

2020/2021



Gedling Borough Council
Annual Statement of Accounts
2020/2021
Unaudited

ANNUAL STATEMENT OF ACCOUNTS 2020/21

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GEDLING BOROUGH COUNCIL
ANNUAL STATEMENT OF ACCOUNTS 2020/21
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The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with International Reporting Standards (IFRS), rather than the amounts to be funded from taxation (which are shown in the Expenditure Funding Analysis at note 5 on page 44). The Movement in Reserves Statement (MiRS) shows how the Council's resources, or "net worth", moved over the year, and the Balance Sheet shows how those resources were held at the year-end in the form of assets and liabilities. Finally the Cashflow Statement shows how the Council's cash balances have moved over the year.

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NARRATIVE REPORT

1. Introduction to Gedling Borough

The Borough of Gedling is home to an estimated 117,800 people living in just over 53,000 households and is also the base for around 5,000 businesses. It covers 120 square kilometres on the outskirts of Nottingham and is a Borough of contrasts, with an urban commuter base centred on the towns of Carlton and Arnold, extending out to rural farmland and villages including Calverton, Ravenshead and Woodborough.

Gedling's vision is clear: we are responsible for a wide range of local services that matter to our residents in the borough, however we do not limit our interest to those services we are directly accountable for but rather seek to influence and make a difference in all aspects of community life. At the centre of what we do is the motto "Serving People, Improving Lives", by which we aim to fulfil our ambition of being regarded as an excellent Council by the people and businesses we serve and the staff we employ, by making a positive difference to people's lives and creating opportunities for everyone to fulfil their full potential.

Managing a net revenue budget of £11.6m and a revised capital budget of over £4.1m, the Council provides a wide range of services for its residents as detailed in our Gedling Plan 2020-23.

Gedling has a strong record of delivering high quality, low cost services, but the Council continues to face cuts in central government funding, making this an ever increasing challenge to maintain. Funding cuts have come at a time of increasing demands for services from a growing and increasingly ageing population, together with inflationary pressures, in particular the Government's removal of the public sector pay cap has impacted on pay expectations in local government. The Covid-19 pandemic has had an unprecedented impact upon the Council in 2020/21 in both financial and performance terms and further details are set out in section 4. The financial environment facing the Council is expected to continue to be challenging in 2021/22 and beyond. Details of the plans made by the Council for 2020/21, the performance achieved against those plans, and a look forward to 2021/22 and beyond are given in the following sections.

2. Gedling's Plans for 2020/21

The Gedling Plan 2020-23, summarising how the Council would work with its partners to improve the lives of its residents, support local businesses and provide high quality and excellent value for money services, was approved by Council on 5 March 2020. This document set out the Council's five priorities, and all Gedling's plans are structured around these priorities, which are summarised below:

- ❖ Cohesive, Diverse and Safe Communities - to promote strong, resilient communities and reduce hardship and inequality;
- ❖ High Performing Council – to be a high performing, efficient and effective Council;
- ❖ Vibrant Economy - to promote and drive sustainable growth across the borough to meet current and future needs;
- ❖ Sustainable Environment - to promote a sustainable environment;
- ❖ Healthy Lifestyles – to promote the health and wellbeing of our residents;

2020/21 Budget Highlights

On 4 September 2019 the Chancellor of the Exchequer set out the Government's plans for 2020/21 in anticipation of the United Kingdom's exit from the European Union on 31 January 2020 in the Spending Round. Due to the uncertainty at the time he announced a one year Spending Round with a focus on high quality healthcare, education and reducing crime. The Spending Round 2019 included a 4.1% real terms (ie. after accounting for inflation) increase in day-to-day departmental spending in 2020/21 that included a 4.4% real terms increase (6.3% in cash terms) in core spending power for local government to help meet the cost of rising demand for social care services. However, Gedling's increase in core spending power in 2020/21 was just 2.3% in cash terms which was 4.0% below the increase received by the local government sector as a whole.

The Government announced settlement grant reductions equating to 38% or £1.86m in cash terms over the full spending review period 2016/17 to 2020/21 compared to the base position of 2015/16. Total settlement reductions compared to the amount received in 2010/11 were projected to be £5.8m

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or 65% by 2020/21. An additional burden continued from changes made in 2017/18 to the New Homes Bonus (NHB), which reduced the length of time for which the bonus is paid and introduced a baseline increase in the number of new homes below which no NHB is payable. The impact of this in 2020/21 was a grant reduction of £2.0m when compared to the amount received in 2016/17 before the scheme was changed.

In order to manage both the grant reductions and spending pressures, since 2014/15 the Council has approved four efficiency programmes totalling £6.5m net of risk provision. Progress has been positive and budget reductions have been in line with the profiled estimates. Of the total programme, £1.7m net of risk provision was planned for delivery over the period 2020/21 to 2022/23, of which £0.9m was profiled for 2020/21.

The budget approved by the Council in on 5 March 2020 included major budget pressures of pay inflation, an increase in the employers superannuation contribution rate from 15% to 18.2%, inflation increases on utilities, business rates and other contracts and interest on additional borrowing to finance the capital programme as well as a reduction in the interest receivable from investments.

3. Gedling's Performance in 2020/21

a. Financial Performance

During 2020/21, Cabinet received the usual Gedling Plan monitoring reports by portfolio for decision making (see the Expenditure and Funding Analysis at disclosure note 5 on page 46) and approved budget amendments to align resources to meet identified budget pressures, managing within the overall maximum capital and revenue budgets approved by Council, which included approved budget carry forwards from 2019/20.

Capital Outturn

Summary capital outturn expenditure by portfolio is shown below, together with its financing:

Capital Outturn	Revised Estimate 2020/21 £000	Actual 2020/21 £000	Variance 2020/21 £000
Capital Expenditure:			
Community Relations	4	0	(4)
Housing, Health & Wellbeing	189	142	(47)
Public Protection	1,292	888	(404)
Environment	1,049	821	(228)
Growth and Regeneration	550	130	(420)
Resources and Reputation	1,017	341	(676)
Total Capital Expenditure	4,101	2,322	(1,779)
Financing:			
Capital Receipts	(607)	(590)	17
Capital Grants and Contributions	(2,141)	(1,191)	950
General Fund Revenue Contribution	(378)	(121)	257
Developer Contributions	(220)	(151)	69
Borrowing	(755)	(269)	486
Total Financing	(4,101)	(2,322)	1,779

Requests for carry forward of budgets to 2021/22 totalled £1.8m.

Major investments in services during the year included:

- ❖ £0.872m provided for Disabled Facilities Grants;
- ❖ £0.266m on an expansion and car park works at Carlton Cemetery;

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- ❖ £0.268m on extending the car park at Gedling Country Park;
- ❖ £0.116m on steel pillar work at Arnold Leisure Centre;
- ❖ £0.109m on Breckhill play area;
- ❖ £0.102m on works at Conway Road recreation ground;

At the end of the year capital grants and contributions received but not yet applied to capital expenditure totalled £3.34m. These capital reserves remain available for use in future years.

The Capital Financing Requirement represents the Council's underlying "need" to borrow for capital purposes and totalled £10.013m at 31 March 2021. No PWLB loans matured during 2020/21 and no additional borrowing was undertaken. Total external debt at 31 March 2021 totalled £9.812m and therefore the Council remained in an "internally borrowed position", effectively using some of its reserves and balances to support capital expenditure in the short term. This approach is deemed prudent since although borrowing rates are currently low, investment rates also remain very low, and any further borrowing in advance of cash flow requirements would result in a significant additional cost to carry the extra debt. The Council has access to borrowing facilities at concessionary "certainty" rates from the PWLB. Loans taken from PWLB have special characteristics in that interest rates are based on the Government's cost of borrowing, rather than on market rates.

Revenue Outturn

Summary outturn revenue expenditure by portfolio is shown below, together with its financing:

Revenue Outturn	Estimate 2020/21 £000	Actual 2020/21 £000	Variance £000
Portfolio:			
Community Development	1,551	1,382	(169)
Housing, Health & Wellbeing	4,651	3,663	(988)
Public Protection	1,571	1,271	(300)
Environment	5,657	5,152	(505)
Growth and Regeneration	1,136	1,000	(136)
Resources and Reputation	(1,701)	(3,189)	(1,488)
Net Portfolio Budget	12,865	9,279	(3,586)
Transf'd (from)/to Earmarked Reserves	(1,262)	2,049	3,311
Net Council Budget	11,603	11,328	(275)
Financing:			
Business Rates	(8,401)	(8,610)	(209)
Council Tax	(6,284)	(6,349)	(65)
New Homes Bonus	(383)	(383)	0
Transfer (from)/to General Fund Balance	3,465	4,014	549
Total Financing	(11,603)	(11,328)	275

The final revenue outturn position is an underspend of £275k, equating to 2.4% of the estimate, primarily due to savings on staffing and improved income offset by a net financial impact of £384,400 as a result of the Covid-19 pandemic. Further details of the impact of the Covid-19 pandemic in respect of the Council's finances and performance are set out in section 4.

The General Fund balance at 31 March 2021 is £7.923m, which is well above the minimum required by the Council's Medium Term Financial Plan. However, the significant increase in the balance during the year is primarily due to grant of £4.8m received to compensate for the loss of business rates income as a result of extended retail relief to support businesses during the Covid-19 pandemic, which will be needed in 2021/22 to fund the exceptional business rates deficit created. The remaining balance will be available to support future revenue expenditure.

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In addition to the General Fund balance, earmarked reserves are sums set aside to provide financing for specific future expenditure plans. The total balance of such reserves at 31 March 2021 is £8.031m as opposed to £5.982m at 31 March 2020.

Council Tax

Gedling collects its own council tax and also, as a billing authority, for Nottinghamshire County Council, the Nottinghamshire Police and Crime Commissioner, the Combined Fire Authority and twelve parish councils. This has a significant impact on the Council's cash flow with the Council planning to collect around £76.0m and retaining only its own £6.3m for spend on services in 2020/21. Gedling's element of the council tax was increased by £5 (for a Band D equivalent property) in 2020/21 and during the year 98.29% of council tax due was collected, against a target of 98.5%.

Non-Domestic Rates

Under the Business Rates Retention Scheme, Gedling collects business rates income and pays over the appropriate shares to Central Government, Nottinghamshire County Council and the Combined Fire Authority. Gedling was due to collect business rates income of £11.5m in 2020/21 after applying a number of reliefs announced by the Government in response to the Covid-19 pandemic. These reliefs and the accompanying compensation grants from the Government have had a significant impact on the Council's cash flow in 2020/21 and this impact will continue for a number of years. Gedling's share of business rates income amounted to £8.6m in 2020/21 but a significant proportion of this has been transferred to earmarked reserves to meet future commitments.

The Business Rates Retention Scheme introduced a requirement to maintain a provision for rating appeals. The system is complex and neither the degree of successful appeals nor the reduction in rateable value achieved can be pre-determined. Using the best information available the total provision at 31 March 2021 is £3.30m, of which Gedling's share under the scheme is £1.32m. This represents an increase of £0.12m from the position at 31 March 2020.

During the year, 95.1% of the business rates due was collected against a target of 98.9%.

Balance Sheet

The Council's net worth decreased from a net liability of £13.780m to one of £31.940m at 31 March 2021. The movement is largely due to a change in the pension liability.

❖ **Pension Liabilities**

The Council's pension liability is the value of its commitment to pay retirement benefits across future years, offset by the value of assets invested in the Pension Fund. The Pension Fund is revalued every three years to set future contribution rates. At the most recent actuarial valuation on 31 March 2019, which set Gedling's contribution rates for 2020/21 to 2022/23, the funding level of the Nottinghamshire County Council Pension Fund was 93%, which compared favourably to the actuary's previous estimate that the funding level would be 90% by the date of the valuation.

Gedling's pension liability increased by £20.3m to £69.5m during 2020/21. This was mainly due to an increase of £34.6m in the present value of the defined benefit obligation partly offset by an increase of £14.4m in the fair value of fund assets based on technical calculations and actuarial assumptions. Whilst this has a significant impact on the Council's net worth, the increase in pension liability will be made good by the increases in future contributions and bears no relation to the cash position on the Pension Fund.

❖ **Short Term Creditors**

The value of short term creditors and receipts in advance increased by £10.9m during 2020/21 due primarily to S31 grant owing to the Government in respect of business rates reliefs paid early to billing authorities like Gedling in the first instance and to balances remaining on Covid19 grants received from the Government that are to be distributed to individuals and businesses in 2021/22.

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❖ Short Term Debtors

The value of short term debtors increased by £9.7m during 2020/21 due primarily to sums owing from the Government and Nottinghamshire County Council in respect of the exceptional business rates deficit arising from the granting of reliefs to businesses to assist with addressing the impact of the Covid-19 pandemic.

b. Non-Financial Performance

Key Achievements and Key Performance Measures:

The Council has made a commitment to closely align budget and performance management, in line with good practice. To deliver this commitment, progress in respect of activities, achievements and performance measures, grouped by the Council's priorities, is reported to Cabinet on a regular basis. Key achievements are deemed to be those making a real difference to peoples' lives, in keeping with the Council's key aim of Serving People, Improving Lives whilst key performance measures allow progress towards these to be monitored.

Cohesive, Diverse and Safe Communities:

Key Achievements

- ❖ A range of successful Covid-secure events were held throughout the year including a programme of summer online arts courses, free access to online summer shows at the Nottingham Playhouse, a virtual "Pride of Gedling" awards event, Christmas markets and a synchronised virtual Christmas light switch-on;
- ❖ Our Seniors Council and Youth Council worked to identify what was particularly important to them in order to help the council to target resources effectively. They prioritised effective communications platforms, community connectivity activities, buddying and befriending, economic recovery and access to wellbeing recovery services;
- ❖ Consultation targeting young people was designed and promoted to enable concerns of young people to be taken into account when planning future council and partnership services;
- ❖ We approved a new Equality and Diversity Policy and Action Plan for wider consultation with residents and community groups;
- ❖ We were selected as a pilot for the integration of NHS Volunteer Responders following a successful bid submitted to the NHS "Good Sam" Funding opportunity. The allocation will help integrate NHS-registered volunteers at a local level, with the aim of developing a sustainable partnership and local volunteer resource;
- ❖ The Sanctuary installations project was refreshed in response to increases in high risk domestic abuse cases as a result of the lockdown. This reduced the usual wait for security measures from a 12-week average down to two weeks;
- ❖ New cameras were installed in Gedling Country Park and on Conway Road Recreation Ground as part of the Council's work to reduce crime and anti-social behaviour in the Borough;
- ❖ Our locality workers continued to provide much-needed help to the most vulnerable residents in our deprived areas. This included support to access food and humanitarian assistance, work and training, planned children's activities and events;

Key Performance Measures

- ❖ 40 fixed penalty notices were served for litter and dog fouling;
- ❖ £842.2k of adaptations were funded to support people with disabilities to remain in their homes;
- ❖ The average time to process new Housing Benefits claims (in calendar days) was 12.6 days against target of 13 days;
- ❖ 98% of fly tipping incidents were removed within 4 working days;

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High Performing Council:

Key Achievements

- ❖ We developed and implemented strong and fair employment policies, launched our employee Mental Health Awareness programme and completed a senior management restructure;
- ❖ Our Building Control Team and Keepmoat Homes won a joint LABC Regional Building Excellence Award for the Chase Farm development in the category of 'Best High Volume New Housing Development Award';
- ❖ A new on-line taxi licence application portal was created to enable taxi drivers to access their accounts and check the progress of their application;
- ❖ Our Customer Services team received a Certificate of Excellence award by the iESE, which recognises significant innovations in transforming local public services;
- ❖ The Gedling Lotto was launched which has so far raised over £20,000 and benefitted 27 good causes;
- ❖ We successfully implemented remote working for our staff and ensured our services continued to be available during Covid lockdown;
- ❖ We approved a new efficiency programme and achieved a balanced Medium Term Financial Plan;

Key Performance Measures

- ❖ 95.3% of calls to our Contact Centre were answered or a call made back;
- ❖ We have 37,777 'Keep Me Posted' email newsletter subscribers;
- ❖ 98% of invoices were paid within 30 days;

Vibrant Economy:

Key Achievements

- ❖ Our accredited learning centre continued to be a huge success with our second cohort of apprentices now almost at end-point assessment and 11 learners (internal and external) having achieved their ILM Level 5 Leadership qualification.
- ❖ With help from our partners, we pushed forward with our Supported Internship and Kickstart programmes providing placements for young people in Waste Services and Parks and Street Care.
- ❖ Alongside Broxtowe, City and Rushcliffe Councils we began to develop the Greater Nottingham Strategic Plan, receiving over 5,000 responses from our public consultation on various growth options which are currently being reviewed;
- ❖ We continued to work collaboratively with the County Council to ensure the timely delivery of the Gedling Access Road that will support housing and economic growth;
- ❖ Progress was made with the council owned housing sites at Station and Burton Road. Following an appraisal of the various options for the number, size, types of the houses and tenures, a recommendation was taken to Cabinet to build 17 affordable homes, with 7 being earmarked for use as temporary accommodation;
- ❖ Project work was approved for both the Arnold Marketplace redevelopment scheme and the Carlton Square improvement scheme. Both schemes have secured planning permission and funding approval;

Key Performance Measures

- ❖ 108 small and medium sized enterprises were engaged with;
- ❖ 65 long term empty homes were returned to use as a result of our intervention;
- ❖ 59 affordable homes were delivered (gross) against a target of 20;
- ❖ 95% of major planning applications were progressed within 13 weeks against the target of 90%;

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Sustainable Environment:

Key Achievements

- ❖ We launched our popular free annual bulky waste collection scheme in December, receiving over 700 on-line bookings from our residents on the first day and 1,503 bookings in total;
- ❖ Gedling Country Park was further enhanced by the installation of viewing platforms, additional car parking, an outdoor seating area, a Tree Trail and a Community Orchard;
- ❖ A new junior play area was constructed at Conway Road Recreation Ground and the play area at Breck Hill Recreation Ground was refurbished;
- ❖ Conservation area appraisals were reviewed for Bestwood and Lambley. The boundaries of both conservation areas have been reassessed and a number of changes made;
- ❖ Our carbon footprint was established and we identified future potential projects at key council-owned sites to further reduce our carbon emissions. We have also been working with other councils and the D2N2 Local Enterprise Partnership to look at ways we can improve sustainability, create greener infrastructure, decarbonise our vehicles and invest in more green energy;
- ❖ We were delighted to receive Green Flag Awards for four of our flagship parks including a first for Bestwood Country Park

Key Performance Measures

- ❖ 1,040 trees were planted in the Borough;
- ❖ The number of garden waste customers increased from 16,498 to 18,000;
- ❖ 32.4% of household waste was recycled;
- ❖ Only 1% of streets surveyed had unacceptable levels of litter;

Healthy Lifestyles:

Key Achievements

- ❖ The Carlton-le-Willows Academy 3G football pitches opened for community football use as part of the community use agreement between the Academy and the Council;
- ❖ Working with our NHS primary care partners, we continue to lead on the social prescribing community development programme supporting grass roots organisations to assist those most lonely and isolated. Our Community Development Coordinator has linked up with other wellbeing services to offer advice such as smoking cessation, weight management and falls prevention and supported community groups offering food parcels and both virtual and telephone support to residents;
- ❖ The “One Step at a Time” pilot was established for older isolated people in Carlton working alongside Jigsaw Homes and Active Notts with the aim to increase physical activity through community walking groups;
- ❖ An Armed Forces Membership scheme was launched for our residents who are retired or serving members of the armed forces. The membership gives unlimited free access to the borough’s three fitness suites as well as motivational sessions with the gym team and help to develop personal fitness programmes;
- ❖ The accessible changing facility at Carlton Forum Leisure Centre swimming pool has been refurbished including new flooring, shower cubicle, chair, hand rail, toilet and sink. Along with the pool hoist, the changing room improvements will help more customers enjoy the swimming pool for a source of exercise and enjoyment;

Key Performance Measures

- ❖ 97% of food premises scored 4 or 5 in the national food hygiene rating scheme;
- ❖ 150 community groups were identified across South Nottinghamshire to support social prescribing. A £4,000 Community Development Growth Fund was secured for 2021/22 from primary care colleagues to support these groups;
- ❖ 21 Gedling residents volunteered for the South Nottinghamshire Telephone Befriending Service and made 837 calls to 41 Gedling Borough residents;

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- ❖ 13 areas of exceptional customer service were identified at our Leisure Centres by an independent Customer Service Excellence audit;
- ❖ 5,659 subscribers have received our regular Community Health and Wellbeing Newsletter offering healthy lifestyles and humanitarian advice and signposting to key health services;

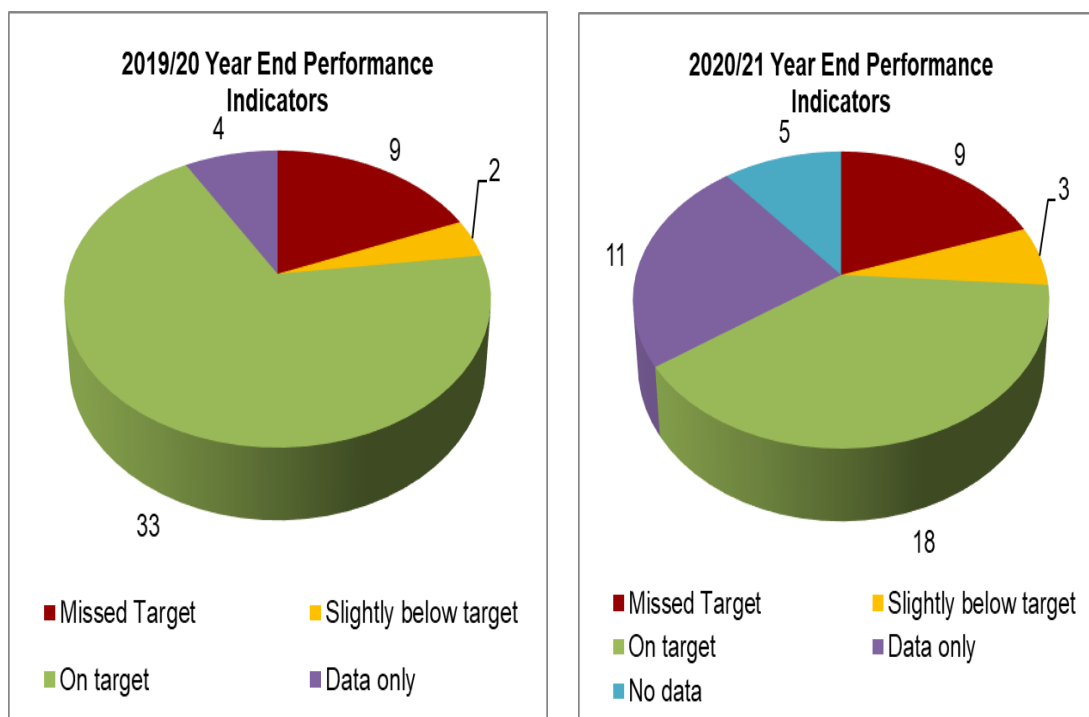
Actions:

The Council's performance management included 96 actions in the Gedling Plan that were due for completion in 2020/21. At the end of the year, 90 actions had been completed with 2 actions nearing completion and further work required on the remaining 4 actions. This was mainly due to the impact of Covid-19 with officers either being redeployed or taking on additional demands. The actions that were not completed have been carried forward to 2021/22 and are as follows:

- ❖ Communication Strategy – Finalise the creation and implementation of a Communication Strategy and action plan;
- ❖ Constitution Review – Completion of the Constitution Review as part of an attempt to strengthen the Council's governance framework;
- ❖ Licensing Regulation and Enforcement – Develop the Council's approach to how it undertakes licensing regulation and enforcement;
- ❖ Income Streams - Development and implementation of a strategy to maximise current income streams and identify new income opportunities;
- ❖ Financial Management Code – Implement the requirements of the Financial Management Code to deliver effective long term financial planning;
- ❖ Quality Scheme – Develop and roll out a Quality Scheme for safe places, health and food outlets.

Performance Indicators:

Whilst Actions refer to the Council's broad aim, Performance Indicators are more specific and represent measurable targets that are monitored and reported to Members on a quarterly or annual basis as appropriate. At 31 March 2021, 21 of the 46 indicators were on target or slightly behind target, with 9 behind target and 11 indicators used for tracking purposes only. No data was available for 5 of the indicators due to Covid-19. Whilst the 2020/21 indicators are not directly comparable to the previous year due to the removal of some indicators, the proportion of indicators which missed targets for 2020/21 was broadly the same as for 2019/20.



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What we did well - 21 indicators were on target or slightly behind target. Examples of particularly positive results, both in terms of the performance against the target and when compared with 2019/20, are shown below

- ❖ The average time to process new Housing benefit claims whilst increasing from 12.2 calendar days in 2019/20 to 12.6 calendar days in 2020/21 was below the target of 13 days;
- ❖ The percentage of calls to the contact centre that were answered or called back fell from 96.3% in 2019/20 to 95.3% in 2020/21 but still exceeded the target of 94%;
- ❖ The percentage of customers seen within 15 minutes was 100% against a target of 90%;
- ❖ The number of "Keep Me Posted" email newsletter subscribers reached 37,777 against a target of 25,000;
- ❖ The number of social media followers rose to 37,500 against a target of 27,000;
- ❖ 65 long term empty homes in the borough were returned to use as a result of intervention by the Council against a target of 40;
- ❖ 59 affordable homes were delivered (gross) which was comfortably in excess of the target of 20;
- ❖ The percentage of major planning applications processed within 13 weeks was 100% against a target of 90%;
- ❖ The number of garden waste customers grew from nearly 16,500 in 2019/20 to around 18,000 in 2020/21, exceeding the target by 1,900;
- ❖ The Council now has four Green Flag status parks;
- ❖ The percentage of food premises scoring 4 or 5 in the national hygiene rating scheme was 97% against a target of 90%.

Where we need to improve - whilst overall performance is positive, 9 indicators were behind target. Three major areas of concern were:

- ❖ The average length of time spent in temporary accommodation whilst falling from 23.7 weeks in 2019/20 to 20.9 weeks in 2020/21 was still in excess of the target of 15 weeks. There are still high number of households in priority need presenting as homeless and families continue to be placed in temporary accommodation. However, the house construction market has now restarted and the number of affordable properties in the borough is expected to increase in 2021/22. The Council has recently approved a new Housing Allocations Policy against which all applications for temporary accommodation are now assessed;
- ❖ The net number of additional homes provided fell from 360 in 2019/20 to 310 in 2020/21 and was lower than the 480 anticipated. Construction activity in 2020/21 was adversely affected by the lockdown restrictions which resulted in development pausing or slowing on many large and small sites across the borough. It is expected that the number of net additional homes will increase in 2021/22;
- ❖ The residual household waste per household, and the percentage of household waste sent for reuse and composting both missed their annual targets. This was largely due to loads being rejected as a result of the contamination of recyclables and also to the unplanned and continuing closure of the Veolia Freeth Street waste transfer facility in September 2020 as the result of a fire. A number of initiatives have been introduced in partnership with Veolia and other Nottinghamshire district councils to encourage recycling and the proper disposal of garden waste.

4. Impact of Covid-19 Pandemic

Background

Reports on the both the Council's Response to Covid-19 and the Council's Reset Strategy were considered by Cabinet on 18 June 2020.

The report on the Response provided a comprehensive update on the actions taken by the Council, including the estimated financial impact arising from the additional spending pressures and income losses suffered due to the closure of facilities as required by the lockdown restrictions. Regular

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performance reports continued to be presented to Cabinet throughout the year providing an up to date estimate of spending pressures and income losses and the estimated position.

The Reset Strategy recognised the future and ongoing impact of Covid-19 on the delivery of the Council's services and finances and included plans for a review of both the Gedling Plan and the Medium Term Financial Plan (MTFP) that were considered by Cabinet in the autumn.

Financial Impact

The financial impact of the Covid-19 pandemic was hugely significant as highlighted in reports to Cabinet. Total Covid-19 related expenditure in 2020/21 amounted to £644,900 whilst income losses amounted to £3,260,900.

In order to alleviate some of the impact of income losses upon local authorities arising from Covid-19, the Government introduced an income compensation scheme in recognition of the impact of the pandemic upon income from sales, fees and charges. The scheme provided compensation for unforeseen losses that were irrecoverable during 2020/21, and is to be extended to include the first three months of 2021/22. The scheme operated on a principles-based approach and included a 5% deductible rate based on the 2020/21 approved budget, with the Government providing compensation for 75p in every pound of relevant loss of eligible income thereafter. The scheme was restricted to compensating for irrecoverable net losses, specifically from those customer and client receipts, which are charged in return for a service where demand has been reduced due to Covid-19, but excluded commercial revenues, including property rents. The income compensation scheme was accessed in 2020/21 by completing three financial returns each covering a four-month period as set out in the table below.

Income Compensation Scheme 2020/21	£000
April 2020 - July 2020	683
August 2020 – November 2020	500
December 2020 – March 2021	406
Total Income Compensation Scheme 2020/21	1,589

The income compensation scheme therefore reduced the Council's income losses due to Covid-19 from £3,260,900 to £1,672,100 of which £764,000 related directly to Leisure Services. This meant that only 49% of the Council's Covid-19 related income losses in 2020/21 were covered by the Government's income compensation scheme.

During the course of the pandemic, the Government announced various sources of grant funding to support local authorities in responding to the pandemic and cover the Council's expenditure pressures, income shortfalls and employee expenses relating to enforced closures. The table below sets out these funding streams in 2020/21:

Government Grant Funding 2020/21	£000
Emergency Funding	1,570
Income Compensation Scheme (see above)	1,589
Job Retention (Furlough) Scheme	362
Total Government Grant Funding 2020/21	3,521

The overall net impact of the Covid-19 pandemic in 2020/21 is shown in the table below:

Financial Impact of Covid-19 2020/21	£000
Additional Expenditure	645
Income Losses	3,261
Gross Financial Impact	3,906
Total Grant Funding	(3,521)
Net Financial Impact of Covid-19 2021/21	385

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In addition to the net financial impact outlined in the table above, Covid-19 also had an adverse impact on the collection of Business Rates, Council Tax and Sundry Debts as follows:

- A net reduction in Business Rates and Council Tax income arising from the 2020/21 collection resulting in a deficit of £584,000 partly offset by Government Local Tax Income Guarantee grant;
- An increase in the bad debt provision of £172,000 following the suspension of debt recovery activity during the early months of the Covid-19 pandemic;

In addition to the funding stated above, part of the Government's response to the Covid-19 pandemic saw a number of other grants issued to local authorities to distribute to individuals and businesses. The total amount of grants awarded to Gedling was £34,376,000 which included £28,006,000 in mandatory grants where the Council acted as an agent of the Government to award grants directly in line with set grant conditions and restrictions. Mandatory grants are held on the Balance Sheet with any unpaid amounts repaid to the Government. The remaining £6,370,000 of Government grants were directed through the revenue account and consisted of discretionary grants which the Council distributed as part of individual Council approved schemes, specific grants for delivery of specified outcomes and administration support grants which recognised the additional workload faced by the Council. These grants are detailed in the table below;

Other Covid-19 Grants Received 2020/21	Grant	Contribution To Reserves
	£000	£000
Business Support Grants		
Discretionary Business Grants	897	
Additional Restrictions Business Grants	3,405	540
Local Restrictions Support Grants (open)	231	
Grants for Individuals		
Test and Trace Support Grants	150	131
Council Tax Hardship Relief Grants	873	112
Specific Use Grants		
Outbreak Contain and Enforcement	249	
Compliance and Enforcement	49	
Winter Assistance	41	
Reopening the High Street	39	
Administration Support Grants		
Business Grants	355	192
Test and Trace Support	34	22
Council Tax Hardship Relief	23	
Housing Benefits	24	
Total	6,370	997

As shown in the table above, some of these other Covid-19 grants were placed in reserves at 31 March 2021 as follows:

- Additional Restrictions Business Grants - £540,400 will be distributed to eligible businesses in 2021/22;
- Test and Trace Support Grants - £131,000 is planned to be awarded to eligible individuals in 2021/22;
- Council Tax Hardship Relief Grants - £112,200 is to be used in 2021/22 to provide further support to those on low incomes with their council tax bills;
- Business Grants Administration and Test and Trace Support Grant - £191,700 and £22,100 will be used in 2021/22 to administer new awards and to backfill posts which were re-directed to support these schemes.

Key Achievements

- ❖ The Richard Herrod Centre was transformed into the Giving for Gedling Humanitarian Centre and Food Bank and by January 2021 it had become one of the County's biggest

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- Community Vaccination Centres;
- ❖ We established a cross service Giving for Gedling Humanitarian team to offer Covid-19 support and advice to residents in need, recruit volunteers, support spontaneous volunteering groups and work in partnership with our local Foodbanks and Church Leaders throughout the pandemic;
- ❖ We successfully completed the full administration and payment of over 15 different grant schemes totalling around £25.1m of support to local businesses facing financial difficulty during the Covid-19 pandemic;
- ❖ Our two community fundraisers, 'Giving for Gedling' and 'Feeding Gedling's Children', raised over £37,000 to support local residents and families for food and emergency humanitarian supplies;
- ❖ We allocated £40,800 of the Covid-19 Winter Grant, working with Arnold and Netherfield Food Banks, 'The Ark' money advice service, St Georges Centre and Nottingham Energy Partnership. Eligible residents received supermarket vouchers, hot meals, food parcels, small white goods and emergency winter warmth;
- ❖ Carlton Forum Leisure Centre and Druid's Car Park in Arnold were used as community Covid testing sites;
- ❖ We worked in partnership to establish a new South Nottinghamshire Volunteer Telephone Befriending Service in support of vulnerable Gedling residents affected by the pandemic throughout the school holidays and ongoing support to local community groups and schools;
- ❖ Working with our partners Gedling Play Forum, family services and primary schools we distributed 500 Festive Food Parcels to local families most in need. These included food items, activity packs, Giving for Gedling 'Good Neighbour' Guides, healthy eating advice and recipes.

Key Performance Measures

- ❖ 850 vulnerable people were supported by our Giving for Gedling Humanitarian team in the first wave of the pandemic;
- ❖ Since July 2020, nearly 2,500 vulnerable people over 70 have been directly contacted by the Council to offer support;
- ❖ 70 vulnerable residents with dementia were identified as not having claimed 'Severe Mental Impairment' exemption on their Council Tax and supported to access this;
- ❖ 420 direct calls were taken from residents seeking humanitarian advice and support and 320 food parcels were arranged since July 2020;
- ❖ 500 volunteers were recruited as part of our Giving for Gedling campaign;
- ❖ Over 60,000 vaccinations were undertaken at the Richard Herrod Vaccination Centre;
- ❖ Throughout the pandemic the Council, Foodbanks, Churches and spontaneous community response groups have supported residents, in the form of food parcels, prescription collections, shopping, support and advice, befriending and access to financial support, on more than 10,000 occasions;
- ❖ 300 eligible households benefitted from the Covid-19 Winter Grant;
- ❖ Council tax hardship relief of £770k paid to 2686 working families.

5. The Council's Future Plans – The Way Forward

The financial position remains extremely challenging, with central government support to the Council continuing to fall. By 2021/22 it is now confirmed that Gedling's total government grant reduction is £5.8m, equivalent to a 65% cash reduction when compared to the support received in 2010/11. The Settlement Funding Assessment has reduced to just 26% of Gedling's net budget for 2021/22, compared to 60% in 2010/11. In addition, New Homes Bonus has reduced by £2.29m in 2021/22 when compared to the grant received in 2016/17. Gedling is now judged to be the worst affected council in England based on the Government's assessment of core spending power for the second year running.

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The Council has always taken, and will continue to take, a proactive approach to funding cuts, actively seeking out ways to identify pressures, possible efficiencies and new sources of income. The Gedling Plan 2020/21 was presented to Members on 5 March 2020, reaffirming the Council's priorities as:

- ❖ Strong and Dynamic Communities;
- ❖ Vibrant Economy;
- ❖ Sustainable Environment;
- ❖ Healthy Lifestyles;
- ❖ High Performing Council.

Since 2014/15, progress with the delivery of four separate Efficiency Programmes totalling £6.5m net of risk provision has been positive and budget reductions achieved have been broadly in line with the profiled estimate. Of the total programme, £1.7m was planned for delivery from 2020/21 to 2022/23.

As regards 2020/21, the original programme for the delivery of efficiencies totalled £0.808m. Efficiencies actually delivered in 2020/21 totalled £0.486m resulting in a shortfall of £0.322m. However, £0.263m of this shortfall was due to projects being deferred to 2021/22 due to delays caused by Covid-19.

Due to the reduced delivery of the existing efficiency programme and new budget pressures arising e.g. additional pay award 0.75% above that estimated in 2020/21, a new cumulative efficiency target of £0.584m was approved by the Council in March 2021 and incorporated within the Medium Term Financial Plan. This comprised of targets of £0.254m for 2021/22, £0.162m for 2022/23 and £0.168m for 2023/24. The inclusion of this target maintained the required level of efficiencies broadly in line with previous expectations and contributed to the achievement of a balanced budget. The total programme now planned for delivery in 2021/22 to 2024/25 is £1.4m.

It is recognised that there continue to be significant risks in delivering the full amount of savings in the remaining projects. The implications of the Covid-19 pandemic, for example, are expected to place pressure on the Council's finances which, in turn, will mean that the delivery of the planned savings will be more critical than ever.

Even in the face of the financial challenges the Council remains ambitious for its residents, businesses and taxpayers, and the 3 year capital investment plan, detailed below, includes schemes to develop Arnold Market and provide enterprise units at Calverton as well as the provision of affordable housing and temporary accommodation.

Capital Estimate	Three Year Plan		
	2021/22 £000	2022/23 £000	2023/24 £000
Housing, Health and Wellbeing	2,587	1,324	0
Public Protection	1,720	1,000	1,000
Environment	1,441	1,079	1,161
Growth and Regeneration	4,195	0	0
Resources and Reputation	925	450	250
Equipment Replacement	0	70	70
Future Service Development Bids	0	100	100
Total Expenditure	10,868	4,023	2,581
Financing			
Capital Receipts	(611)	(610)	(611)
Capital Grants and Contributions	(3,725)	(1,000)	(1,000)
General Fund Revenue Contribution	(1,139)	0	0
Borrowing	(5,393)	(2,413)	(970)
Total Financing	(10,868)	(4,023)	(2,581)

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In addition to reductions in Government grant funding, the key strategic financial risks facing the Council over the forthcoming years are:

- ❖ Fair Funding Review – the Government’s review and consultation process is ongoing and implementation of the fair funding review based on an updated assessment of relative needs and resources has now been delayed for a further year due to Covid-19 and will no longer be implemented in 2021/22 as planned. The Government recognises that this could result in significant changes to funding baselines and therefore the level of resources available to the authority, which could reduce. Transitional measures will be introduced to mitigate any immediate impact but these measures will be time limited;
- ❖ Business Rates Retention Scheme – the Government continues to consult on its proposals to introduce 75% retention by Councils. As noted above a mechanism will still be required to ensure that funding is distributed in respect of need, which will inevitably create winners and losers. Given the immense pressure on social care there is a danger that district councils could lose further under any new allocation process. A full reset of the business rates system was due to take place in 2021/22 but has now been delayed for a further year due to Covid-19, although recent announcements indicate that a more fundamental review of business rates is forthcoming;
- ❖ The nature and impact on the Council of the trade deal agreed with the European Union (EU) in December following the United Kingdom’s departure from the EU on 31 January 2020 remains unclear;
- ❖ The impact of the ongoing Covid-19 pandemic and the associated uncertainty cannot be underestimated (see section on Covid-19 below).

The Council has an excellent record for budget management and financial planning. It has always aimed to be a year ahead of the budget reductions required, to ease the transition. It has also already developed strategies to manage efficiencies and for the digitalisation of services. However, given the scale of the challenges faced, especially in the light of Covid-19 and the budget reductions required, there will inevitably be some contraction of services or reduction in performance in some areas over the coming years if existing efficiency plans do not proceed in line with expectations or there are further funding reductions following the implementation of the Fair Funding Review. Working with partners will be essential to successfully respond to the challenges faced.

6. Corporate Risk

The 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. In discharging this responsibility the Council is responsible for putting in place proper governance arrangements, facilitating the effective exercise of its functions including arrangements for the management of risk. For this purpose, the 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”, and also meets the requirements of the Accounts and Audit Regulations 2015.

During the 2020/21 financial year, the annual review of the effectiveness of the Council’s governance framework did not highlight any significant control or risk management concerns as being relevant to the preparation of the Annual Governance Statement (AGS) and the Council’s auditors did not identify any significant risks for consideration within their 2021/22 internal audit plan.

The AGS assesses governance up to 31 March 2021. Significant issues affecting our governance arrangements arising during 2020/21 included the emergence of Covid-19 in March 2020, which continued for the whole of 2020/21, and is ongoing into 2021/22. The key governance issues arising have been effectively addressed as demonstrated through regular reports to Cabinet on the Council’s response to the pandemic and the impact on the Gedling Plan.

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A number of proposed actions for 2021/22 have been identified in the AGS to address control and risk issues following a review of the governance framework which, whilst not all significant, are included to provide a proactive and holistic approach to governance, including assessing and monitoring the risks and assumptions underpinning the Council's Medium Term Financial Plan (MTFP), monitoring of workforce capacity during restructures intended to deliver further efficiencies, finalising the review of the Constitution with its adoption by Council, the adoption and delivery of the Equality and Diversity Policy and Action Plan, a review of the Risk Management Strategy (including training for members and officers) and a review of emerging key legislation to identify the impact upon service delivery and resource requirements.

7. Explanation of the Financial Statements

The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each financial year. These statements contain a number of different elements.

Statements to the Accounts

- ❖ The Statement of Responsibilities for the Statement of Accounts sets out the respective responsibilities of the Authority and of the Chief Financial Officer.
- ❖ The Auditors Report gives the auditor's opinion of the financial statements and of the authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.

Financial Statements

- ❖ The Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards, 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.
- ❖ The Movement in Reserves Statement (MiRS) shows the movement from the start of the year to the end, on different reserves held by the authority, analysed into "usable" reserves (those that can be applied to fund expenditure or reduce local taxation) and other "unusable" reserves. The statement shows how the in-year movements of the authorities reserves are broken down between gains and losses incurred in accordance with Generally Accepted Accounting Practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movement in the year, following those adjustments.
- ❖ The Balance Sheet shows the value, as at the balance sheet date, of the assets and liabilities recognised by the authority. The net assets are matched by the reserves held by the authority, reported as usable reserves (those that may be used to provide services subject to the need to keep a prudent level of reserves) and unusable reserves (those holding unrealised gains and losses and therefore not available to use in the provision of services).
- ❖ The Cashflow 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 cashflows as operating, investing and financing activities. The amount of cashflows arising from operating activities is a key indicator of the extent to which operations 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 the cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cashflows from financing activities are useful when predicting claims on future cashflows to the Council by providers of capital, ie. Borrowing.

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Supplementary Statements

- ❖ The Collection Fund Statement 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 taxpayer and distribution to local authorities and the Government, of council tax and non-domestic rates.

8. Summary

The Council's financial and non-financial position in 2020/21 remains robust, given the extent of the financial challenges it faces. The revenue outturn represents an underspend that is broadly in line with expectations and the capital programme has been actively managed. The Council continues to maintain a level of reserves and balances that will provide financial resilience for 2021/22 and although the recovery from the Covid-19 pandemic is likely to present a significant challenge in the medium term, the Council will not lose sight of achieving the Gedling Plan and delivering its aim of 'serving people, improving lives'.

Following the United Kingdom's departure from the European Union (EU) on 31 January 2020 and the conclusion of a trade deal with the EU in December 2020, the full impact on these upon the Council is yet to be determined.

No material events took place between the reporting date of 31 March 2021 and the date the Statement of Accounts was authorised for issue by the Chief Financial Officer.

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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 2020/21 financial year and its position at the year end of 31 March 2021. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, 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 2020/21 (the 2020/21 Code), 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.

The Statement of Accounts has been prepared on a going concern basis. As required by IAS1, it has been assumed that the Council will continue in operation for the foreseeable future.

2. Accruals of Income and Expenditure

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

- Revenue from the sale of goods or services is recognised in accordance with the terms and conditions of the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance is written down and a charge made to revenue for the income that might not be collected.

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 and Money Market Funds that are repayable at call without penalty. They are readily convertible to known amounts of

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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. **Exceptional items**

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

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, 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.

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

6. **Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current 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 amortisation. 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 amortisation are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 require local authorities to approve an MRP policy at the beginning of each financial year, determining how the amount to be set aside for the repayment of principal on outstanding debt is to be calculated. This policy is included in the Treasury Management Strategy Statement for 2020/21, which was approved by Council on 5 March 2020.

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7. **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 estimated 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 segment or, where applicable, to a corporate service segment for non-distributed costs 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.

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 Pension 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 pension liability is analysed into the following components:

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- 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;
 - 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.

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.

8. Events After the Balance Sheet Date

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a

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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.

9. **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. 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 Authority has not undertaken any repurchase or early settlement of borrowing during 2020/21.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measure at:

- Amortised cost;
- Fair value through profit and loss (FVPL); and
- Fair Value through other comprehensive income (FVOCI).

The Authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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.

These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Authority 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. However, car loans to employees have been considered

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at length and it has been concluded that the sum outstanding 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.

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.

Expected Credit Loss Model

The Authority recognises expected credit losses on all of its financial assets held at amortised costs, either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade debtors held by the Authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since the instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses.

Changes in loss allowances (including balances outstanding at the date of de-recognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Fair Value through Profit and Loss (FVPL)

Financial assets that are measured at FVPL are recognised in the Balance Sheet when the authority becomes a party to contractual provisions of a financial instrument and are initially measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement as they occur.

The Authority holds an investment in the CCLA property fund (a pooled investment fund) which is classified as FVPL. Gains and losses on the fund must now be charged to the Comprehensive Income and Expenditure Statement, however a statutory override effective until 31 March 2023 requires that gains and losses on pooled investment funds must be reversed out through the Movement in Reserves Statement to the Pooled Investment Funds Adjustment Account.

Fair Value through Other Comprehensive Income (FVOCI)

These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the Comprehensive Income and Expenditure Statement when the asset is disposed of. The Authority did not hold any FVOCI instruments during 2020/21.

10. Foreign Currency Conversion

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are converted at the European Central Bank Reference Rate applicable at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

11. 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.

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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.

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.

Community Infrastructure Levy

The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges are largely used to fund capital expenditure. However, a small proportion of the charges for this authority may be used to fund revenue expenditure and to meet administrative expenses.

12. 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

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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. 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.

14. 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.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use.

Properties are not depreciated but values are revalued annually and are reviewed at year-end according to the market conditions. 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.

Investment property that meets the classification criteria for assets held for sale with a realistic expectation of disposal within the next financial year will be re-classified as Held-for-Sale Investment Property in Current Assets.

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.

15. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant 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 2020/21.

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

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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.

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

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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 non-current 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.

A new standard with respect to leasing is due to come into effect on 1 April 2022 (IFRS16) which will change the accounting treatment of finance and operating leases. The Council is assessing the implications of this, but considers it unlikely that the impact will be material.

16. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Authority's arrangements for accountability and financial performance.

17. 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. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are

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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 basis:

- infrastructure, community assets and assets under construction – depreciated historical cost;
- all other assets – current 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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current 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 current value.

Assets included in the Balance Sheet at current 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 two 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 reclassified 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 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). 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. 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.

18. 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 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.

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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 transferring amounts out of the General Fund Balance. 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 transferred 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.

19. 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.

20. 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.

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21. Fair Value Measurement

The Authority measures some of its non-financial assets i.e. investment assets and some of its financial instruments at fair value at each reporting date. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) In the principal market for the asset or liability; or
- b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of a fair value measurement are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices in active market for identical assets or liabilities that the authority can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – unobservable inputs for the asset or liability.

22. Collection Fund

As a billing authority, Gedling Borough Council is required to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and non-domestic rates (NDR). The Council acts as an agent, collecting and distributing council tax and NDR income on behalf of the major preceptors (including central government for NDR) and, as principals, collecting council tax and NDR for themselves. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risk and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

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 are 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.

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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.

Gedling's Balance Sheet includes the authority's share of the year end balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals. Where debtor balances are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

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 FOR GEDLING BOROUGH COUNCIL

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; and
- Approve the Statement of Accounts.

THE RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER

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 ("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 Code;
- Kept proper accounting records, which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities;
- Assessed the Authority's ability to continue as a going concern, disclosing as applicable, matters related to going concern;
- Used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future; and
- Maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 2021 and its income and expenditure for the year then ended.

Signed:

A Ball CPFA
Chief Financial Officer

Date: 31 July 2021

Financial Statements

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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 Expenditure and Funding Analysis (EFA), see note 5 on page 44 and the Movement in Reserves Statement on page 37.

2019/20			2020/21		
Gross Exp £000s	Gross Inc £000s	Net Exp £000s	Gross Exp £000s	Gross Inc £000s	Net Exp £000s
					Net Cost of Services:
2,226	(345)	1,881	1,639	(155)	1,484
29,042	(26,383)	2,659	26,665	(22,459)	4,206
3,553	(1,736)	1,817	3,311	(1,782)	1,529
8,379	(2,735)	5,644	8,610	(2,732)	5,878
2,392	(1,183)	1,209	2,302	(1,031)	1,271
4,602	(1,415)	3,187	8,985	(2,116)	6,869
50,194	(33,797)	16,397	51,512	(30,275)	21,237
					Cost of Services
					Other Operating Expenditure:
715	0	715	740	0	740
17	0	17	19	0	19
32	0	32	36	0	36
9	(74)	(65)	0	(43)	(43)
773	(74)	699	795	(43)	752
					Financing and Investment I&E:
343	0	343	351	0	351
1,092	0	1,092	1,192	0	1,192
0	(254)	(254)	0	(148)	(148)
69	(322)	(253)	45	(311)	(266)
0	0	0	0	0	0
35	0	35	6	0	6
169	0	169	172	0	172
1,708	(576)	1,132	1,766	(459)	1,307
					Taxation and Non Specific Grants:
0	(6,753)	(6,753)	0	(7,013)	(7,013)
0	(4,143)	(4,143)	0	(4,173)	(4,173)
0	(492)	(492)	0	(8,111)	(8,111)
0	(936)	(936)	0	(2,326)	(2,326)
0	(12,324)	(12,324)	0	(21,623)	(21,623)
52,675	(46,771)	5,904	54,073	(52,400)	1,673
		(145)			(256)
		(1,283)			16,743
		(1,428)			16,487
		4,476			18,160
					Total Comprehensive Income and Expenditure

ANNUAL STATEMENT OF ACCOUNTS 2020/21

MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement (MiRS) shows the movement, from the start of the year to the end, on the different reserves held by the authority, analysed into "usable reserves" (ie. those that can be applied to fund expenditure or reduce local taxation), and other "unusable reserves". The Statement shows how the in-year movements of the authority's reserves are broken down between gains and losses incurred in accordance with Generally Accepted Accounting Practices, and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/(Decrease) line shows the statutory General Fund Balance movement in the year, following those adjustments. The General Fund balance at 31 March 2021 is £7.923m, a significant increase on the opening balance. This is primarily due to grant receipts of £4.8m to compensate for the loss of business rates income as a result of extended retail relief to support businesses during the Covid-19 pandemic. These grants will be needed to fund the exceptional business rates deficit, which will not be charged to the General Fund until 2021/22.

2020/21 Statement

Balance at 1 April 2020 per Balance Sheet

Total Comprehensive Income and Expenditure
Adj between Acc'g and Funding basis under regs. (note 9)
Net Increase/(Decrease) before transfers to Earmarked Reserves
Transfers (to)/from Earmarked Reserves (note 10)
Increase or (Decrease) in the year 2020/21
Balance at 31 March 2021 per Balance Sheet

Unallocated Reserves	Earmarked Reserves	Total General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	TOTAL RESERVES
£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
3,909	5,982	9,891	0	1,655	11,546	(25,326)	(13,780)
(1,673)	0	(1,673)	0	0	(1,673)	(16,487)	(18,160)
7,736	0	7,736	0	1,686	9,422	(9,422)	0
6,063	0	6,063	0	1,686	7,749	(25,909)	(18,160)
(2,049)	2,049	0	0	0	0	0	0
4,014	2,049	6,063	0	1,686	7,749	(25,909)	(18,160)
7,923	8,031	15,954	0	3,341	19,295	(51,235)	(31,940)

2019/20 Comparatives

Balance at 1 April 2019 per Balance Sheet (Restated)
Total Comprehensive Income and Expenditure
Adj between Acc'g and Funding basis under regs. (note 9)
Net Increase/(Decrease) before transfers to Earmarked Reserves
Transfers (to)/from Earmarked Reserves (note 10)
Increase or (Decrease) in the year 2019/20
Balance at 31 March 2020 per Balance Sheet

Unallocated Reserves	Earmarked Reserves	Total General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	TOTAL RESERVES
£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
5,161	6,795	11,956	0	1,413	13,369	(22,673)	(9,304)
(5,904)	0	(5,904)	0	0	(5,904)	1,428	(4,476)
3,839	0	3,839	0	242	4,081	(4,081)	0
(2,065)	0	(2,065)	0	242	(1,823)	(2,653)	(4,476)
813	(813)	0	0	0	0	0	0
(1,252)	(813)	(2,065)	0	242	(1,823)	(2,653)	(4,476)
3,909	5,982	9,891	0	1,655	11,546	(25,326)	(13,780)

ANNUAL STATEMENT OF ACCOUNTS 2020/21

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 2020			31 March 2021	
£000s	£000s		£000s	£000s
		Property, Plant & Equipment (note 13)		
21,728		Land and Buildings	22,043	
3,903		Vehicles, Plant and Equipment	3,301	
758		Infrastructure	705	
2,336		Community Assets	2,340	
125		Assets Under Construction	267	
	28,850			28,656
	3,828	Investment Property (note 14)		3,958
	116	Intangible Assets (note 15)		87
	936	Long Term Investments		930
	1,726	Long Term Debtors (note 18)		1,277
	35,456	LONG TERM ASSETS		34,908
6,028		Short Term Investments	8,306	
170		Inventories	149	
5,620		Short Term Debtors (note 19)	15,328	
6,845		Cash and Cash Equivalents (note 20)	9,184	
	18,663	CURRENT ASSETS		32,967
(1)		Short Term Borrowing (under 1 year)	(1)	
(5,737)		Short Term Creditors (note 21)	(16,679)	
	(5,738)	CURRENT LIABILITIES		(16,680)
(1,296)		Provisions over 1 year (note 22)	(1,421)	
(9,812)		Long term Borrowing (PWLB)	(9,812)	
(49,177)		Net Pensions Liability (note 32)	(69,456)	
(1,794)		Capital Grants & Contributions Received in Advance (note 11)	(2,382)	
(82)		Revenue Grants & Contributions Received in Advance (note 11)	(64)	
	(62,161)	LONG TERM LIABILITIES		(83,135)
	(13,780)	NET ASSETS / (LIABILITIES)		(31,940)

ANNUAL STATEMENT OF ACCOUNTS 2020/21

BALANCE SHEET

31 March 2020			31 March 2021	
£000s	£000s		£000s	£000s
	(13,780)	NET ASSETS / (LIABILITIES) AS ABOVE		(31,940)
		Usable Reserves (MiRS p35)		
		General Fund	7,923	
3,909		Earmarked Reserves (note 10)	8,031	
5,982		Capital Grants and Contributions Unapplied	3,341	
1,655				
	11,546			19,295
		Unusable Reserves (note 24)		
		Deferred Capital Receipts	1,610	
2,123		Revaluation Reserve	5,833	
5,747		Pooled Investment Funds Adjustment Account	(70)	
(64)		Pensions Reserve	(69,456)	
(49,177)		Capital Adjustment Account	16,855	
16,734		Collection Fund Adjustment Account - CTax	(104)	
(28)		Collection Fund Adjustment Account - NDR	(5,269)	
(414)		Short-term Accumulating Compensated Absences Account	(634)	
(247)				
	(25,326)			(51,235)
	(13,780)	TOTAL RESERVES		(31,940)

ANNUAL STATEMENT OF ACCOUNTS 2020/21

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.

2019/20		2020/21
£000s		£000s
(5,904)	Net Surplus / (Deficit) on the Provision of Services per the Comprehensive Income and Expenditure Statement	(1,673)
7,672	Total of adjustments to net Surplus/(Deficit) on Provision of Services for non-cash movements	9,874
(1,127)	Total of adjustments to the net Surplus/(Deficit) on Provision of Services for items that are investing and financing activities	(2,540)
641	Net cash flow from operating activities (see note 25)	5,661
2,126	Investing activities (see note 26)	(1,182)
634	Financing activities (see note 27)	(2,140)
3,401	Net Increase / (Decrease) in Cash & Cash Equivalents	2,339
3,444	Cash and Cash Equivalents at the beginning of the reporting period	6,845
6,845	Cash and Cash Equivalents at the End of the Reporting Period	9,184

Analysis of Cash and Cash Equivalents at Balance Sheet dates:

Bank Account balances and cash in transit
 Imprest accounts
 Cash equivalents

Total Cash and Cash Equivalents per Balance Sheet

	31 March 2020	31 March 2021
	£000s	£000s
	(312)	587
	7	7
	7,150	8,590
	6,845	9,184

ANNUAL STATEMENT OF ACCOUNTS 2020/21

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Please refer to the full Statement of Accounting Polices, which can be found on pages 19 to 33.

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

At the balance sheet date, the following new accounting standards and amendments to existing standards have been published, but not yet adopted by the Code.

IFRS3 (business combinations) - amendments to the definition of a business. It is not anticipated that this change will have a material effect on the Council's financial statements.

IFRS9, IAS39 and IFRS7 (financial Instruments) - amendments in respect of the reform of interest rate benchmarks. It is not anticipated that these changes will have a material effect on the Council's financial statements.

IFRS9, IAS39 and IFRS7 (financial Instruments), IFRS4 (insurance contracts) and IFRS16 (Leases) - Phase 2 amendments in respect of the reform of interest rate benchmarks. It is not anticipated that these changes will have a material effect on the Council's financial statements.

In addition there will be regular annual improvements to the IFRS Standards, and to references to the Conceptual Framework in IFRS Standards, neither of which is anticipated to have a material impact on the Council's financial statements.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the Accounting Policies set out on pages 19 to 33, the authority may have to make certain judgements about complex transactions or those involving uncertainty about future events.

There is 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.

Following a referendum held on 23 June 2016, the UK left the European union in 31 January 2020 and concluded a trade deal with the EU by the deadline of 31 December 2020. As yet the full impact of Brexit on the Council remains unclear.

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 2021 for which there is a significant risk of causing a material adjustment in the forthcoming financial year are set out below. This list does not include assets and liabilities carried at fair value based on a recently observed market price.

The coronavirus pandemic has impacted on global financial markets, with market activity affected in many sectors. The property market is recovering well, and market evidence for comparison purposes is now becoming more available to inform opinions of value. Most valuations in 2020/21 were carried out by the Council's in-house valuers, K. Walters MRICS and E. Wimble MRICS, both chartered surveyors, however valuations were also commissioned from external valuers as necessary. The Council's valuer is responsible for reporting on all values. In line with the RICS Material Valuation Uncertainty Leaders' Forum (UK), material valuation uncertainty (MVU) declarations are no longer required unless an individual valuer believes there is a reason for such a declaration. It is the Council valuer's professional judgement that none of the valuations for the 2020/21 Accounts are subject to MVU.

An impairment review of property values at the balance sheet date was completed at 31 March 2021 and concluded that there were no material differences in value compared to the carrying amount.

ANNUAL STATEMENT OF ACCOUNTS 2020/21

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 example, a one year increase in the mortality assumption (life expectancy) would result in an increase of £7.62m in the pension liability, and a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £3.16m. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. See note 32 on pages 79 to 86 for further details.
Pensions Assets	The Council participates in the Nottinghamshire Local Government Pension Fund. In line with the RICS Material Valuation Uncertainty Leaders' Forum (UK), material valuation uncertainty declarations are no longer required unless the individual valuer believes that there is reason for such a declaration. The Actuary has confirmed that no MVU declaration has been made in respect of Pension Fund property assets in 2020/21.	As the Actuary has confirmed that no MVU declarations have been made in 2020/21, there is no impact on Gedling's share of the property assets held within the Pension Fund.
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 £231,600. However, as the asset values are reviewed on an annual basis this level of incorrect estimation is unlikely. See note 13 on pages 54 to 56 for further details.

ANNUAL STATEMENT OF ACCOUNTS 2020/21

NOTES TO THE FINANCIAL STATEMENTS

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

Provisions	<p>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 (RV) achieved can be pre-determined. The current provision totals £3,302,600 of which the Council's share as billing authority is £1,321,000.</p>	<p>A change of 5% in the assumed RV reduction achieved for each NDR appeal could increase or decrease the provision requirement by around £165,100. Of this, the Council's share as billing authority would be £66,100. See note 22 on page 68 or further details on Provisions.</p>
Arrears	<p>An estimate of the impairment allowance for doubtful debts is based upon the age and type of each debt. A collective assessment matrix is used, including the value of items with shared characteristics, eg. the type of debtor and the period overdue, together with a weighting factor for the probability of default. The loss allowance for impairment at 31 March 2021 is £2,417,700. Whilst the full impact of the coronavirus pandemic is uncertain, it has been addressed when assessing the expected credit loss provisions and the use of a collective provision matrix ensures that where arrears rise there is a corresponding increase in the expected credit loss provision.</p>	<p>If collection rates were to deteriorate, a 10% increase on the impairment percentage would require an additional £296,700 to be set aside as an allowance.</p>

ANNUAL STATEMENT OF ACCOUNTS 2020/21

NOTES TO THE FINANCIAL STATEMENTS

5. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with Generally Accepted Accounting Practices. It also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under Generally Accepted Accounting Practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES) on page 36.

2019/20			2020/21			
Net Exp chg'ble to General Fund Balance £000s	Adjs between Funding & Acc'g Basis £000s	Net Exp in CIES (page 36) £000s		Net Exp chg'ble to General Fund Balance £000s	Adjs between Funding & Acc'g Basis £000s	Net Exp in CIES (page 36) £000s
			Net Cost of Services:			
1,818	63	1,881	Community Development	1,382	102	1,484
2,314	345	2,659	Housing, Health & Well-being	3,621	585	4,206
1,636	181	1,817	Public Protection	1,271	258	1,529
5,043	601	5,644	Environment	5,160	718	5,878
812	397	1,209	Growth and Regeneration	1,000	271	1,271
1,167	2,020	3,187	Resources and Reputation	4,698	2,171	6,869
12,790	3,607	16,397	Cost of Services	17,132	4,105	21,237
			Other Operating Expenditure:			
715	0	715	Payment of Precepts to Parishes	740	0	740
17	0	17	Drainage Board Levy	19	0	19
0	32	32	Pensions Administration Cost	0	36	36
(47)	(18)	(65)	(Gain)/Loss on disposal of PPE	(13)	(30)	(43)
685	14	699		746	6	752
			Financing and Investment I&E:			
343	0	343	Interest Payable on Debt	351	0	351
0	1,092	1,092	Net Pensions Interest Cost	0	1,192	1,192
(195)	(59)	(254)	Interest Receivable & similar income Inc & Exp re. Investment properties & changes in their fair value	(100)	(48)	(148)
(111)	(142)	(253)	(Gain)/Loss on disposal of Inv't Assets	(136)	(130)	(266)
0	0	0	(Gain)/Loss on Pooled Investm't Funds	0	0	0
0	35	35	Mvt on Impairment Loss Allowances	0	6	6
169	0	169		172	0	172
206	926	1,132		287	1,020	1,307
			Taxation and Non Specific Grants:			
(6,749)	(4)	(6,753)	Council Tax Income	(7,089)	76	(7,013)
(4,375)	232	(4,143)	Non Domestic Rates	(9,028)	4,855	(4,173)
(492)	0	(492)	Non Ring-fenced Government Grants	(8,111)	0	(8,111)
0	(936)	(936)	Capital grants and contribs (note 11)	0	(2,326)	(2,326)
(11,616)	(708)	(12,324)		(24,228)	2,605	(21,623)
2,065	3,839	5,904	(Surpl)/Def on Prov'n of Services	(6,063)	7,736	1,673
£000s			Opening General Fund Balance	£000s		
(11,956)			(Surplus)/Deficit on General Fund	(9,891)		
2,065				(6,063)		
(9,891)			Closing General Fund Balance	(15,954)		

ANNUAL STATEMENT OF ACCOUNTS 2020/21

NOTES TO THE FINANCIAL STATEMENTS

6. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

The Code requires a reconciliation of the main adjustments to net expenditure chargeable to the General Fund to arrive at the amounts shown in the Comprehensive Income and Expenditure Statement (CIES) on page 36. The relevant transfers between reserves are shown in the Movement in Reserves Statement (MiRS) on page 37.

2020/21

Adjs. between Funding and Accounting Basis				
Adjustments for capital purposes	Net change for Pension adjustments	Other Differences	Total Adjustments	
£000s	£000s	£000s	£000s	
Community Development	0	87	15	102
Housing, Health & Well-being	35	434	116	585
Public Protection	0	224	34	258
Environment	0	644	74	718
Growth and Regeneration	0	237	34	271
Resources and Reputation	1,375	682	114	2,171
Cost of Services	1,410	2,308	387	4,105
Other income and expenditure from the Expenditure and Funding Analysis	(2,528)	1,228	4,931	3,631
Difference between the General Fund (surplus)/deficit and the CIES (surplus)/deficit on the Provision of Services	(1,118)	3,536	5,318	7,736

2019/20

Adjs. between Funding and Accounting Basis				
Adjustments for capital purposes	Net change for Pension adjustments	Other Differences	Total Adjustments	
£000s	£000s	£000s	£000s	
Community Development	0	62	1	63
Housing, Health & Well-being	0	344	1	345
Public Protection	0	182	(1)	181
Environment	95	503	3	601
Growth and Regeneration	228	172	(3)	397
Resources and Reputation	1,495	531	(6)	2,020
Cost of Services	1,818	1,794	(5)	3,607
Other income and expenditure from the Expenditure and Funding Analysis	(1,120)	1,124	228	232
Difference between the General Fund (surplus)/deficit and the CIES (surplus)/deficit on the Provision of Services	698	2,918	223	3,839

Adjustments for Capital purposes

Services lines are adjusted for depreciation and amortisation charges. Statutory charges for capital financing (the minimum revenue provision) and other revenue contributions are deducted as these are not chargeable under Generally Accepted Accounting Practices.

Other operating expenditure is adjusted for disposals of Property, Plant and Equipment.

ANNUAL STATEMENT OF ACCOUNTS 2020/21

NOTES TO THE FINANCIAL STATEMENTS

6. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS (Continued)

Financing and investment income and expenditure is adjusted for changes in the fair value of investment property, and for disposals of investment assets.

Taxation and non-specific grant income and expenditure is credited with capital grants receivable in the year without condition, or for which conditions were satisfied in the year.

Net change for Pensions adjustments

Service lines are adjusted for the removal of employer's contributions made by the Council as allowed by statute and their replacement with current service costs and past service costs.

Other operating expenditure is adjusted for pensions administration.

Financing and investment income and expenditure is adjusted for the net interest on the defined benefit liability which is charged to the CIES.

Other Differences

Service lines include adjustments relating to the accumulated absences account. Accruals are made for compensated absences earned but not taken in the year, eg. annual and flexi-leave carried forward at 31 March. Statutory arrangements require that the impact of these accruals on the General Fund balance is neutralised by transfers to and from the accumulated absences account.

The charge under taxation and non-specific grant income mainly represents the difference between what is chargeable under statutory regulations for council tax and NDR, ie that was projected to be received at the start of the year, and the income to be recognised under Generally Accepted Accounting Practices. This is a timing issue as any difference will be brought forward in future surplus and deficits on the Collection Fund.

7. SEGMENTAL ANALYSIS

The introduction of the Expenditure and Funding Analysis fulfils the majority of the segmental reporting requirements, however the Code requires that if certain specified items are reported segmentally to management and are material, these should be disclosed more fully. The Council's depreciation, amortisation charges and revaluation losses are reported segmentally, as is external income from customers, and details of these charges are given below.

Depreciation, Amortisation & Revaluation Losses

Community Development
Housing, Health & Well-being
Public Protection
Environment
Growth and Regeneration
Resources and Reputation

	2019/20	2020/21
	£000s	£000s
Community Development	53	60
Housing, Health & Well-being	311	351
Public Protection	8	4
Environment	1,238	1,211
Growth and Regeneration	230	1
Resources and Reputation	193	302
	2,033	1,929

External Income from Customers

Community Development
Housing, Health & Well-being
Public Protection
Environment
Growth and Regeneration
Resources and Reputation

	2019/20	2020/21
	£000s	£000s
Community Development	(122)	(42)
Housing, Health & Well-being	(3,740)	(930)
Public Protection	(841)	(746)
Environment	(2,538)	(2,478)
Growth and Regeneration	(1,049)	(837)
Resources and Reputation	(896)	(758)
	(9,186)	(5,791)

ANNUAL STATEMENT OF ACCOUNTS 2020/21

NOTES TO THE FINANCIAL STATEMENTS

8. EXPENDITURE AND INCOME ANALYSED BY NATURE

	2019/20	2020/21
	£000s	£000s
Employee benefits expenses	17,555	18,079
Other service expenses	31,730	32,732
Depreciation, amortisation & revaluation losses	2,033	1,929
Interest payments	343	351
Precepts and levies	732	759
Costs associated with the disposal of fixed assets	9	0
Expenditure on investment properties and reductions in fair value	69	45
Losses on pooled investment funds	35	6
Increases on Impairment Loss Allowances	169	172
Total Expenditure per CIES	52,675	54,073
Fees, charges and other service income	(9,186)	(5,791)
Interest and investment income	(254)	(148)
Income from council tax and NDR	(10,896)	(11,186)
Government grants and other contributions	(26,039)	(34,921)
Income from the disposal of assets	(74)	(43)
Income from investment properties and increases in fair value	(322)	(311)
Income from gains on pooled investment funds	0	0
Decreases on Impairment Loss Allowances	0	0
Total Income per CIES	(46,771)	(52,400)
(Surplus)/Deficit on the Provision of Services	5,904	1,673

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NOTES TO THE FINANCIAL STATEMENTS

9. 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>2020/21</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 24)</u>					
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CIES):					
Charges for depreciation & impairment of non-current assets	1,774	0	0	1,774	(1,774)
Revaluation losses/(reversals) on Property Plant and Equipment	35	0	0	35	(35)
Movement in fair value of investment properties	(130)	0	0	(130)	130
Amortisation of intangible assets	120	0	0	120	(120)
Capital grants & contributions applied	(417)	0	0	(417)	417
Revenue Expenditure Funded from Capital Under Statute	171	0	0	171	(171)
Carrying Amounts debited as part of the gain or loss on disposals of non-current assets	0	0	0	0	0
Insertion of items NOT debited or credited to the CIES:					
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	(569)	0	0	(569)	569
Capital expenditure charged against General Fund Balance	(121)	0	0	(121)	121
<u>Adjustments primarily involving the Capital Grants Unapplied Account</u>					
Capital grants and contributions unapplied, credited to the CIES	(1,909)	0	1,909	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(223)	(223)	223
<u>Adjustments primarily involving the Pooled Investment Funds Adjustment Account</u>					
Transfer of the gain/loss on pooled investments	6	0	0	6	(6)
Sub-total of items adjusted	(1,040)	0	1,686	646	(646)

ANNUAL STATEMENT OF ACCOUNTS 2020/21

NOTES TO THE FINANCIAL STATEMENTS

9. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

<u>2020/21 (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	(1,040)	0	1,686	646	(646)
<u>Adjustments primarily involving the Capital Receipts Reserve</u>					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES (PPE)	(30)	30	0	0	0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES (Investment Assets)	0	561	0	561	(561)
Use of Capital Receipts Reserve to finance new capital expenditure	0	(591)	0	(591)	591
<u>Adjustments primarily involving the Deferred Capital Receipts Reserve</u>					
Transfer of interest on deferred capital receipt	(48)	0	0	(48)	48
<u>Adjustments primarily involving the Pensions Reserve</u>					
Reversal of items relating to retirement benefits debited or credited to the CIES	5,966	0	0	5,966	(5,966)
Employers pension contributions and direct payments to pensioners payable in the year	(2,430)	0	0	(2,430)	2,430
<u>Adjustments primarily involving the Collection Fund Adjustment A/C</u>					
Amount by which Council Tax & NDR income credited to the CIES differs to that income calculated for the year in accordance with statutory requirements	4,931	0	0	4,931	(4,931)
<u>Adjustments primarily involving the Accumulated Absences Account</u>					
Amount by which officer remuneration credited to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	387	0	0	387	(387)
Total Net adjs between Accounting basis and Funding basis under regulation (per Movement in Reserves Statement on p37)	7,736	0	1,686	9,422	(9,422)

The adjustments primarily involving the Collection Fund include £4.855m in respect of the exceptional business rates deficit created as a result of the Covid-19 pandemic. The General Fund balance of £7.923m at 31 March 2021 includes grant receipts of £4.8m to compensate for the loss of business rates income as a result of extended retail relief to support businesses during the Covid-19 pandemic. These grants will be used to fund the exceptional business rates deficit, which will not be charged to the General Fund until 2021/22.

ANNUAL STATEMENT OF ACCOUNTS 2020/21

NOTES TO THE FINANCIAL STATEMENTS

9. 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.

2019/20 Comparatives

Adjustments primarily involving the Capital Adjustment Account (note 24)

Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CIES):

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
1,678	0	0	1,678	(1,678)
323	0	0	323	(323)
(143)	0	0	(143)	143
32	0	0	32	(32)
(458)	0	0	(458)	458
535	0	0	535	(535)
2	0	0	2	(2)
Insertion of items NOT debited or credited to the CIES:				
(571)	0	0	(571)	571
(179)	0	0	(179)	179
Adjustments primarily involving the Capital Grants Unapplied Account				
(477)	0	477	0	0
0	0	(235)	(235)	235
Adjustments primarily involving the Pooled Investment Funds Adjustment Account				
35	0	0	35	(35)
777	0	242	1,019	(1,019)

Revaluation losses/(reversals) on Property Plant and Equipment

Movement in fair value of investment properties

Amortisation of intangible assets

Capital grants & contributions applied Revenue Expenditure Funded from Capital Under Statute

Carrying Amounts debited as part of the gain or loss on disposals of non-current assets

Insertion of items NOT debited or credited to the CIES:

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 CIES

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

Adjustments primarily involving the Pooled Investment Funds Adjustment Account

Transfer of the gain/loss on pooled investments

Sub-total of items adjusted

ANNUAL STATEMENT OF ACCOUNTS 2020/21

NOTES TO THE FINANCIAL STATEMENTS

9. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

<u>2019/20 Comparatives (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	777	0	242	1,019	(1,019)
<u>Adjustments primarily involving the Capital Receipts Reserve</u>					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES (PPE)	(20)	20	0	0	0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES (Investment Assets)	0	561	0	561	(561)
Use of Capital Receipts Reserve to finance new capital expenditure	0	(581)	0	(581)	581
<u>Adjustments primarily involving the Deferred Capital Receipts Reserve</u>					
Transfer of interest on deferred capital receipt	(59)	0	0	(59)	59
<u>Adjustments primarily involving the Pensions Reserve</u>					
Reversal of items relating to retirement benefits debited or credited to the CIES	5,231	0	0	5,231	(5,231)
Employers pension contributions and direct payments to pensioners payable in the year	(2,312)	0	0	(2,312)	2,312
<u>Adjustments primarily involving the Collection Fund Adjustment A/C</u>					
Amount by which council tax & NDR income credited to the CIES differs to the council tax income calculated for the year in accordance with statutory requirements	228	0	0	228	(228)
<u>Adjustments primarily involving the Accumulated Absences Account</u>					
Amount by which officer remuneration credited to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(6)	0	0	(6)	6
Total Net adjs between Accounting basis and Funding basis under regulation (per Movement in Reserves Statement on p37)	3,839	0	242	4,081	(4,081)

ANNUAL STATEMENT OF ACCOUNTS 2020/21

NOTES TO THE FINANCIAL STATEMENTS

10. 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 2019/20 and 2020/21.

	Balance 31 Mar 2019	Transfers out during 2019/20	Transfers in during 2019/20	Balance 31 Mar 2020	Transfers out during 2020/21	Transfers in during 2020/21	Balance 31 Mar 2021
Reserve:	£000s	£000s	£000s	£000s	£000s	£000s	£000s
IT Equip't Replacement & Investment	665	(239)	77	503	(48)	126	581
Community and Crime	103	(37)	3	69	(10)	234	293
Risk Mgt & Budget Red'n	251	(199)	0	52	(26)	7	33
Housing and Housing Benefits	416	(162)	0	254	(15)	69	308
Insurance	298	(39)	35	294	(20)	63	337
Efficiency & Innovation	271	(6)	44	309	(37)	71	343
Asset Management	532	(126)	39	445	(55)	171	561
Local Plan Reserve	108	(9)	32	131	(11)	0	120
S106 Revenue	192	(29)	0	163	(30)	31	164
Earmarked Grants	784	(357)	189	616	(63)	840	1,393
Joint Use Maintenance	81	0	32	113	(39)	28	102
CCTV	221	(43)	26	204	(30)	25	199
Local Authority Mortgage Scheme Reserve	111	0	0	111	0	0	111
Apprentices	76	0	0	76	(15)	0	61
NDR Pool	1,081	(151)	313	1,243	(42)	313	1,514
Transformation	768	(132)	0	636	(98)	104	642
Economic Development	385	(133)	16	268	(94)	0	174
Leisure Strategy	237	0	0	237	0	41	278
Building Control	10	(10)	0	0	0	0	0
Property Management	64	0	11	75	(11)	0	64
Selective Licencing	141	0	42	183	0	30	213
Additional Restrictions Grant (ARG)	0	0	0	0	0	540	540
Total Earmarked Reserves per Balance Sheet p38-39	6,795	(1,672)	859	5,982	(644)	2,693	8,031
Net Movement in Year per MiRS p37		(813)			2,049		

IT Replacement & Investment - to provide for the cost of replacing personal computing facilities based on a rolling programme, and investment in new equipment.

Community and Crime Reserve - to fund future community and crime initiatives, including mobile radios. The opening balance has been adjusted to include the disabled adaptations reserve as this is no longer earmarked separately.

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.

ANNUAL STATEMENT OF ACCOUNTS 2020/21

NOTES TO THE FINANCIAL STATEMENTS

10. TRANSFERS TO/FROM EARMARKED RESERVES (Continued)

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 asset maintenance and replacement.

Local Plan 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.

Earmarked 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 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 indemnified Lloyds for 20% of individual loans for 5 years from the date of each completion.

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

NDR Pool Reserve - represents the Council's share of surpluses arising from its membership of the Nottinghamshire Business 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.

Leisure Strategy Reserve - to provide for future investment in the Council's leisure facilities.

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

Property Management Reserve - to provide for entry fees for property funds and similar investments.

Selective Licencing Reserve - to provide for future costs associated with the Selective Licencing Scheme.

ARG Reserve - Additional Restrictions Grant was paid to the Council to fund Covid-19 related discretionary grants to local businesses, based on the authority's specific local knowledge. Unallocated funds at 31 March have been transferred to an earmarked reserve for future use,

ANNUAL STATEMENT OF ACCOUNTS 2020/21

NOTES TO THE FINANCIAL STATEMENTS

11. ANALYSIS OF GRANTS AND CONTRIBUTIONS INCLUDED IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement (CIES). Significant amounts were received in respect of Covid-19 support and the sums included within both Taxation and Non-Specific Grant Income and Cost of Services are analysed further below.

	2019/20 £000s	2020/21 £000s
<u>Credited to Taxation and Non-Specific Grant Income:</u>		
Revenue Support Grant (including redistributed sums)	(10)	0
New Homes Bonus	(482)	(383)
Covid-19 related non-ringfenced grants (see below)	0	(7,728)
Non Ring-fenced Grants	(492)	(8,111)
FCC Communities Foundation / WREN - Play Areas	(170)	(192)
MHCLG - Disabled Facilities Grant	(171)	(410)
Community Infrastructure Levy (CIL)	(294)	(1,158)
Rural Development Programme for England / Rural Payments Agency	(78)	(43)
Section 106 Developer Contributions	(206)	(98)
D2N2 - Carlton Square	0	(350)
Office for Low Emission Vehicles (OLEV) - Electric Charging Points	0	(75)
Other	(17)	0
Capital Grants and Contributions	(936)	(2,326)
S31 Grants included in Non Domestic Rates income	(1,489)	(6,341)
Local Tax Income Guarantee included in Non Domestic Rates Income	0	(254)
Local Tax Income Guarantee included in Council Tax Income	0	(65)
Total Non Ring-fenced Grants included in CIES on page 36	(2,917)	(17,097)
<u>Credited to Services:</u>		
Housing Benefits	(21,624)	(20,510)
Grants for Revenue Expenditure funded from Capital	(992)	(700)
Covid-19 related Grants credited to Services (see below)	0	(2,162)
Other Grants & Contributions	(1,195)	(638)
Total grants & contributions credited to Services	(23,811)	(24,010)
Total Grants, Contributions and Donated Assets	(26,728)	(41,107)

The Community Infrastructure Levy (CIL) is a planning charge available to local authorities in England and Wales. It came into force in April 2010 and an authority may choose to levy the charge on most types of new development in its area. The proceeds of the levy must be spent on infrastructure in the local area, including transport, flood defence, schools, hospitals and other health and social care facilities. Gedling's CIL Charging Schedule came into effect in October 2015.

ANNUAL STATEMENT OF ACCOUNTS 2020/21

NOTES TO THE FINANCIAL STATEMENTS

11. ANALYSIS OF GRANTS AND CONTRIBUTIONS INCLUDED IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (Continued)

Significant sums are included in both Taxation and Non-Specific Grant Income and Cost of Services that relate to Covid-19 support. The amounts are made up as follows:

Credited to Taxation and Non-Specific Grant Income:

	2020/21
	£000s
Additional Restrictions Grant (discretionary grants based on local knowledge)	(3,405)
Sales, Fees & Charges compensation (to mitigate irrecoverable losses of service income)	(1,585)
Emergency Covid-19 Delivery (funding to local authorities to mitigate funding pressures)	(1,570)
Discretionary Grants (Retail, Hospitality & Leisure sectors)	(896)
Local Restrictions Grant - Open (discretionary grants for businesses not mandated to close)	(231)
Non ringfenced Business Grants Administration	(41)
Total	(7,728)

Credited to Services:

	2020/21
	£000s
Council Tax Hardship (to support economically vulnerable households)	(873)
New Burdens & Covid Delivery Grants	(375)
Furlough Scheme	(363)
Outbreak Contain and Enforcement (to support costs associated with public health)	(249)
Track & Trace Discretionary (grants to eligible residents required to self isolate)	(150)
Compliance and Enforcement	(48)
Winter Assistance	(41)
Reopening High Streets Safely (to create a safe trading environment)	(39)
Additional HB Admin Subsidy	(24)
Total	(2,162)

Grants and Contributions Received in Advance

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:

	2019/20	2020/21
	£000s	£000s
Capital		
Developers' Section 106 Contributions	(1,794)	(2,382)
	(1,794)	(2,382)
Revenue		
Developers' Section 106 Contributions	(82)	(64)
	(82)	(64)

ANNUAL STATEMENT OF ACCOUNTS 2020/21

NOTES TO THE FINANCIAL STATEMENTS

12. 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.

	2019/20	2020/21
	£000s	£000s
Opening Capital Financing Requirement (CFR)	10,222	10,313
<u>Additions:</u>		
Property, Plant & Equipment (note 13)	1,492	1,359
Intangible Assets	88	91
Revenue expenditure funded from capital under statute (REFCUS)	1,527	872
Total Capital Investment	3,107	2,322
<u>Financing:</u>		
Capital receipts	(581)	(591)
Government Grants	(1,105)	(871)
Other Grants and Contributions	(759)	(591)
Minimum Revenue Provision (MRP)	(571)	(569)
Total Sources of Finance	(3,016)	(2,622)
Closing Capital Financing Requirement (CFR)	10,313	10,013
<u>Explanation of movements in the year:</u>		
Increase/(Decrease) in underlying need to borrow - supported by Government financial assistance	0	0
Increase/(Decrease) in underlying need to borrow - not supported by Government financial assistance	91	(300)
Increase/(Decrease) in Capital Financing Requirement (CFR)	91	(300)

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NOTES TO THE FINANCIAL STATEMENTS

13. PROPERTY, PLANT & EQUIPMENT

Movements in 2020/21

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 2020	22,201	9,291	1,387	7,891	125	40,895
Additions	718	213	3	283	142	1,359
Revaln incr/(decr) recognised in the Revaluation Reserve	(352)	0	0	0	0	(352)
Revaln incr/(decr) recognised in the Surplus/Deficit on Provision of Services	(35)	0	0	0	0	(35)
Derecognition-Disposals	0	(27)	0	0	0	(27)
Derecognition-Decommissioned	0	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0	0
As at 31 March 2021	22,532	9,477	1,390	8,174	267	41,840

Accumulated Depreciation and Impairment:

As at 1 April 2020	(473)	(5,388)	(629)	(5,555)	0	(12,045)
Depreciation Charge	(624)	(815)	(56)	(279)	0	(1,774)
Depreciation written out to the Revaluation Reserve	608	0	0	0	0	608
Depreciation written out to the Surplus/Deficit on Provision of Services	0	0	0	0	0	0
Derecognition-Disposals	0	27	0	0	0	27
Derecognition-Decommissioned	0	0	0	0	0	0
As at 31 March 2021	(489)	(6,176)	(685)	(5,834)	0	(13,184)

Net Book Value 31/3/20	21,728	3,903	758	2,336	125	28,850
Net Book Value 31/3/21	22,043	3,301	705	2,340	267	28,656

ANNUAL STATEMENT OF ACCOUNTS 2020/21

NOTES TO THE FINANCIAL STATEMENTS

13. PROPERTY, PLANT & EQUIPMENT (Continued)

Comparative Movements in 2019/20

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 2019	22,593	9,197	1,308	7,493	20	40,611
Additions	169	741	79	398	105	1,492
Revaln incr/(decr) recognised in the Revaluation Reserve	(168)	0	0	0	0	(168)
Revaln incr/(decr) recognised in the Surplus/Deficit on Provision of Services	(393)	0	0	0	0	(393)
Derecognition-Disposals	0	(647)	0	0	0	(647)
Derecognition-Decommissioned	0	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0	0
As at 31 March 2020	22,201	9,291	1,387	7,891	125	40,895

Accumulated Depreciation and Impairment:

As at 1 April 2019	(286)	(5,239)	(573)	(5,298)	0	(11,396)
Depreciation Charge	(571)	(794)	(56)	(257)	0	(1,678)
Depreciation written out to the Revaluation Reserve	314	0	0	0	0	314
Depreciation written out to the Surplus/Deficit on Provision of Services	70	0	0	0	0	70
Derecognition-Disposals	0	645	0	0	0	645
Derecognition-Decommissioned	0	0	0	0	0	0
As at 31 March 2020	(473)	(5,388)	(629)	(5,555)	0	(12,045)

Net Book Value 31/3/19

Net Book Value 31/3/20

22,307	3,958	735	2,195	20	29,215
21,728	3,903	758	2,336	125	28,850

Depreciation

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

Land and Buildings

Generally 25 to 95 years however Arnot Hill House, a listed building, has a life of 173 years.

Vehicles, Plant and Equipment

5 to 25 years

Infrastructure

10 to 25 years

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NOTES TO THE FINANCIAL STATEMENTS

13. PROPERTY, PLANT & EQUIPMENT (Continued)

Revaluation

The authority carries out a rolling programme which ensures that all Property, Plant and Equipment required to be measured at Current Value is revalued at least every two years. Items within a class of Property, Plant and Equipment are revalued simultaneously within that rolling programme. Most valuations in 2020/21 were completed by the Council's in-house valuers, K.Walters MRICS and E. Wimble MRICS, both chartered surveyors, however valuations were also commissioned from external valuers as deemed necessary. Bruton Knowles carried out the valuations of Mapperley Golf Course and Bestwood Lodge Hotel, and Lambert Smith Hampton valued land at Killisick Lane and Arnold Leisure Centre.

Valuations of land and buildings are carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. An impairment review is carried out annually on the Land and Buildings Portfolio. Due to Covid-19 there was previously a risk of material valuation uncertainty (MVU) however, as per the RICS Material Valuation Uncertainty Leaders' Forum (UK), MVU declarations are no longer required unless the individual valuer believes that there is reason for such a declaration. It is the Council valuer's professional judgement that none of the valuations for the 2020/21 Accounts are subject to MVU. Vehicles, Plant and Equipment are valued on a depreciated historic cost basis as a proxy for Current Value.

Capital Commitments

At 31 March 2021 there were six significant capital contracts that had been entered into but not fully completed. The largest outstanding amount was £125,000 for professional fees relating to the development of Arnold Market, and the other amounts ranged from £50,000 to £58,000. These values represent the sums remaining to be paid in 2021/22 and not the value of the contracts.

14. INVESTMENT PROPERTY

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.

	2019/20	2020/21
	£000s	£000s
Rental from Investment Property	(117)	(143)
Direct operating expenses arising from Investment Property	5	7
Net (Gain)/Loss	(112)	(136)

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.

Investment property is valued on an annual basis, and an impairment review is also completed at the balance sheet date. Most valuations in 2020/21 were completed by the Council's in-house valuers, K. Walters MRICS and E. Wimble MRICS, both chartered surveyors, however valuations were also commissioned from external valuers as deemed necessary. The Council's valuer is however responsible for reporting on all values. Due to Covid-19 there was previously some risk of material valuation uncertainty (MVU) however as per the RICS Material Valuation Uncertainty Leaders' Forum (UK), MVU declarations are no longer required unless the individual valuer believes that there is reason for such a declaration. It is the Council valuer's professional judgement that none of the valuations for the 2020/21 Accounts are subject to MVU.

The following table summarises the movements in the fair value of investment properties over the year. The valuation basis adopted uses Level 2 inputs, ie. those other than quoted prices that are observable for the financial asset.

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14. INVESTMENT PROPERTY (Continued)

Long Term Investment Property:

Balance at the start of the year

Additions (purchase, construction & subsequent expenditure)

Disposals

Net gain/(loss) from fair value adjustments

Balance at the end of the year per Balance Sheet

2019/20	2020/21
£000s	£000s
3,685	3,828
0	0
0	0
143	130
3,828	3,958

15. 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. Over 90% of the amortisation of £120,152 charged to revenue in 2020/21 was charged to Payroll and IT, and then absorbed as an overhead across all relevant service headings in Cost of Services. Other 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.

Gross carrying amount

Accumulated amortisation

Net carrying amount at start of year

Additions

Derecognition of decommissioned assets:

Gross carrying amount

Accumulated amortisation

Amortisation for the year

Net carrying amount at end of year per Balance Sheet

Represented by:

Gross carrying amount

Accumulated amortisation

Total

2019/20	2020/21
£000s	£000s
722	810
(662)	(694)
60	116
88	91
0	0
0	0
(32)	(120)
116	87
810	901
(694)	(814)
116	87

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16. 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 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 however 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.

The Code requires authorities to measure their assets and liabilities and provide disclosures in accordance with IFRS13 - Fair Value Measurement. Therefore, wherever financial instruments are measured or disclosed at fair value, this is to be done in accordance with IFRS13. The Code defines fair value as "the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date". This emphasises that fair value is a market based measurement and not an authority specific measurement.

A key element of IFRS13 is the fair value hierarchy. Level 1 inputs use quoted prices in an active market for identical assets and liabilities, which an authority can access at the measurement date. Level 2 uses inputs other than quoted prices that are observable for the asset or liability. Level 3 uses unobservable inputs for the asset or liability.

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 the transaction costs that are directly attributable to them. As above, fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. In general, the fair value on initial recognition will be the transaction price. Transaction costs include fees paid to brokers, dealers and advisers, but do not include internal administrative costs.

Soft Loans

Local Authorities often make "soft loans", ie. loans for policy reasons, rather than as financial instruments, and these loans may sometimes be interest free or at rates below those prevailing in the market, for example to voluntary bodies or to employees for the purchase of motor vehicles. The "fair value" of such loans may be held to be less than the amount of cash lent, and would accordingly be estimated as the present value of all the future cash receipts, discounted using the prevailing market rate of interest for a similar loan. Any sum by which the amount lent exceeds the fair value of the loan should be charged to the Comprehensive Income and Expenditure Statement.

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NOTES TO THE FINANCIAL STATEMENTS

16. FINANCIAL INSTRUMENTS (Continued)

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 2020/21 were car loans to employees. It is the Council's view that the outstanding sum of £190k 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.

Subsequent Measurement

Although all financial instruments are initially measured on the basis of fair value, subsequent measurement depends on the "classification" of an instrument. IFRS9 defines two classes of financial liabilities, and three classes of financial assets. Classification is now based on the characteristics of the financial asset, including consideration of the business model within which the asset is held. This requires an assessment of the objectives for holding the asset, and whether the contractual terms give rise to cashflows that are solely payments of principal and interest (the SPPI test).

Financial liabilities:

- * Amortised cost
- * Fair value through profit and loss (FVPL) - none held by the Council

Financial assets:

- * Amortised cost
- * Fair value through comprehensive income (FVOCI) - none held by the Council
- * Fair value through profit and loss (FVPL)

In practice the majority of financial liabilities held by the Council will be in the "amortised cost" category, and most financial assets will be either at amortised cost, or held at fair value through profit and loss. 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 not to be material, for example the 0.035% charge made by PWLB, the transaction costs may be charged immediately to the Comprehensive Income and Expenditure Statement (CIES). 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 upon the 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, and in England such spreading is a requirement for discounts.

No premiums or discounts were paid or received by the Council during 2020/21.

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NOTES TO THE FINANCIAL STATEMENTS

16. FINANCIAL INSTRUMENTS (Continued)

The Council's Financial Instruments at 31 March 2021

(a) Financial Liabilities at Amortised Cost:

- (i) **Long and Short Term Borrowing** - Total long term debt outstanding on the balance sheet on 31 March 2021 is £9.812m, all held with the Public Works Loan Board (PWLB). The short term borrowing balance of £1k shown on the Balance Sheet is represented by accrued interest only. PWLB loans have special characteristics in that the interest rates are based on the Government's cost of borrowing rather than on market rates, and a penalty charge is payable on early redemption that is over and above the cost to the lender.

The Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, and these are termed the PWLB certainty interest rates. As a result of its PWLB commitments for fixed rate loans, a comparison of the terms of these loans with the new borrowing rates available from PWLB has been used to calculate the fair value. If a value is calculated on this basis the carrying amount of the Council's outstanding loans of £9.812m would be valued at £12.658m (excluding accrued interest). However, if the Council was to seek to avoid the projected loss by repaying the loans to PWLB, the PWLB would raise a penalty charge based on the premature redemption interest rates, totalling £5.784m. The exit price for the outstanding PWLB loans including the penalty charge would therefore be £15.596m (excluding accrued interest).

This redemption charge is a supplementary measure of the fair value of the outstanding PWLB loans of £9.812m. It measures the economic effect of the terms agreed by the Council with the PWLB, compared with estimates of the terms that would be offered for market transactions undertaken at the balance sheet date, which have been assumed to be the PWLB premature redemption interest rates. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB against what would be paid if the loans were at prevailing market rates.

If the discount rate applied to each outstanding loan was to increase by 1%, the penalty would fall from £5.784m to £2.649m and the exit price from £15.596m to £12.461m (excluding accrued interest). These amounts would be reversed if the discount rate was to fall, ie. the penalty and the exit price would rise.

The valuation basis adopted uses level 2 inputs, ie. inputs other than quoted prices that are observable for the financial liability.

- (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 £2.445m. Short-term creditors outstanding at 31 March 2021, which are classed as financial instruments, totalled £2.862m.

(b) Financial Assets at Amortised Cost

- (i) **Short Term Investment** - Investments held at 31 March 2021 amounted to £8.306m, including accrued interest, and consisted of fixed term deposits with approved counterparties. Term deposit 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.
- (ii) **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 2021 is £190k, which is not deemed material. The long term debtors figure also includes deferred capital receipts of £1.085m for a land sale at Teal Close.
- (iii) **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. Short term debtors outstanding at 31 March 2021, which are classed as financial instruments, totalled £5.884m net of impairment provisions for doubtful debts (see note 19). This figure includes deferred capital receipts of £525k due in 2021/22 for a land sale at Teal Close.

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NOTES TO THE FINANCIAL STATEMENTS

16. FINANCIAL INSTRUMENTS (Continued)

- (iv) **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 in hand at 31 March 2021 totalled £587k as a result of daily cashflow management. This balance is combined on the Balance Sheet as part of the overall Cash and Cash Equivalents balance of £9.184m in hand, including a total of £8.590m held in Money Market Funds. Whilst the value of these funds can technically fluctuate, suggesting treatment as fair value through profit and loss, the Council invests with Low Volatility Net Asset Value (LVNAV) products, which have an exceptionally low level of fluctuation. The Money Market Funds are AAA rated, and this would not be the case if the Funds were not deemed stable.

(c) Financial Assets at Fair Value through Profit and Loss

The Council has a long term investment of £1m with the CCLA Local Authority Property Fund (LAPF). Under IFRS9 this investment is classified as a financial asset at fair value through profit and loss, whereby fluctuations in the certificated value of the fund would generally be charged to the CIES. However, a statutory override in place until 31 March 2023 requires these fluctuations to be reversed out via the MiRS to a Pooled Investment Funds Adjustment Account and held on the balance sheet.

The certificated value of the property fund investment fell from £936,390 at 1 April 2020 to £929,709 at 31 March 2021. The loss of £6,681 was debited to CIES and reversed out in accordance with the statutory override. The current balance on the Pooled Investment Funds Adjustment Account is £70,291.

Dividends received in respect of the property fund investment totalled £39,997 in 2020/21. These have been credited to the CIES, and are included in the deficit on the provision of services.

Notice of the suspension of the LAPF was received from CCLA in March 2020, whereby no subscriptions or redemptions could be made. Such suspension is a normal course of action in exceptional market conditions, such as those experienced due to the coronavirus pandemic, as valuers cannot be confident that their valuations truly reflect prevailing conditions. Where there is a material risk of disadvantage to either party, all transactions must be suspended until the required level of certainty is re-established. Dealing in the fund recommenced on 30 September 2020 on the basis that conditions in the property market were deemed to have stabilised. A 90-day notice period for redemptions from the fund was also introduced, to align the dealing terms of the fund with the liquidity of the underlying assets, and to ensure resilience during periods of market stress.

A summary of the Council's exposure to financial instruments at 31 March 2021 is shown below:

Summary of Financial Instruments

Financial liabilities at amortised cost

Long Term Borrowing
Short Term Borrowing
Long Term Creditors
Short Term Creditors

Total Financial Liabilities

Financial assets at amortised cost

Short Term Investments
Long Term Debtors
Short Term Debtors
Cash & Cash Equivalents

Financial assets at fair value through profit and loss

Pooled Investment Funds

Total Financial Assets

	31/3/20	31/3/21
	£000s	£000s
	(9,812)	(9,812)
	(1)	(1)
	(1,876)	(2,445)
	(3,620)	(2,862)
	(15,309)	(15,120)
	6,028	8,306
	1,726	1,277
	3,239	5,884
	6,845	9,184
	936	930
	18,774	25,581

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NOTES TO THE FINANCIAL STATEMENTS

17. 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. Refinancing risk is the possibility that the Council might be required to renew a financial instrument on maturity at unfavourable interest rates or terms. 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 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 maximum investment limits with individual counterparties and Money Market Funds. Any investment in excess of these limits 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 2020/21.

Impairment of Financial Assets - the Expected Credit Loss Model

IFRS9 introduced the concept of "expected credit losses" as opposed to "incurred losses". This is largely in response to the financial crisis, when impairment provisions were often found to be too little, and to have been made too late.

Impairment losses must be calculated to reflect the expectation that future cashflows might not take place because the borrower could default on their obligations. Provision for trade receivables (debtors) is made on a lifetime expected loss basis using a collective provision matrix, and credit risk plays a crucial role in assessments. The Council has historically used such a matrix, and this has been reviewed to ensure that it is sufficiently "forward looking" and not simply based on past experience. The overall increase of £172k in the Council's impairment loss allowances for financial instruments during 2020/21 has been debited to the financing and investment section of the CIES, in accordance with the requirement of IFRS9.

Whilst the full impact of the coronavirus pandemic is not yet known, it has been addressed when assessing the expected credit loss provisions. The use of a collective provision matrix ensures that where arrears rise there is also a corresponding increase in the expected credit loss provision, and furthermore, whilst recovery may be currently suspended, it will ultimately recommence. On the basis of a "lifetime expected credit loss" the overall position remains unchanged.

No provision for impairment has been made for short term investments on the basis that these are fixed term deposits with high quality counterparties and the risk is assessed as negligible. The Council's treasury advisers have calculated that the historic risk of default on the entire short term investment portfolio at 31 March 2021 is 0.009%, and would amount to an expected credit loss provision of less than £1,000. This is not deemed to be material.

Similarly, no provision has been made for cash and cash equivalents, which includes the Council's investments in money market funds. As previously discussed, these are AAA rated funds and are deemed to represent negligible risk.

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NOTES TO THE FINANCIAL STATEMENTS

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

Liquidity and Refinancing 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 shown below:

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

	31/3/20	31/3/21
	£000s	£000s
Principal	0	0
Interest accruals	(1)	(1)
Short Term Borrowing per Balance Sheet	(1)	(1)
Repayable in 1 to 2 years	0	0
Repayable in 2 to 5 years	0	0
Repayable in 5 to 10 years	0	0
Repayable in over 10 years	(9,812)	(9,812)
Long Term Borrowing per Balance Sheet	(9,812)	(9,812)

It is a requirement of the Code that the long-term and short-term 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.

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's property fund investment is subject to fluctuations in value and the capital sum is not guaranteed, however the intention is to hold the investment for at least five years to minimise the risk. The authority has no equity shareholdings and thus no exposure to risk from movements in share prices.

Foreign Exchange Risk:

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

18. LONG TERM DEBTORS

Car Loans

Other - Cycle Scheme

Land Sale Deferred Settlement

Total Long Term Debtors per Balance Sheet

	2019/20	2020/21
	£000s	£000s
Car Loans	115	190
Other - Cycle Scheme	1	2
Land Sale Deferred Settlement	1,610	1,085
Total Long Term Debtors per Balance Sheet	1,726	1,277

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NOTES TO THE FINANCIAL STATEMENTS

18. LONG TERM DEBTORS (Continued)

The sale of land at Teal close was completed on 30 April 2018, however the sale proceeds are being phased over a contractually agreed period. The sum of £525k is to be received in the forthcoming year and is included with short term debtors below, however the sum of £1.085m to be received in periods beyond 31 March 2022 is included as a long term debtor. The total deferred capital receipt is £1.610m as detailed in note 24, Unusable Reserves.

19. SHORT TERM DEBTORS

	2019/20			2020/21		
	Financial Instrum'ts	Statutory Debts	Total	Financial Instrum'ts	Statutory Debts	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Central Government Departments	594	212	806	1,315	5,178	6,493
Other Local Authorities	314	1,279	1,593	336	2,942	3,278
Land Sale Deferred Settlement	513	0	513	525	0	525
Other Entities and Individuals	4,064	1,214	5,278	6,126	1,768	7,894
Total Short Term Debtors	5,485	2,705	8,190	8,302	9,888	18,190
Less Impairment Loss Allowance	(2,246)	(324)	(2,570)	(2,418)	(444)	(2,862)
Net Short Term Debtors per Balance Sheet	3,239	2,381	5,620	5,884	9,444	15,328

Amounts in respect of council tax and business rates are outside the scope of financial instruments, being "statutory debtors". The balance of statutory debtors is significant at 31 March 2021 due mainly to the central government share of the exceptional business rates deficit resulting from additional reliefs granted due to the pandemic.

In accordance with IFRS9, the increase of £172k on the impairment loss allowance for financial instruments between 2019/20 and 2020/21 has been debited to the Financing and Investment section in the Comprehensive Income and Expenditure Statement.

20. 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, including money market funds, are deemed to be such instruments, given that they are repayable at call without penalty. All the Council's fixed term deposits (however short) and notice accounts are classed as short-term investments, since penalties will be incurred if they are broken.

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

	31/03/20	31/03/21
	£000s	£000s
Cash balance at bank and cash in transit	(312)	587
Imprest Accounts	7	7
	(305)	594
Call Accounts	7,150	8,590
Total Cash and Cash Equivalents per Balance Sheet	6,845	9,184

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NOTES TO THE FINANCIAL STATEMENTS

21. 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.

	2019/20 (Restated)			2020/21		
	Financial Instrum'ts	Statutory Creditors	Total	Financial Instrum'ts	Statutory Creditors	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Central Government Departments	0	(2,460)	(2,460)	0	(12,999)	(12,999)
Other Local Authorities	(368)	(844)	(1,212)	(760)	(459)	(1,219)
Other Entities and Individuals	(1,773)	(292)	(2,065)	(2,102)	(359)	(2,461)
Total Short Term Creditors per Balance Sheet	(2,141)	(3,596)	(5,737)	(2,862)	(13,817)	(16,679)

Amounts due in respect of council tax, business rates and HMRC taxes are outside the scope of financial instruments, being "statutory creditors". The balance of statutory creditors at 31 March 2021 is significant due to S31 grant initially paid to Gedling as the billing authority now being repayable to MHCLG for onward allocation to other preceptors, and to sums repayable as a result of the Council's agency arrangements for the issue of business grants during the pandemic.

The 2019/20 Central Government figure for Financial Instruments has been restated as Statutory Creditors.

22. PROVISIONS

Over one year:

Balance at 1 April 2020

Additional Provisions made in 2020/21

Used in 2020/21

Reversed in 2020/21

Balance at 31 March 2021

Transf'd Stock Env. Warranties	Transf'd Stock Repairs	NDR Appeals	Total Provisions
£000s	£000s	£000s	£000s
(50)	(50)	(1,196)	(1,296)
0	0	(125)	(125)
0	0	0	0
0	0	0	0
(50)	(50)	(1,321)	(1,421)

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.

NDR 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 £1,321,000 has been made, representing the Council's estimated share of such liabilities at 31 March 2021.

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NOTES TO THE FINANCIAL STATEMENTS

23. USABLE RESERVES

Movements in the authority's Usable Reserves are detailed in the Movement in Reserves Statement on page 37, and in note 9 on pages 48 to 51.

24. UNUSABLE RESERVES

Deferred Capital Receipts	2,123	1,610
Revaluation Reserve	5,747	5,833
Pooled Investment Funds Adjustment Account	(64)	(70)
Capital Adjustment Account	16,734	16,855
Pensions Reserve	(49,177)	(69,456)
Collection Fund Adjustment Account - Council Tax	(28)	(104)
Collection Fund Adjustment Account - Non Domestic Rates	(414)	(5,269)
Accumulated Absences Account	(247)	(634)

	31/03/20	31/03/21
	£000s	£000s
Deferred Capital Receipts	2,123	1,610
Revaluation Reserve	5,747	5,833
Pooled Investment Funds Adjustment Account	(64)	(70)
Capital Adjustment Account	16,734	16,855
Pensions Reserve	(49,177)	(69,456)
Collection Fund Adjustment Account - Council Tax	(28)	(104)
Collection Fund Adjustment Account - Non Domestic Rates	(414)	(5,269)
Accumulated Absences Account	(247)	(634)
Total Unusable Reserves	(25,326)	(51,235)

Total Unusable Reserves

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. 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. The balance relates to the sale of land at Teal Close, completed on 30 April 2018.

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 1 April

Upward revaluation of assets	387	530
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(242)	(274)
Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services	145	256
Difference between fair value depreciation and historic cost depr'n	(150)	(170)
Accumulated gains on assets sold or scrapped	0	0
Amount written off to the Capital Adjustment Account	(150)	(170)

	2019/20	2020/21
	£000s	£000s
Balance at 1 April	5,752	5,747
Upward revaluation of assets	387	530
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(242)	(274)
Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services	145	256
Difference between fair value depreciation and historic cost depr'n	(150)	(170)
Accumulated gains on assets sold or scrapped	0	0
Amount written off to the Capital Adjustment Account	(150)	(170)
Balance at 31 March	5,747	5,833

Balance at 31 March

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NOTES TO THE FINANCIAL STATEMENTS

24. UNUSABLE RESERVES (Continued)

Pooled Investment Funds Adjustment Account

The introduction of IFRS9 requires pooled investment funds to be classified at Fair Value through Profit and Loss (FVPL), whereby all gains and losses are immediately charged to the Surplus and Deficit on the Provision of Services. However, in the case of certain property funds, including the CCLA LAPF in which the Council has an investment of £1m, a statutory override initially in place until 31 March 2023 requires these gains and losses to be neutralised via the Movement on Reserves Statement to the Pooled Investment Funds Adjustment Account (PIFAA). The decrease in value of the Council's property fund investment in 2020/21 represents a loss, which has been reversed out to the PIFAA in accordance with the regulations.

Balance at 1 April

Gain/(Loss) on CCLA Property Fund in year

Balance at 31 March

2019/20	2020/21
£000s	£000s
(29)	(64)
(35)	(6)
(64)	(70)

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 9 on pages 48 to 51 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

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NOTES TO THE FINANCIAL STATEMENTS

24. UNUSABLE RESERVES (Continued)

Capital Adjustment Account (continued)

Balance at 1 April

Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:

Charges for depreciation and impairment of non-current assets
 Revaluation (losses)/reversals on Property, Plant and Equipment
 Amortisation of Intangible Assets
 Revenue Expenditure funded from Capital under Statute (REFCUS)
 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

Adjusting amount written out of the Revaluation Reserve

Net written out amount of non-current assets consumed in the year

Capital financing applied in the year:

Use of Capital Receipts Reserve to finance new capital expenditure
 Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing
 Applications of grants to capital financing from the Capital Grants Unapplied Account
 Statutory provision for the financing of capital investment charged against the General Fund
 Capital expenditure charged against the General Fund

Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement

Balance at 31 March

	2019/20	2020/21
	£000s	£000s
Balance at 1 April	16,987	16,734
<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	(1,678)	(1,774)
Revaluation (losses)/reversals on Property, Plant and Equipment	(323)	(35)
Amortisation of Intangible Assets	(32)	(120)
Revenue Expenditure funded from Capital under Statute (REFCUS)	(535)	(171)
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	(2)	0
	(2,570)	(2,100)
Adjusting amount written out of the Revaluation Reserve	150	170
	(2,420)	(1,930)
<u>Capital financing applied in the year:</u>		
Use of Capital Receipts Reserve to finance new capital expenditure	581	591
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	458	417
Applications of grants to capital financing from the Capital Grants Unapplied Account	235	223
Statutory provision for the financing of capital investment charged against the General Fund	571	569
Capital expenditure charged against the General Fund	179	121
	2,024	1,921
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	143	130
Balance at 31 March	16,734	16,855

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.

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NOTES TO THE FINANCIAL STATEMENTS

24. UNUSABLE RESERVES (Continued)

Pensions Reserve (Continued)

As cashflow was uncertain in the face of the Covid 19 pandemic, the Council did not take up the option to pay a single lump sum to the Pension Fund in 2020/21 to represent its monetary pension deficit contributions for a three year period, in order to take advantage of a cash discount. Instead, it was agreed with the administering authority to make a one-year payment of £403k for 2020/21, followed by a 2-year lump sum of £831k to be paid in 2021/22 - generating a slightly reduced cash saving. The 2020/21 contribution of £403k has been fully charged to revenue in the year. The cash payment of £831k in April 2021 will immediately reduce the Council's pension deficit, however only half of the sum paid will be chargeable to the revenue accounts in each of 2021/22 and 2022/23, resulting in a difference of £415.5k between the Pension Liability Account and the Pension Reserve at 31 March 2022.

	2019/20	2020/21
	£000s	£000s
Balance at 1 April	(47,541)	(49,177)
Actuarial gains or (losses) on pensions assets and liabilities	1,283	(16,743)
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	(5,231)	(5,966)
Employer's pension contributions and direct payments to pensioners payable in the year	2,312	2,430
Balance at 31 March	(49,177)	(69,456)

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:

	2019/20	2020/21
	£000s	£000s
Balance at 1 April	(32)	(28)
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	4	(76)
Balance at 31 March	(28)	(104)

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NOTES TO THE FINANCIAL STATEMENTS

24. UNUSABLE RESERVES (Continued)

Collection Fund Adjustment Accounts (continued)

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

2019/20	2020/21
£000s	£000s
(182)	(414)
(232)	(4,855)
(414)	(5,269)

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.

Overall balances of outstanding leave at each year-end are relatively consistent, however an annual review is carried out. Accruals are based on outstanding hours multiplied by pay rates for the following year, ie. the year in which the leave will be taken.

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

2019/20	2020/21
£000s	£000s
(253)	(247)
253	247
(247)	(634)
6	(387)
(247)	(634)

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NOTES TO THE FINANCIAL STATEMENTS

25. CASH FLOW STATEMENT - OPERATING ACTIVITIES

Net Surplus / (Deficit) on the Provision of Services per CIES on p36

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

Depreciation
 Impairment and downward revaluations
 Amortisation
 Increase / (Decrease) in revenue creditors
 (Increase) / Decrease in revenue debtors
 (Increase) / Decrease in stocks and works in progress
 Pension liability
 Carrying amount of non current assets sold
 Other non-cash items charged to net surplus/(deficit) on provision of services

	2019/20	2020/21
	£000s	£000s
	(5,904)	(1,673)
	1,678	1,774
	323	35
	32	120
	968	5,793
	969	(1,406)
	(12)	21
	3,477	3,536
	2	0
	235	1
	7,672	9,874
	(1,127)	(2,540)
Net cash flow from Operating Activities per Cash Flow Statement on p40	641	5,661

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

Cash flows for operating activities include the following items:

Interest Received
 Interest Paid

	2019/20	2020/21
	£000s	£000s
	(190)	(117)
	488	351

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NOTES TO THE FINANCIAL STATEMENTS

26. CASH FLOW STATEMENT - INVESTING ACTIVITIES

Purchase of property, plant and equipment, investment property and intangible assets	(1,560)	(1,463)
Purchase of short term and long term investments	0	(2,295)
Other payments for investing activities	(5)	(7)
Proceeds from sale of property, plant and equipment, investment property and intangible assets	581	591
Proceeds from short-term and long term investments	2,000	0
Capital grants & contributions	993	1,849
Other receipts from investing activities	117	143

	2019/20	2020/21
	£000s	£000s
Purchase of property, plant and equipment, investment property and intangible assets	(1,560)	(1,463)
Purchase of short term and long term investments	0	(2,295)
Other payments for investing activities	(5)	(7)
Proceeds from sale of property, plant and equipment, investment property and intangible assets	581	591
Proceeds from short-term and long term investments	2,000	0
Capital grants & contributions	993	1,849
Other receipts from investing activities	117	143
Net cash flows from Investing Activities per Cash Flow Statement on p40	2,126	(1,182)

27. CASH FLOW STATEMENT - FINANCING ACTIVITIES

Receipt of short-term and long-term borrowing	1,000	0
Other receipts from financing activities	20	28
Movement on NDR debtor with preceptors and CLG	377	(7,461)
Movement on Council Tax debtors with Preceptors	(701)	(931)
Community Infrastructure Levy held for Parishes	53	74
Grants & contributions held for other principal parties	0	6,253
Other payments for financing activities	(115)	(103)

	2019/20	2020/21
	£000s	£000s
Receipt of short-term and long-term borrowing	1,000	0
Other receipts from financing activities	20	28
Movement on NDR debtor with preceptors and CLG	377	(7,461)
Movement on Council Tax debtors with Preceptors	(701)	(931)
Community Infrastructure Levy held for Parishes	53	74
Grants & contributions held for other principal parties	0	6,253
Other payments for financing activities	(115)	(103)
Net cash flows from Financing Activities per Cash Flow Statement on p40	634	(2,140)

28. 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 notice on its website. 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.

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NOTES TO THE FINANCIAL STATEMENTS

28. MEMBERS' ALLOWANCES (Continued)

The authority paid the following amounts to Members of the Council during the year:

	2019/20	2020/21
	£000s	£000s
Allowances:		
Basic	173	179
Special Responsibility	119	119
Expenses:		
Car mileage and public transport	4	0
Conferences and subsistence	6	0
	302	298

The figures above include payments made to independent members.

29. EXTERNAL AUDIT COSTS

The authority is required to disclose amounts paid to its appointed auditors for work carried out in performing statutory functions. For 2020/21, Mazars are the appointed auditors for accounts and inspection work, however KPMG are the appointed auditors for grant certification work. Amounts paid to the appointed auditor for work carried out in providing additional services such as tax advice must also be disclosed, the purpose being to demonstrate that the objectivity of the auditor is not compromised by fees for other work being significant in relation to audit costs.

	2019/20	2020/21
	£	£
Audit services carried out by the appointed auditor (Mazars)	32,779	39,790
Additional fees paid to the appointed auditors in respect of previous years	750	7,902
Additional fees paid to previous auditors in respect of previous years	5,446	0
Grant certification	11,800	12,695
Total fees for statutory audit services in the year	50,775	60,387
Fees for tax advisory services	0	0
Total fees paid to the appointed auditor	50,775	60,387

The sum of £3,402 was agreed in principle by the CFO for additional work in 2018/19 on Property, Plant and Equipment, however at 31 March 2020 this had not been formally approved by the PSAA and was therefore not accrued into the 2019/20 Accounts. Confirmation of approval by PSAA was received in March 2021 and the sum was paid. It is therefore included as a sum paid in respect of previous years in the 2020/21 Accounts.

Final agreement of one-off fee variations in respect of the 2019/20 audit has still not been received from PSAA. The sum of £4,500 has been accrued to the 2020/21 Accounts in line with an estimate received from Mazars.

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NOTES TO THE FINANCIAL STATEMENTS

30. OFFICERS' REMUNERATION

The Accounts and Audit Regulations 2015 require certain disclosures in respect of the remuneration of senior employees 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. For the purpose of this disclosure note, senior officers are defined as those collectively representing the Council's Senior Leadership Team.

There is a requirement to disclose by job title the individual remuneration for senior employees whose annualised basic salary is £50,000 or more, but less than £150,000. Any employee in receipt of an annualised salary of £150,000 or more is 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.

Remuneration is defined as amounts payable to or receivable by a person, and includes salary (the amount received under a contract of employment for services rendered), bonuses, expenses, the estimated monetary value of non-cash benefits, ie. "benefits in kind", and compensation for loss of employment. Remuneration generally excludes an employer's pension contributions, however for "senior officers" such contributions must also be included.

The remuneration paid to the Authority's senior employees in 2020/21, and in 2019/20 for comparison, is detailed in the table below.

Senior Employees in receipt of a basic salary exceeding £50,000:

2020/21

	Salary, Fees & All'wces	Exps All'wces	Benefits in Kind	Comp'n for loss of Office	Total exc Pension Contribs	Employer Pension Contribs	Total
	£	£	£	£	£	£	£
Chief Executive	115,753	4	1	0	115,758	21,044	136,802
Director of Environment, Communities & Leisure	83,424	314	50	0	83,788	15,183	98,971
Director of Corporate Resources & S151 Officer	76,266	0	0	0	76,266	13,880	90,146
Director of Org'l Devel. & Democratic Services (part year as post deleted)	60,161	0	0	0	60,161	10,367	70,528

2019/20

Chief Executive (to 28/2/20)	118,055	464	74	26,976	145,569	15,684	161,253
Deputy Chief Executive & Director of Finance	93,877	180	29	0	94,086	13,776	107,862
Director of Org'l Devel. & Democratic Services	86,478	83	13	0	86,574	12,260	98,834
Director of Health & Community Well-being	83,805	468	74	0	84,347	12,260	96,607

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NOTES TO THE FINANCIAL STATEMENTS

30. OFFICERS' REMUNERATION (Continued)

There is also a requirement to disclose the authority's other employees receiving remuneration totalling more than £50,000 in the year (excluding employer's pension contributions) and these are analysed in bands of £5,000 starting at £50,000 in the table 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
 £95,000 to £99,999

2019/20 Number	2020/21 Number
7	5
1	4
3	1
0	0
1	2
2	0
14	12

Total number of other employees whose remuneration exceeds £50,000

Two employees fell in the £95,000 to £99,999 band in 2019/20 only by way of significant termination payments made following a review of Service Manager posts.

31. EXIT PACKAGES (TERMINATION BENEFITS)

The Council is required to disclose the number and cost of exit packages made in the financial year in rising bands of £20,000 up to £100,000, and bands of £50,000 thereafter. Exit packages to be included are those that have been agreed by the Council, ie. for which it is "demonstrably committed".

Termination benefits are defined as amounts payable as a result of either the Council's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of benefits in exchange for the termination of employment. Voluntary early retirement does not represent a termination benefit, being instead a "post employment benefit". Termination benefits differ from post-employment benefits in that the latter are earned throughout an employee's working life, whereas termination benefits arise as a result of a specific event, such as a reduction in service capacity or as a result of budget cuts.

One compulsory redundancy was made during 2020/21, incurring liabilities of £32,066. There were also three terminations agreed for reasons other than redundancy, incurring total liabilities of £134,146. These amounts have been charged to the Comprehensive Income and Expenditure Statement in the year.

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 £	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
0 to 20,000	0	0	3	2	3	2	12,580	3,954
20,001 to 40,000	1	1	0	0	1	1	24,880	32,066
100,001 to 150,000	2	0	0	1	2	1	244,670	130,192
	3	1	3	3	6	4	282,130	166,212

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NOTES TO THE FINANCIAL STATEMENTS

32. 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 statutory scheme with index linked benefits, meaning that the authority and employees both pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. Until 31 March 2014, benefits were based on final salary and length of service, however following changes to the LGPS, all benefits accrued from 1 April 2014 are based on career average revalued earnings and the 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. In addition, as there are many unrelated employers in the LGPS there is an "orphan liability risk", where an employer leaves the fund but with insufficient assets to cover their pension obligations, in which case the shortfall may fall on the remaining employers. These risks 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, and by the assumption that an employer may leave the fund with excess assets, and these may be inherited by the remaining employers.

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.

(ii) Explanation of terms:

Liabilities (obligations) - the post employment benefits that have been promised under the formal terms of the pension scheme, plus any constructive obligation for further benefits where the authority has given employees valid expectations that such benefits will be granted. 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).

ANNUAL STATEMENT OF ACCOUNTS 2020/21

NOTES TO THE FINANCIAL STATEMENTS

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

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.

An amendment to IAS19 requires that when determining any past service cost, or gain or loss on settlement, the net defined benefit liability is to be remeasured using current assumptions, and the fair value of plan assets at the time of the event. The amendment does however note that this extra remeasurement does not need to be applied where the application of that remeasurement is not material. The Actuary has treated two events which occurred during 2020/21 as "material special events".

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 36) 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 37). Transactions affecting the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement are shown below.

In 2018 the Court of Appeal ruled that changes made to the pension schemes for judges and firefighters were unlawful on the grounds of age discrimination, a decision known as the "McCloud and Sargeant" judgement, and this was upheld by the Supreme Court. There is still uncertainty regarding LGPS benefits due to both the McCloud and Sargeant judgement, and the 2016 "cost cap" process. The Government has published its consultation on a remedy for the McCloud and Sargeant judgement, and at the same time announced the unpausing of the 2016 cost cap process which will take into account the remedy for the McCloud and Sargeant judgement. These issues are yet to be finalised, and therefore it remains uncertain what changes may be made to LGPS benefits as a result. The Council previously included an allowance to reflect the potential impact of the McCloud case, and this has been rolled forward by the Actuary in obtaining the accounting results for 2020/21.

Consultation on the McCloud issue closed on 8 October 2020 and the final remedy will only be known following a full review and the publication of a final set of Regulations. The Actuary does not believe that there are any material differences between the approach underlying the allowance already made, and the proposed remedy, and therefore no further adjustment is deemed necessary.

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NOTES TO THE FINANCIAL STATEMENTS

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

As a result of a recent High Court ruling on the equalisation of guaranteed minimum pensions (GMPs) between genders, a number of pension schemes have made an adjustment to accounting disclosures to reflect the effect of this ruling on the value of pension liabilities. However Barnett Waddingham have indicated that HM Treasury has confirmed that the judgement does not impact on the current method used to achieve equalisation and indexation in public service pensions, and does not therefore believe that any adjustment to the value placed on liabilities is required.

	2019/20	2020/21
	£000s	£000s
<u>Comprehensive Income and Expenditure Statement (CIES):</u>		
<u>Cost of Services:</u>		
a) Service cost comprising:		
Current service cost	3,822	4,427
Past service cost	285	311
Loss on settlement (net)	0	0
b) Other Operating Expenditure:		
Administration Cost	32	36
<u>c) Financing & Investment Income & Expenditure:</u>		
Net Interest Cost	1,092	1,192
Total Post Employment benefits charged to the Surplus or Deficit on the Provision of Services	5,231	5,966
<u>Re-measurement of the net defined liability comprising:</u>		
Return on plan assets less interest (gain) / loss	7,240	(14,523)
Other actuarial (gains) / losses	416	0
Actuarial (gains) and losses on changes in financial assumptions	(12,895)	34,231
Actuarial (gains) and losses on changes in demographic assumptions	(2,377)	(1,390)
Experience (gains) and losses on the defined benefit obligation	6,333	(1,575)
Total Re-measurements (See Comprehensive Income and Expenditure Statement on page 36)	(1,283)	16,743
Total Post Employment benefits charged to the Comprehensive Income and Expenditure Statement	3,948	22,709
<u>Movement in Reserves Statement:</u>		
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 9)	(5,231)	(5,966)

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

	2019/20	2020/21
	£000s	£000s
Employer's contributions payable to the scheme	2,038	2,173
Discretionary payments (added years, pension strain etc)	274	257
Total	2,312	2,430

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NOTES TO THE FINANCIAL STATEMENTS

32. 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:

	2016/17	2017/18	2018/19	2019/20	2020/21
	£000s	£000s	£000s	£000s	£000s
Present value of the funded defined benefit obligation	122,520	121,554	125,402	121,473	156,086
Fair value of assets	(72,172)	(74,855)	(80,196)	(73,829)	(88,191)
Net liability arising from the funded defined benefit obligation (LGPS)	50,348	46,699	45,206	47,644	67,895
Present value of the unfunded obligation (Discretionary Benefits)	2,027	1,909	1,777	1,533	1,561
Net Pension Liability on the Balance Sheet	52,375	48,608	46,983	49,177	69,456

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits. These total £157.647m, including funded and unfunded obligations.

The net pension liability of £69.456m has a substantial impact on the net worth of the authority, as recorded in the Balance Sheet, reducing it by 185.1%. 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.

As cashflow was uncertain in the face of the Covid 19 pandemic, the Council did not take up the option to pay a lump sum to the Pension Fund in April 2020 representing its full monetary pension deficit contribution for the three years 2020/21, 2021/22 and 2022/23. Instead it paid £403,000 in respect of 2020/21 only and this has been fully charged to revenue during the year. A further £831,000 will be paid in April 2021, representing the full monetary contribution for 2021/22 and 2022/23. This will immediately reduce the pension liability, but will be charged to revenue over the two-year period.

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

	2019/20	2020/21
	£000s	£000s
Opening defined benefit obligation	127,179	123,006
Current service cost	3,822	4,427
Interest Cost	2,903	2,469
Change in financial assumptions	(12,895)	34,231
Change in demographic assumptions	(2,377)	(1,390)
Experience loss/(gain) on defined benefit obligation	6,333	(1,575)
Estimated Benefits Paid (net of transfers in)	(2,751)	(4,343)
Past Service Cost including curtailments	285	311
Contributions by Scheme Participants	630	622
Unfunded Pension Payments	(123)	(115)
Adjustment for rounding (see offsetting adjustment on assets)	0	4
Closing defined benefit obligation	123,006	157,647

ANNUAL STATEMENT OF ACCOUNTS 2020/21

NOTES TO THE FINANCIAL STATEMENTS

32. 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

Return on plan assets in excess of interest

Other actuarial gains/(losses)

Administration expenses

Contributions by Employer including Unfunded Benefits

Contributions by Scheme Participants

Estimated Benefits paid including Unfunded Benefits

Adjustment for rounding (see offsetting adjustment on liabilities)

Closing fair value of scheme assets

	2019/20	2020/21
	£000s	£000s
Opening fair value of scheme assets	80,196	73,829
Interest on assets	1,811	1,277
Return on plan assets in excess of interest	(7,240)	14,523
Other actuarial gains/(losses)	(416)	0
Administration expenses	(32)	(36)
Contributions by Employer including Unfunded Benefits	1,752	2,430
Contributions by Scheme Participants	630	622
Estimated Benefits paid including Unfunded Benefits	(2,872)	(4,458)
Adjustment for rounding (see offsetting adjustment on liabilities)	0	4
Closing fair value of scheme assets	73,829	88,191

LGPS assets allocated to Gedling Borough Council by asset class:

Equities

Gilts

Other Bonds

Property

Cash

Inflation-linked Pooled Fund

Infrastructure

Unit Trust

Total assets allocated to Gedling Borough Council

	2018/19	2019/20	2020/21	
	£000s	£000s	£000s	%
Equities	49,775	42,609	57,126	65
Gilts	2,612	3,068	2,963	3
Other Bonds	7,431	6,784	6,045	7
Property	10,852	11,008	9,010	10
Cash	1,938	3,009	4,010	5
Inflation-linked Pooled Fund	2,914	2,758	4,267	5
Infrastructure	3,861	4,593	4,770	5
Unit Trust	813	0	0	0
Total assets allocated to Gedling Borough Council	80,196	73,829	88,191	100

It is estimated that Gedling Borough Council's share of the total assets in the Fund is approximately 1.45%. Information regarding the detail of the total assets held in the Fund at 31 March 2021 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.

ANNUAL STATEMENT OF ACCOUNTS 2020/21

NOTES TO THE FINANCIAL STATEMENTS

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

Asset Class		Quoted	Unquoted	Total
		%	%	%
Fixed Interest Gov't Securities	UK	3.4	0.0	3.4
Corporate Bonds	UK	1.7	0.0	1.7
	Overseas	5.2	0.0	5.2
Equities	UK	24.6	0.1	24.7
	Overseas	36.1	0.0	36.1
Property	All	0.0	10.2	10.2
Others:	Private equities	0.0	3.0	3.0
	Infrastructure	0.0	5.4	5.4
	Inflation-linked pooled funds	0.0	1.0	1.0
	Credit	0.0	4.8	4.8
	Cash/temporary investments	0.0	1.1	1.1
	Unit Trust	0.0	3.4	3.4
Total		71.0	29.0	100.0

(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 2019 (the next triennial valuation of the Fund will be carried out as at 31 March 2022, and will set contributions for the period from 1 April 2023 to 31 March 2026). The actuary's estimate for the duration of Gedling Borough Council's liabilities is 21 years.

Significant assumptions used by the actuary as at 31 March 2021 are as follows:

Expected return on assets:

The discount rate is the annualised yield at the 21-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 19	31 Mar 20	31 Mar 21
		Years	Years	Years
Retiring today-	Male	21.6	21.8	21.6
	Female	24.4	24.4	24.3
Retiring in 20 years-	Male	23.3	23.2	22.9
	Female	26.2	25.8	25.7

ANNUAL STATEMENT OF ACCOUNTS 2020/21

NOTES TO THE FINANCIAL STATEMENTS

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

Financial Assumptions

The financial assumptions used for IAS19 purposes are as follows, and were set with reference to market conditions at 31 March 2021.

	31 Mar 19	31 Mar 20	31 Mar 21
	%	%	%
Retail Price Index increase	3.40	2.70	3.20
Consumer Price Index increase	2.40	1.90	2.85
Salary Increase	3.90	2.90	3.85
Pension Increase	2.40	1.90	2.85
Discount rate for liabilities	2.40	2.35	2.00

The RPI increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using notional cashflows. The SEIR is that which gives the same net present value of cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the Bank of England (BOE) implied inflation curve. This approach is consistent with the approach used at the previous accounting date. The BoE implied inflation curve may however suggest a higher rate of inflation over the long term than is actually expected by market participants due to a willingness to accept a lower return on investments to ensure inflation-linked returns. The actuary has therefore included an Inflation Risk Premium adjustment, and this differs from the approach used at the previous accounting date. The resulting RPI assumption is 3.2%.

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 0.35% below RPI, ie. 2.85%. This is considered by the actuary to be a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts, and is consistent with the approach used at the previous accounting date. The 0.35% difference between RPI and CPI is less than the 0.8% assumed at the previous accounting date, reflecting the anticipated reform of RPI inflation following the UK Statistics Authority's proposal to change how RPI is calculated, and subsequent announcements made by the Chancellor suggesting that this reform is now likely to take effect from 2030.

Salaries are assumed to increase at 1% above CPI, ie. 3.85%. This is consistent with the approach at the previous accounting date.

The estimation of the defined benefit obligation 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.

ANNUAL STATEMENT OF ACCOUNTS 2020/21

NOTES TO THE FINANCIAL STATEMENTS

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

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	154,491	157,647	160,871
Projected service cost	4,719	4,861	5,007
	+0.1%	0%	-0.1%
Present value of total obligation	157,987	157,647	157,311
Projected service cost	4,864	4,861	4,858
	+0.1%	0%	-0.1%
Present value of total obligation	160,502	157,647	154,851
Projected service cost	5,005	4,861	4,721
	+ 1 Year	None	- 1 Year
Present value of total obligation	165,265	157,647	150,397
Projected service cost	5,083	4,861	4,648

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 2022 and will set contribution rates for the period from 1 April 2023 to 31 March 2026. 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.

Estimated costs for 2021/22

The actuary's estimate of the total pension expense for the year to 31 March 2022 is £6,266,000. Service cost is estimated to be £4,861,000, net interest on the defined liability £1,362,000, and administration expenses £43,000. Expected employer contributions are £2,603,000, and contributions for discretionary benefits are £119,000, as per the Council's own budget for 2021/22.

ANNUAL STATEMENT OF ACCOUNTS 2020/21

NOTES TO THE FINANCIAL STATEMENTS

33. 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 11 on pages 54 to 55.

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 28 on pages 75-76. 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), Service Managers, 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 2020/21 no interests were declared by members of SLT and the statutory disclosure requirements in respect of officer remuneration are satisfied by note 30 on pages 77 to 78.

Other Public Bodies

The Council has pooled budget arrangements with Rushcliffe and Broxtowe Borough Councils as part of the South Nottinghamshire Community Safety Partnership, but these are not material. All transactions are recorded in Broxtowe Borough Council's accounts.

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

Requests for information were sent to all Elected Members, members of the Senior Leadership Team, Heads of Service/Service Managers, and the Procurement 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 19 and 21 on pages 67 and 68 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.

ANNUAL STATEMENT OF ACCOUNTS 2020/21

NOTES TO THE FINANCIAL STATEMENTS

33. RELATED PARTIES (Continued)

<u>Organisation/Body</u>	<u>Nature of relationship</u>	<u>Receipts £000s</u>	<u>Payments £000s</u>
APSE	Elected Member is a representative	0	21
Citizens' Advice Bureau	Elected Member has a management interest	0	40
Gedling/Jigsaw Homes	Elected Member is a board member and/or representative	(103)	32
Local Government Association	Elected Members are board members and/or representatives	0	13
Mapperley Golf Club	Elected Members are representatives and/or have a management interest	(62)	0
NHS Trust	Elected Member is a trust member	(235)	0
Nottinghamshire Police & Crime Commissioner's Office	Elected Member is a member of the Crime Panel	(147)	26
Redhill Academy Trust	Elected Member is a board member	(26)	0
We R Here	Elected Members have significant contact	(7)	15
Other Local Authorities	Material employee relationships	(1,071)	733
Parish Councils	GBC Elected Members on parish councils	(62)	60

ANNUAL STATEMENT OF ACCOUNTS 2020/21

NOTES TO THE FINANCIAL STATEMENTS

34. CONTINGENT LIABILITIES

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

35. CONTINGENT ASSETS

VAT - Sporting and Leisure Services - 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. HMRC have as yet not accepted the non-business principle.

On 17 October 2020 the VAT First Tier Tribunal found in favour of an appeal by Chelmsford City Council that leisure services provided by local authorities were supplied pursuant to a "special legal regime", and were a non-business activity provided it could be established that treating such services as non-business would not be likely to give rise to significant distortions of competition. HMRC applied to the First Tier Tribunal for leave to appeal the special legal regime finding in Chelmsford City Council v HMRC, and leave has been granted. This essentially means that HMRC has been granted permission to take the case to an appeal hearing before the Upper Tier Tribunal. No date has yet been set for this hearing.

An alternative argument for treatment of sporting services as exempt was put forward and the judgement in the London Borough of Ealing case was handed down in July 2017. The effect of this judgement is that councils can now, if they so wish, opt to claim an exemption for sporting services, with the associated restriction of input tax recovery unless the exempt proportion remains de-minimis. Alternatively councils can continue to tax supplies of sporting activities, with full input tax recovery where it relates to taxable supplies.

In view of the Council's ongoing review of the delivery of leisure services, together with the unresolved non-business argument (which would be most favourable to the Council) no change has yet been made to the VAT treatment of sporting services and they remain taxable.

Truck Cartel Legal Claim

The Council is party to a legal claim for damages and/or other relief in respect of loss and/or damage suffered as a result of inflated pricing for medium and heavy trucks between 1997 and 2011. As purchasers of waste disposal vehicles, the Council is claiming for overcharging as a result of prices which were inflated when compared to what they would otherwise have been.

36. EVENTS AFTER THE BALANCE SHEET DATE

Local authorities began to experience the substantial impact of the Covid-19 pandemic in March 2020 and this has been ongoing throughout the financial year 2020/21. Details of significant Covid-19 related issues are included within Section 4 of the Narrative Statement. The impact of the Covid-19 pandemic will continue during the 2021/22 financial year.

The final audited Statement of Accounts will be authorised for issue by Alison Ball CPFA, Chief Financial Officer, following approval by the Audit Committee in due course. Events taking place after Audit Committee approval will not be reflected in the financial statements or notes. Where events taking place before Audit Committee approval provide information about conditions existing at 31 March 2021, the figures in the financial statements and notes will be adjusted in all material respects to reflect the impact of this information.

ANNUAL STATEMENT OF ACCOUNTS 2020/21

COLLECTION FUND STATEMENT

The Collection Fund Statement 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 (NDR).

2019/20			2020/21		
Council Tax £000s	NDR £000s	Total £000s	Council Tax £000s	NDR £000s	Total £000s
INCOME:					
(72,930)	0	(72,930)	(75,139)	0	(75,139)
(6)	0	(6)	(786)	0	(786)
0	(22,629)	(22,629)	0	(10,128)	(10,128)
(72,936)	(22,629)	(95,565)	(75,925)	(10,128)	(86,053)
<u>Apportionment of previous year deficits</u>					
0	(358)	(358)	0	(394)	(394)
0	(65)	(65)	0	(71)	(71)
0	0	0	0	0	0
0	(7)	(7)	0	(8)	(8)
0	(287)	(287)	0	(316)	(316)
0	(717)	(717)	0	(789)	(789)
<u>Other Income to Collection Fund</u>					
0	(283)	(283)	0	0	0
0	(283)	(283)	0	0	0
EXPENDITURE:					
<u>Precepts, Demands and Shares</u>					
0	11,256	11,256	0	11,252	11,252
54,625	2,026	56,651	57,388	2,025	59,413
8,117	0	8,117	8,574	0	8,574
2,953	225	3,178	3,042	225	3,267
6,035	9,005	15,040	6,284	9,001	15,285
714	0	714	739	0	739
72,444	22,512	94,956	76,027	22,503	98,530

The presentation of Council Tax income in the 2019/20 Statement of Accounts did not split the amount between that receivable from taxpayers and that via transfer from the General Fund, as this was not material. As a result of the Covid-19 Hardship Fund this is no longer the case, and the split is material for 2020/21. For comparative purposes the split has also been shown for 2019/20, however the total Council Tax income has not changed.

ANNUAL STATEMENT OF ACCOUNTS 2020/21
COLLECTION FUND STATEMENT (Continued)

2019/20			2020/21		
Council Tax £000s	NDR £000s	Total £000s	Council Tax £000s	NDR £000s	Total £000s
85	1	86	133	51	184
368	64	432	584	167	751
0	857	857	0	313	313
0	0	0	0	84	84
0	201	201	0	204	204
0	99	99	0	97	97
453	1,222	1,675	717	916	1,633
(39)	105	66	819	12,502	13,321
347	566	913	308	671	979
308	671	979	1,127	13,173	14,300

Other Charges to Collection Fund

Sums written off
 Incr/(Decr) in Impairment Allowance
 Incr/(Decr) in Provision for Appeals
 Transitional Protection Pyts payable
 Renewables
 Costs of Collection

Net Deficit/(Surplus) for Current Yr.

Add Balance BFwd from Previous Yr.

**Balance CFwd (Surplus) / Deficit
 (notes 2 and 4 to the Collection
 Fund Accounts)**

ANNUAL STATEMENT OF ACCOUNTS 2020/21
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

	2019/20	2020/21
	Number	Number
	13	12
	6,243	6,342
	9,306	9,399
	7,622	7,704
	6,023	6,054
	4,457	4,515
	1,880	1,885
	1,323	1,335
	140	141
Council Tax Base	37,007	37,387

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 Crime Commissioner and the Combined Fire Authority.

The opening balance on the Council Tax Collection Fund was a deficit of £0.308m. By 31 March 2021, this deficit had increased to £1.127m. The increase reflects the impact of the Covid-19 pandemic, which includes additional reliefs and discounts, and additional contributions to the impairment provision for expected credit losses.

Balance Sheet Deficit/(Surplus) Allocation:

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

Council Tax Deficit attributable to Gedling BC

TOTAL

	2019/20	2020/21
	£000s	£000s
	233	849
	35	129
	12	45
	280	1,023
Council Tax Deficit attributable to Gedling BC	28	104
TOTAL	308	1,127

3. NON DOMESTIC RATES (NDR)

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

	2019/20	2020/21
(a) Non Domestic Rateable Value at 31 March	£59,163,571	£58,820,435
(b) Multiplier for General Businesses	50.4p	51.2p
(c) Multiplier for Small Businesses	49.1p	49.9p

ANNUAL STATEMENT OF ACCOUNTS 2020/21

NOTES TO THE COLLECTION FUND ACCOUNTS (Continued)

4. ACCOUNTING FOR THE COLLECTION FUND BALANCE - NDR

Following 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. NDR 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 Combined Fire Authority.

In accordance with the Code, only the share of the NDR 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 Combined Fire Authority. The share attributable to central government is included in government debtors.

The opening balance on the NDR Collection Fund was a deficit of £0.671m. By 31 March 2021, this had increased to a deficit of £13.173m. In the face of the Covid-19 pandemic the Government hugely expanded the reliefs available to businesses and accordingly reduced the Council's NDR income in the year, creating an exceptional deficit. The Council was reimbursed for this loss by the payment of additional S31 grants, however due to specific accounting arrangements these were received by the General Fund in 2020/21, whilst the impact of the deficit will fall in the following years.

	2019/20	2020/21
	£000s	£000s
Balance Sheet Deficit/(Surplus) Allocation:		
Central Government	336	6,586
Nottinghamshire County Council	60	1,186
Combined Fire Authority	7	132
	403	7,904
NDR (Surplus) / Deficit attributable to Gedling BC	268	5,269
TOTAL	671	13,173

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

(i) Arrears:

Uncertainties

An estimate of the impairment allowance for doubtful NDR and Council Tax debts is based upon the age and type of each debt. A collective assessment matrix is used, incorporating the value of items with shared characteristics, eg. the type of debtor and the period overdue, together with a weighting factor for the probability of default. The total Collection Fund impairment allowance at 31 March 2021 is £2,986,300, of which £220,200 and £223,800 represent Gedling's shares of NDR and Council Tax respectively. The full impact of the Covid-19 pandemic is uncertain, however it has been addressed when assessing the expected credit loss provisions, and the use of a collective provision matrix ensures that when arrears rise there is a corresponding increase in the expected credit loss provision.

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NOTES TO THE COLLECTION FUND ACCOUNTS (Continued)

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

Effect if actual results differ from assumptions

If collection rates were to deteriorate, a 10% increase on the impairment percentage would require an additional total of £589,000 to be set aside as an allowance, of which Gedling's share as billing authority would be approximately £46,300 for NDR and £43,500 for Council Tax. The collection rate for Council Tax in 2020/21 was 98.29%, and the rate has not varied by more than +/- 0.2% in any of the past five years. The collection rate for NDR in 2020/21 was 95.08% which represents a fall of 2.7% on that for 2019/20 due largely to the Covid-19 pandemic.

(ii) 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 (RV) achieved can be pre-determined. The current provision totals £3,302,600 of which the Council's share as billing authority is 40%, ie £1,321,000.

Effect if actual results differ from assumptions

A change of 5% in the assumed RV reduction achieved for each NDR appeal could increase or decrease the provision required by around £165,100. Of this, the Council's share as billing authority would be 40%, ie. £66,100.

Audit Statements

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Accompanying Statements

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1. Scope of Responsibility

- 1.1 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.
- 1.2 In discharging this overall responsibility, Gedling Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3 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 (2016)*. A copy of the authority's local code is on our website at <https://www.gedling.gov.uk/council/aboutus/financeandaccounts/> or can be obtained from the Director of Corporate Resources, Gedling Borough Council, Arnot Hill Park, Arnold, Nottingham. NG5 6LU. This statement explains how Gedling Borough Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives led to the delivery of appropriate cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Gedling Borough Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the Council for the year ended 31 March 2021 and up to the date of approval of the statement of accounts.

3. The Governance Framework

- 3.1 Gedling Borough Council's Local Code of Corporate Governance recognises that effective governance is achieved through the 7 core principles as identified in the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government 2016 Edition*. These are:
 - (A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
 - (B) Ensuring openness and comprehensive stakeholder engagement.

Principles A and B permeate the implementation of principles C-G.

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- (C) Defining outcomes in terms of sustainable economic, social and environmental benefits.
- (D) Determining the interventions necessary to optimise the achievement of the intended outcomes.
- (E) Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- (F) Managing risks and performance through robust internal control and strong public financial management.
- (G) Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

3.2 Good governance is a dynamic process and the Council is committed to improving governance on a continuing basis through a process of evaluation and review. The Audit Committee on 1 June 2020 received the report on Gedling's "*Local Code of Corporate Governance 2020/21*" which set out in detail how the Council demonstrates that its governance structures comply with these seven core principles. An end of year review considered by Audit Committee in March 2021 has confirmed that these were in place for the whole of the financial year.

4. Governance Arrangements

4.1 There is a governance assurance framework through which the Council satisfies itself as to the effectiveness of its system of internal control. This takes as its starting point the Council's principal statutory objectives and our organisational objectives as set out in the Council's Corporate Plan. From this are identified the key risks to the achievement of the Council's objectives as set out within the Council's corporate, directorate and service risk registers.

4.2 The framework identifies the main sources of assurance on the controls in place to manage those risks, and it is the evaluation of those assurances that is the basis of this Annual Governance Statement.

4.3 The following documents establish these policies, aims and objectives at a strategic level:

- The Corporate Plan (The Gedling Plan);
- The Community Safety Partnership Strategy;
- The Local Plan;
- The Annual Budget and Performance Management Framework;
- The Financial Strategy;
- The Treasury Management Strategy;
- The Internal Audit Strategy;
- The Risk Management Strategy;
- The Equalities and Diversity Policy;
- The Counter Fraud and Corruption Strategy.

4.4 These high level plans are further supported by Service Plans. The Constitution provides clear guidance on how the Council 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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- 4.5 Gedling's corporate governance framework defines the roles and responsibilities of the full Council, Cabinet, Scrutiny and officer functions as detailed in the Constitution, and demonstrates how the Council meets defined standards of governance in relation to its policies, aims and objectives.
- 4.6 The Council 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.
- 4.7 The internal control system includes:
- Annual review of the effectiveness of the Council's Corporate Governance Framework, including signed Assurance Statements from Directors and Heads of Service;
 - An established Counter Fraud and Corruption Strategy, including whistleblowing procedures, communicated to Members, officers and the public, and are available on the Council's website;
 - An established Audit Committee that undertakes the core functions as identified in CIPFA guidance;
 - The Terms of Reference for the Audit Committee which include specific responsibility for reviewing risk management procedures, including the reporting arrangements on strategic risks via a corporate risk scorecard;
 - A Risk Management Strategy that is led by Senior Management for the identification and evaluation of strategic and operational risks, and integrated with the work of Internal Audit to provide a holistic source of assurance aligned to corporate objectives;
 - A comprehensive risk management process that includes the identification of both strategic and operational risks which are held and maintained on corporate and directorate Risk Registers, and subject to regular review;
 - 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 ensures that professional standards are maintained;
 - 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 Committee;
 - The statutory roles of the Council's Head of Paid Service, Monitoring Officer and Chief Financial Officer place a duty on these post-holders to provide robust assurance on governance and 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;

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- Budgetary and performance management reporting to management, Cabinet and Council;
- Formal project management guidelines;
- Business continuity planning processes;
- Adherence to good employment practices;
- Governance training has been provided to all key officers and Members, including induction training, and arrangements are in place for the ongoing continuation of that training.

5. **Financial Management**

- 5.1 Ensuring that an effective system of internal financial control is maintained and operated is the responsibility of the Chief Financial Officer.
- 5.2 Internal financial control is based on a framework of management information that includes the Financial Regulations, Contract Standing Orders and Procurement Procedure Rules and administration procedures, adequate separation of duties, management supervision, and a system of delegation and accountability.
- 5.3 The Council has produced comprehensive procedure notes/manuals for all key financial systems, and these are regularly reviewed. The controls created by management are evaluated to ensure:
- Council objectives are being achieved;
 - The economic and efficient use of resources;
 - Compliance with policies, procedures, laws, rules and regulations;
 - The safeguarding of Council assets;
 - The integrity and reliability of information and data.
- 5.4 CIPFA issued in 2016 a Statement on “*The Role of the Chief Financial Officer in Local Government*”, and this covered five key areas. The Council can demonstrate how it conforms to these governance requirements as the Chief Financial Officer:
- is a member of the Senior Leadership Team and plays a key role in helping it to develop and implement strategy to resource and deliver the Council’s strategic objectives sustainably and in the public interest.
 - is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and there is alignment with the Council’s overall financial strategy.
 - leads the promotion and delivery by the whole Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
 - leads and directs the finance function, which is resourced to be fit for purpose.
 - is professionally qualified and suitably experienced.
- 5.5 CIPFA issued in 2019 a Statement on “*The Role of the Head of Internal Audit*”, and this covered five key areas. The Council can demonstrate how it conforms to these governance requirements as the Head of Internal Audit:

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- Objectively assesses the adequacy and effectiveness of and governance and management of risks, giving an evidence based opinion on all aspects of governance, risk management and internal control;
- champions best practice in governance and comments on responses to emerging risk and proposed developments;
- is Greg Rubins, a Partner of BDO UK, and he (or his BDO representatives) have had regular and open engagement across Gedling Borough Council, particularly with the Leadership Team and with the Audit Committee;
- leads and directs an internal audit service that is resourced appropriately, sufficiently and effectively;
- is professionally qualified and suitably experienced.

6. Review of Effectiveness

6.1 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 effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

6.2 The Council is committed to the maintenance of a system of internal control which:

- Demonstrates openness, accountability and integrity;
- Monitors and reviews compliance with established policies, procedures, laws and regulations and effectiveness against agreed standards and targets;
- Monitors and reviews the effectiveness of the operation of controls that have been put in place;
- Identifies, profiles, controls and monitors all significant strategic and operational risks;
- Ensures that the risk management and control process is monitored for compliance.

6.3 Assurance From Executive Managers

In preparing this statement each Head of Service and Director has signed an assurance checklist. The checklist requires assurance that services are operating in compliance with the Council's policies, procedures and practices and with the internal control and governance assurance framework. The checklist asked each Head of Service to draw attention to any matters in respect of which internal controls were not working well and required a positive assurance that apart from those areas which were identified for improvement that the controls within the service had been, and are, working well. Each Head of Service gave a positive assurance.

6.4 Assurance from Internal and External Audit

Two of the key assurance statements the Council receives are the annual report and opinion of the Head of Internal Audit, and the external auditor's Value for Money conclusion as follows:

External Auditor (Mazars) Value For Money conclusion for 2019/20 which stated:

"we are satisfied that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020."

The new Code of Audit Practice has changed the way in which External Audit are required to report on the Value For Money arrangements from 2020/21, requiring them to report by exception where they have identified significant weakness in those arrangements. From 2020/21 they will report under three specified criteria: Financial Sustainability, Governance and

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Improving economy efficiency and effectiveness. Any issues arising from the 2020/21 Value For Money conclusion will be reflected in the final 2020/21 Annual Governance Statement.

The Head of Internal Audit (BDO) Annual Report for 2020/21, which concluded:

*“Overall, we are able to provide **moderate** assurance that there is a sound system of internal control, designed to meet the Council’s objectives and that controls are being applied consistently. In forming our view, we have taken into account that:*

- The Council’s Revenue Outturn for 2020/21 currently shows an underspend of £322k on the net expenditure position across all service areas. The Council is anticipating that the business rates income over the years 2020/21 to 2023/24 will be £303k less than assumed within the Medium Term Plan (MTP). This means that the net position across services and business rates offsets each other, however this can be seen as a largely positive position after a turbulent year due to the Covid-19 pandemic.*
- In respect of the design of controls, substantial assurance was provided on four out of eight assurance audits and moderate assurance opinions were provided in three areas;*
- In respect of the operational effectiveness of the controls, an opinion of moderate assurance was provided for four of the eight assurance audits, and substantial assurance was provided in three areas;*
- Substantial assurance was reported in respect of both control design and operational effectiveness in key areas including Main Financial Systems (including payroll), Council Tax and NNDR and Budget Management. Whilst the Commercialisation audit had limited assurance for control design and operational effectiveness, we were specifically directed by management to review this area to help them improve the control environment;*
- Management has responded positively to reports issued and action plans have been developed to address the recommendations raised;*
- There is currently one audit in draft (Taxi Licensing). The outcome of this review will not change the overall audit opinion;*
- Overall, an opinion of moderate assurance, which is our second highest level of assurance, is a positive achievement in a challenging year. None of our local authority clients achieved substantial assurance this year.”*

6.5 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined in section 7 below.

7. Significant Governance Issues

7.1 The control framework described above facilitates the identification of any areas of the Council’s activities where there are significant weakness in the financial controls, governance arrangements of the management of risk.

As detailed in paragraph 6 above the annual review of the effectiveness has been completed and has not highlighted any significant control or risk management concerns. The Head of Internal Audit concluded in the Annual Internal Audit Opinion that the organisation has an adequate and effective framework for risk management, governance and internal control.

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7.2 Significant Issues Arising 2020/21

7.2.1 Covid-19 Pandemic

The first impact of Covid-19 on our governance arrangements emerged in March 2020 and has continued to have a significant impact for the whole of 2020/21, and is ongoing into 2021/22.

The key governance issues arising have been effectively addressed as demonstrated through regular reports to Cabinet on the Council's response to the pandemic and the impact on the Gedling Plan.

The key governance issues arising and actions to address these are summarised below:

Council Decision Making and Meetings

When setting up the Incident Management Team structure in response to the Covid-19 pandemic, it was clear at an early stage that rapid decisions would need to be made to close facilities and suspend services in response to changes in government policy or staffing issues. In order to ensure established governance arrangements were maintained and Constitutional and legislative requirements complied with, an emergency decision making process was adopted.

Whilst the Constitution contains a delegation to the Chief Executive to make urgent decisions, given the magnitude of the potential impact of those decisions both in relation to the community and the Council's finances and to ensure transparency in decision-making, it was agreed that the Leader would make all Covid-19 response related decisions after consideration of a written report. Decisions were published on the Council's website in the usual way.

Previously the Council has not had the power to hold meetings remotely and therefore when Covid-19 restrictions were imposed in March, Council, Cabinet and Committee meetings had to be cancelled until further notice.

Work was carried out to enable remote meetings to be supported on the Microsoft Teams platform, which included practical guidance and instructions for Members. The Procedural Rules included in the Constitution apply to remote meetings in the same way as they do for other meetings of the council; however additional Rules for holding remote meetings, were agreed by the Chief Executive in consultation with the Mayor on 10 May. In addition a schedule of meetings was also agreed on 12 May to enable meetings to recommence with effect from June. The High Court ruled that virtual council meetings could not lawfully take place after 6 May 2021 and suitable arrangements have been put in place to ensure a safe return in accordance with social distancing requirements with appropriate attendance levels to ensure effective decision making continues.

In conclusion the arrangements for decision making have remained effective following the onset of Covid-19.

Impact on Service Delivery

At the onset of the pandemic it was quickly recognised that effective Business Continuity Planning was vital to ensuring the continued operation of key services. A review of Business Continuity Plans (BCPs) was an outstanding action on the Council's corporate risk register which was due for completion by September 2020. In the first week in March, to ensure any gaps in Business Continuity Plans were quickly addressed, a Business Continuity Impact Assessment template was adopted and completed by all services, together with the identification of critical services and staff. A new Business Continuity Policy and Business Continuity Impact Assessment guidance was formally approved by Cabinet in July and a full

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suite of BCPs covering all business continuity risks was completed for the whole organisation by the end of quarter 2. This represents an improvement in the governance arrangements.

Enabling home working involved a rapid deployment of agile working guidance and equipment and ensured there was no compromise to IT security or the safety of staff.

Formal emergency planning arrangements including command structures and communication arrangements have been in place throughout 2020/21 providing sound controls to support the effective response to the rapidly changing circumstances through the various stages of lockdown.

Covid related health and safety risk assessments have been implemented across the organisation to support changes to service provision throughout all stages of the pandemic including for the covid secure reoccupation of buildings.

Financial Impact

The Covid-19 pandemic has had a material impact on the finances of the Council during 2020/21 and this is expected to continue in the medium term. The financial impacts of the pandemic were evident at an early stage with additional expenditure pressures and income losses being experienced and uncertainties around funding levels for both the response work and the ongoing impacts continuing.

A mid-year review of the Medium Term Financial Plan was presented to Cabinet during the autumn of 2020 detailing the key risk issues and presenting potential scenarios and mitigation measures in the absence of additional government funding. This review was an important aspect of financial management to inform the 2021/22 budget process to secure a sustainable financial position and ensure the successful delivery of the Gedling Plan continues to be supported.

A revised Medium Term Financial Plan detailing the latest covid related risks and assumptions was presented to Council in March 2021 together with the revised Gedling Plan ensuring available resources are effectively aligned to priorities and the delivery of sustainable outcomes. This included a review of the current efficiency programme and the approval of a new efficiency programme for delivery over 2021/22 to 2024/25 to secure a sustainable financial position and value for money. The successful delivery of the efficiency programme is a key challenge for the Council and is closely monitored to identify any emerging risks at the earliest opportunity.

Future Service Impacts

The Council's Covid-19 Reset Strategy was considered by Cabinet on 18 June 2020. The Strategy recognises that there will be an impact on the delivery of the Gedling Plan with the need for a review to ensure that it remains fit for purpose and incorporates any new work streams required as a result of Covid-19 impacts, ensuring the Council does not return to 'normal' but strives to 'build back better'.

The Gedling Plan is a key aspect of the Council's governance framework and essential in defining sustainable outcomes in terms of economic, social and environmental benefits and has now been fully reviewed and approved by Council in March 2021 and actions to address the ongoing impacts of Covid-19 are embedded within it, including actions that have been deferred due to Covid response work.

The planned review of the Risk Management Strategy was deferred due to the impact of the Covid-19 response work and will now be completed in 2021/22. Risk Management processes continued to be effective throughout 2020/21 with regular updates of the Risk Management Scorecard being considered by Audit Committee and Overview and Scrutiny Committee. Other deferred actions related specifically to governance arrangements are noted in the Action Plan below.

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7.2.2 Senior Management Arrangements

The Council approved a review of the senior management structure as part of its efficiency programme and phase 1 was delivered toward the end of 2019. It was intended for phase 2 to follow shortly after but this was deferred following the departure of the Chief Executive early in 2020 and subsequently interim management arrangements were in place for the early part of 2020/21. During this time, appropriate governance arrangements, for example the appointment of statutory officers and adequate backfilling arrangements, were put in place to ensure continued effective decision making. The new Chief Executive was appointed in July. Phase 2 of the restructure was approved and implemented in the latter part of 2020/21, recognising the need to balance the requirements of delivering efficiencies with appropriate management capacity to ensure effective governance and the continued delivery of strategic objectives.

7.2.3 The CIPFA Financial Management Code

CIPFA has introduced the Financial Management Code (FM Code) 2019, which sets out for the first time, the standards of financial management for local authorities. Adoption of the Code is required from 1 April 2021. A self-assessment providing assurance that the standards of the FM Code are being complied with will be considered by Audit Committee.

7.3 Action Plans

7.3.1 Review of Progress in 2020/21

The 2019/20 Annual Governance Statement (AGS) identified the following control or risk issues and some issues deferred from the previous year which whilst not significant were included, through its proactive and holistic approach to Governance. The progress is detailed below:

2019/20 AGS Actions:

- Constitutional Changes – *A review group was established to update a number of sections of the Constitution in 2019/20. Revised sections were considered by Senior Leadership Team during 2020/21 for consideration by Council in 2021.*

Action: Senior Leadership Team – Completed March 2021.

- Commercialisation – *The Council will investigate the possibility of introducing a commercial housing development operation and appropriate governance issues will need to be identified.*

The Council's Commercial Property Investment Strategy was withdrawn by the Council in March 2021 due to the decision by HM Treasury to restrict borrowing from PWLB for commercial property investment. Future models for housing development activity will not now be commercially focused and will concentrate on the delivery of affordable and social housing. The Council will investigate the options for housing development models and identify appropriate governance arrangements as part of a new project.

Action Deleted

- Officer Training – *A suitable training programme for staff will need to be developed following the outcome of the Constitution review, which would include training in financial management.*

The training programme commenced in 2019/20, covering Local Government Governance Basics; Reporting and Decision Making; Contract Standing Orders and Procurement; Contracts Risk Management; Members Code of Conduct. Further training will now be delivered during 2021/22 due to the impact of Covid-19 response

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work, to include: Financial Regulations, Counter Fraud, Anti-Money Laundering; Whistleblowing; Officers Declaration of Interests.

Updated Action: Director of Corporate Resources – March 2022.

- Sustainable Medium Term Financial Plan - A review of the Medium Term Financial Plan will be presented to Cabinet to reflect the impact of Covid-19 and consider the emerging risks of an economic downturn and uncertainties of future local government funding.

Action: Senior Leadership Team – Completed Autumn 2020

- Gedling Plan - A review of the Gedling Plan will be presented to Cabinet to reflect the impact and risks arising from Covid-19.

Action: Senior Leadership Team – Completed Autumn 2020

- Efficiency Programme - A review of the current approved efficiency programme will be completed to ensure value for money is secured: to incorporate the new efficiency target approved by Council in March 2020; the impact of emerging budget pressures e.g. pay award 2020/21; the delivery risks of existing initiatives.

Action: Senior Leadership Team – Completed March 2021

- Officer Declaration of Interests – The review of the Counter Fraud and Corruption Strategy identified improvements to the process for officer declaration of interests that was due to be implemented in 2020/21 but has been deferred due to the impact of the Covid-19 response work.

Updated Action: Chief Financial Officer and Monitoring Officer – March 2022

- Brexit - The United Kingdom left the European Union on 31 January 2020 and entered a transition period which will last until 31 December 2020 and new rules will come into place from 1 January 2021. There is considerable uncertainty regarding the future rules and any impact on the economy and how this might impact on funding levels and demands for public services.

Watching brief: Senior Leadership Management Team. Actions to ensure compliance with the changes in legislation have been implemented in 2020/21. Monitoring of impacts to continue in 2021/22.

7.3.2 Actions 2021/22

Based on our review of the Governance Framework, the following control and risk issues will be addressed in 2021/22. Whilst not all actions represent significant issues, all planned governance actions are included to provide a proactive and holistic approach to Governance:

- Financial Management Code – Completion of a self-assessment demonstrating compliance with the Financial Management Code.

Action: Chief Financial Officer/Senior Leadership Team – March 2022

- Sustainable Medium Term Financial Plan (MFTP) – Review and monitoring of MFTP risks and assumptions to determine if further action is required to secure value for money and a sustainable position: the delivery of the efficiency programme and performance of commercial operations; review of financial settlement and funding

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streams; the ongoing impact of Covid-19 including the emerging risks of an economic downturn.

Action: Chief Financial Officer/Senior Leadership Team – Autumn 2021

- Workforce Capacity – Phase 2 of the senior management restructure was completed in 2020/21 reducing the number of senior roles to deliver efficiency savings. A further phase of restructuring is due to be completed in 2021/22 to deliver further efficiencies. It is recognised that new ways of working will be required and there is potential for some capacity reductions to arise during this period of change and service planning will require appropriate prioritisation to ensure Gedling Plan delivery and to maintain staff morale.

Watching brief: Senior Leadership Management Team

- Constitution Review – The revised Constitution to be finalised and adopted by Council and training to be delivered.

Action: Senior Leadership Team/Monitoring Officer – March 2022

- Equality and Diversity Policy and Action Plan – A revised Equality and Diversity Policy and an Equality Framework and Action Plan was approved by Cabinet for public consultation in 2020/21. Following consultation, the final policy and action plan will be adopted with implementation to commence during 2021/22.

Action: Director of Corporate Resources – Autumn 2021

- Risk Management Strategy and Training – A review of the Risk Management Strategy will be completed and training will be delivered to officers and key Members.

Action: Director of Corporate Resources – March 2022

- Emerging Government Legislation – A review of emerging key legislation to identify the impact on service delivery and resource requirements, including the Environment Act and Planning Regulations.

Watching brief: Senior Leadership Management Team

- 7.4 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Mike Hill
Chief Executive

Date:

John Clarke
Council Leader

Date:

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This is the Unaudited Version, to be published on 31 July 2021 by the
Financial Services Team.

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