website, www.nottspf.org.uk.

Impact on the Council's cash flows

The objectives of the pension scheme are to keep employers contributions at as constant a rate as possible. Contributions are set every three years as a result of the actuarial valuation of the fund, as required by the regulations. The next triennial valuation will be carried out as at 31 March 2016 and will take account of national changes to public sector pensions, which establish new career average revalued earnings schemes from 1 April 2014. There are no minimum funding levels in the LGPS, however contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

The actuary's estimate of the total pension expense for the year to 31 March 2016 is £3,665,000. Service cost is estimated to be £2,240,000, net interest on the defined liability £1,414,000, and administration expenses £11,000. Expected contributions for discretionary benefits are £134,400, as per the Council's own budget for 2015/16.

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NOTES TO THE FINANCIAL STATEMENTS

32. CONTINGENT LIABILITIES

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

33. CONTINGENT ASSETS

VAT - Fleming Claims

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

To date, HMRC have rejected claims for compound interest, and have only paid simple interest on the sums refunded. The Appeal Court has supported the taxpayers' right to compound interest, however in view of the amounts involved it is likely that HMRC will seek permission to appeal to the Supreme Court. Should this ongoing legal action be successful, the Council may benefit from a significant additional sum of interest.

VAT - Sporting and Leisure Services - 4 year Non-Business claim

In conjunction with its advisers, the Council has submitted claims for the reimbursement of output tax accounted for on the supply of sporting services, on the basis that it is not a taxable person in providing them and the services are therefore outside the scope of VAT. Should these claims be successful the General Fund may potentially benefit from over £1m, however HMRC have as yet not accepted the non-business principle and indeed has put forward an argument for sporting services to be classed as exempt.

Preserved Right to Buy Receipts

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

34. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised and issued by Mark Kimberley CPFA, Chief Financial Officer, on 30 June 2015. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no events after the balance sheet date to report.

ANNUAL STATEMENT OF ACCOUNTS 2014/15

COLLECTION FUND STATEMENT

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

2013/14			2014/15		
Council Tax £000s	NNDR £000s	Total £000s	Council Tax £000s	NNDR £000s	Total £000s
INCOME:					
(55,682)	0	(55,682)	(57,872)	0	(57,872)
0	(20,810)	(20,810)	0	(20,878)	(20,878)
(55,682)	(20,810)	(76,492)	(57,872)	(20,878)	(78,750)
<u>Apportionment of previous year deficits</u>					
0	0	0	0	(329)	(329)
0	0	0	0	(59)	(59)
0	0	0	0	0	0
0	0	0	0	(6)	(6)
0	0	0	0	(263)	(263)
0	0	0	0	(657)	(657)
EXPENDITURE:					
<u>Apportionment of previous year surpluses</u>					
0	0	0	0	0	0
386	0	386	416	0	416
54	0	54	58	0	58
23	0	23	24	0	24
52	0	52	56	0	56
515	0	515	554	0	554
<u>Precepts, Demands and Shares</u>					
0	10,381	10,381	0	10,530	10,530
41,041	1,868	42,909	42,486	1,895	44,381
5,835	0	5,835	6,039	0	6,039
2,397	208	2,605	2,481	211	2,692
5,265	8,304	13,569	5,344	8,424	13,768
472	0	472	519	0	519
55,010	20,761	75,771	56,869	21,060	77,929

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COLLECTION FUND STATEMENT (Continued)

2013/14				2014/15		
Council Tax £000s	NNDR £000s	Total £000s		Council Tax £000s	NNDR £000s	Total £000s
			<u>Other Charges to Collection Fund</u>			
216	52	268	Sums written off	157	184	341
126	115	241	Incr/(Decr) in Bad Debt Provisions	155	(80)	75
0	556	556	Incr/(Decr) in Provision for Appeals	0	1,221	1,221
0	183	183	Transitional Protection Payments due	0	89	89
0	102	102	Costs of Collection	0	102	102
0	0	0	Interest	0	2	2
342	1,008	1,350		312	1,518	1,830
185	959	1,144	Net Deficit/(Surplus) for Current Yr.	(137)	1,043	906
511	0	511	Add Balance BFwd from Previous Yr.	696	959	1,655
696	959	1,655	Balance CFwd (Surplus) / Deficit (notes 2 and 4 to the Collection Fund Accounts)	559	2,002	2,561

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NOTES TO THE COLLECTION FUND ACCOUNTS

1. COUNCIL TAX BASE

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

Note: Disability Reduction reduces the Council Tax charge to a lower Band. In the case of Band A, this results in the creation of a Band A*.

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

2013/14 Number	2014/15 Number
14	14
5,763	5,798
8,582	8,712
7,274	7,327
5,631	5,812
4,006	4,102
1,749	1,762
1,232	1,242
145	143
34,396	34,912

Council Tax Base

2. ACCOUNTING FOR THE COLLECTION FUND BALANCE - COUNCIL TAX

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

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

The opening balance on the Council Tax Collection Fund was a deficit of £0.696m. By 31 March 2015, this deficit had reduced to £0.559m.

Balance Sheet Debtors:

Nottinghamshire County Council (Local Authority Debtors)
 Nottinghamshire Police & Crime Commissioner (General Debtors)
 Combined Fire Authority (General Debtors)

2013/14 £000s	2014/15 £000s
527	420
76	60
31	24
634	504
62	55
696	559

Council Tax Deficit attributable to Gedling BC

TOTAL

3. NATIONAL NON DOMESTIC RATES (NNDR)

- (a) Non Domestic Rateable Value at 31 March
- (b) Multiplier for General Businesses
- (c) Multiplier for Small Businesses

2013/14	2014/15
£52,434,333	£52,643,168
47.1p	48.2p
46.2p	47.1p

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NOTES TO THE COLLECTION FUND ACCOUNTS (Continued)

4. ACCOUNTING FOR THE COLLECTION FUND BALANCE - NNDR

With the introduction of the Business Rates Retention Scheme on 1 April 2013, billing authorities act as agents, collecting non domestic rates on behalf of the major preceptors and central government and, as principals, collecting rates for themselves. NNDR transactions and balances therefore need to be allocated between the billing authority, the major preceptors and central government. The applicable proportions are 50% for central government, 40% for Gedling Borough Council as the billing authority, 9% for Nottinghamshire County Council and 1% for the Fire Authority.

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

At 31 March 2015, the deficit on the NNDR Collection Fund was £2.002m.

	2013/14 £000s	2014/15 £000s
Balance Sheet Debtors:		
Central Government	480	1,001
Nottinghamshire County Council (Local Authority Debtors)	86	180
Combined Fire Authority (General Debtors)	9	20
	575	1,201
NNDR Deficit attributable to Gedling BC	384	801
TOTAL	959	2,002

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY WITH REGARD TO THE COLLECTION FUND

Arrears:

Uncertainties

An estimate of the impairment of NNDR and Council Tax debtors is based upon the age and type of each debt. The percentages for impairment applied reflect an assessment of the recoverability of each debt based on past experience and a view of the impact of the prevailing economic climate. The total Collection Fund provision for impairment at 31 March 2015 is £1,205,200, of which £51,200 and £109,200 represent Gedling's shares of NNDR and Council Tax respectively.

Effect if actual results differ from assumptions

If collection rates were to deteriorate, a 10% increase on the impairment percentage would require an additional £278,900 to be set aside as an allowance. However, collection rates have not varied by more than 0.6% in any of the past five years.

Appeals:

Uncertainties

The Business Rates Retention scheme introduced a requirement to maintain a provision for rating appeals. The system is complex and neither the number of successful appeals nor the percentage reduction in rateable value achieved can be pre-determined. The current provision totals £1,777,200 of which the Council's share as billing authority is £710,900.

Effect if actual results differ from assumptions

A change of 5% in the assumed success rate could increase or decrease the provision required by around £400,000. Of this, the Council's share as billing authority would be £160,000.

ANNUAL STATEMENT OF ACCOUNTS 2014/15

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Audit Statements



Independent auditor's report to the members of Gedling Borough Council

We have audited the financial statements of Gedling Borough Council for the year ended 31 March 2015 on pages 24 to 77. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.



Matters on which we are required to report by exception

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 84 to 88 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:



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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Gedling Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

Certificate

We certify that we have completed the audit of the financial statements of Gedling Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

Andrew Bush
for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants
St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

28 September 2015

Accompanying Statements

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

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

Gedling Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code can be obtained by contacting the Service Manager - Audit & Asset Management at Gedling Borough Council, Arnot Hill Park, Arnold, Nottingham NG5 6LU (vince.rimington@gedling.gov.uk). This statement explains how Gedling Borough Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK - The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. 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 services and value for money.

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

The governance framework has been in place at Gedling Borough Council for the year ended 31 March 2015 and up to the date of approval of the annual report and statement of accounts.

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

- Sustainable Community Strategy (incorporated within the Council Plan)
- Development Plan documents
- Gambling Statement of Policy
- The Capital Strategy (and any plan or strategy for the control of the Authority's borrowing and investments)

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

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

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

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

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

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- The financial management of the authority and the reporting of financial management through Standing Orders, Financial Regulations, a scheme of delegation and supporting procedure notes and manuals including a comprehensive budgeting and budget monitoring system, and a robust medium term financial planning process which are all subject to internal audit review,
- The performance management of the authority and the reporting of performance management through a quarterly reporting system to Cabinet and Council,
- Formal project management guidelines,
- Adherence to good employment practices.

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

The Council's approach includes an annual review of the Council's Corporate Governance process by the Senior Leadership Team, which includes a detailed examination of corporate risks. This review is subsequently reported to the Council's Audit Committee.

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

Measures to address the weaknesses and issues identified in the above reviews are included in the service plans for 2015-16.

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

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

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

Covalent, an electronic performance management system, has been implemented which has achieved improvements in the performance data gathering process and enhanced the Council's performance reporting. The Council's Cabinet and Senior Leadership Team receive quarterly reports detailing both financial and operational performance throughout the financial year. These reports have resulted in changes to budgets and performance plans and this process forms the basis of operational management at the corporate level.

The Council also operates scrutiny arrangements. The Council's Overview and Scrutiny Committee review decisions of the executive and contributes to policy development.

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

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

The internal audit statement and senior management assurance statements were further evidenced by external evaluators such as the External Auditor's annual audit and inspection letter and governance report and other inspectorate reports.

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

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

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

The CFO reports directly to the Chief Executive and is a member of the Council's Senior Leadership Team. These arrangements are in full compliance with the criteria outlined in the statement.

SIGNIFICANT GOVERNANCE ISSUES: There were no significant issues identified within the Governance process to warrant inclusion in the 2014-15 Annual Governance Statement. The Council's external auditors did not identify any significant risks for consideration within their 2014-15 audit plan.

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

- **External Economy** – the Council remains susceptible to, but vigilant for, the external risks posed by the uncertain economic and political climate. Despite ongoing pressures and squeezes on costs, income streams and funding, effective planning has resulted in the Council's 2015-16 budget having no significant reductions in service.

The Council has a strong track record in maintaining a sound financial position through effective Medium Term Financial Planning. The Council is well placed to deal with the ongoing pressure on income and funding streams.

Nevertheless, the Council faces a significantly challenging period to maintain its historic solid financial and governance position. Plans have been developed outlining the Council's priorities, however, the challenge remains to deliver the action required to maintain its financial standing.

- **Employee Pay & Rewards** – as a consequence of the improving economic climate, the job market is becoming increasingly buoyant with employees becoming increasingly confident to change employers.

This may become a specific issue for the Council if they fail to remain competitive with respect to pay and benefits, particularly where recruitment competes with the private sector. This

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may pose a specific problem with respect to experienced technically qualified professional staff.

The Council has responded to this risk and is in the process of undertaking an independent review to consider the competitiveness of its current pay and rewards policy.

In addition to the above emerging issues, during 2015-16 the Council will need to manage particular challenges arising from welfare reform and the introduction of Universal Credit and the associated transfer of the fraud investigation team.

Furthermore the Council, whilst having developed internal procedures to ensure compliance with the Transparency Code, will need to monitor the robustness of procedures to address the inherent risk associated with full compliance.

The above risk and internal control issues have been reported specifically to the Authority's Senior Leadership Team and action plans to ensure that all issues are addressed within 2015-16 have been developed.

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

Signature of the Chief Executive :

John Robinson

Date:

24 June 2015

Signature of Leading Member:

John Clarke

Date:

24 June 2015

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This is the Audited Version, published on 30 September 2015 by the
Financial Services Team.

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