Gedling Borough Council Annual Statement of Accounts 2015/16

Gedling
Borough Council

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GEDLING BOROUGH COUNCIL

ANNUAL STATEMENT OF ACCOUNTS 2015/16

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

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THE 2015/16 REVENUE BUDGET

Following the prolonged downturn in the economy and further reductions in central government grant funding, Gedling Borough Council faced severe financial pressures when preparing its revenue budget for 2015/16, since any reductions require budget cuts and efficiencies in order to deliver services and a balanced budget in the medium term. The Council's Settlement Funding Assessment for 2015/16 was £4.938m, a reduction of 0.926m or 15.8% from that received in 2014/15. When combined with reductions already made in previous years, the Council's central government funding settlement is now below the cash levels received in 1993, when council tax was introduced. Increased New Homes Bonus funding of £0.468m was received in the year.

As well as inflation, other major budget pressures on the 2015/16 budget included the growth in the number of households leading to increased demand for waste management services, additional staffing requirements for planning and building control, and a full borough council election. In addition to these pressures, significant investment proposals were approved for environmental projects and economic development funds.

In March 2015 the Council approved a detailed budget and medium term financial plan that permitted the continued delivery of all key services, whilst maintaining a council tax freeze and taking advantage of the Council Tax Freeze Grant offered by the Government. This was achieved only by the inclusion of significant budget reductions and efficiencies, including reviews of the senior management team and service working practices, members' and civic expenses. Fees and charges were reviewed and set at levels that supported the revenue budget and the treasury strategy. A summary of the budget is given below:

Revenue Budget	**£000**
Original Net Budget 2014/15	12,979
Budget pressures	669
Budget growth	1,030
Budget reductions and efficiencies	(1,800)
Net Budget 2015/16	**12,878**

COUNCIL TAX

Gedling Borough Council's element of the council tax was frozen in 2015/16. However, the borough also acts as billing authority for taxes set by Nottinghamshire County Council, the Nottinghamshire Police and Crime Commissioner, the Combined Fire Authority and eleven parish councils. A summary of the council tax charged by the various tax raising bodies is given below:

Council Tax	**Collected 2015/16 £000**	**Band D charge 2015/16 £**	**Band D charge £ 2014/15**
Gedling Borough Council	5,451	153.07	153.07
Nottinghamshire County Council	44,197	1.241.14	1,216.92
Police and Crime Commissioner	6,282	176.40	172.98
Combined Fire Authority	2,579	72.44	71.05
Sub Total	**58,509**	**1,643.05**	**1,614.02**
Parish Councils (average)	536	15.05	14.87
Total	**59,045**	**1,658.10**	**1,628.89**

NARRATIVE REPORT

BUSINESS RATES

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

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

Gedling has entered into a pooling arrangement with several other Nottinghamshire authorities, led by Nottinghamshire County Council. Under this, members makes levy payments, if applicable, into the Pool, rather than to the government. Pool funds are then distributed by the lead authority in accordance with a Memorandum of Understanding. This ensures that no member is worse off by being in the Pool by offering a safety net mechanism equivalent to that offered by central government, and then shares any remaining surplus.

REVENUE OUTTURN

The Council's 2015/16 revenue outturn position is shown in the table below. The original General Fund Revenue Budget (including agreed amounts brought forward from 2014/15) was approved at £12.976m. During the financial year Cabinet received the usual budget monitoring reports and approved a £0.471m reduction in the budget to give a current approved budget of £12.505m. The final budget outturn position is underspent by £0.729m against the original estimate, or £0.258m against the current estimate and the saving has been allocated to the General Fund Balance to support expenditure in future years. This represents a robust outturn position for the Council and increases balances above the estimated position in the face of continuing uncertainty about future funding levels.

Revenue Outturn	**Current Estimate 2015/16 £000**	**Actual 2015/16 £000**	**Variance 2015/16 £000**
Community Development	1,429	1,388	(41)
Health & Housing	2,238	2,153	(85)
Public Protection	1,507	1,409	(98)
Environment	4,472	4,379	(93)
Growth & Regeneration	1,175	1,091	(84)
Resources & Reputation	1,684	1,827	143
Total Net Expenditure	**12,505**	**12,247**	**(258)**
Financed by			
Council Tax Payers	(5,451)	(5,451)	0
Revenue Support Grant & Other	(2,146)	(2,158)	(12)
New Homes Bonus	(2,032)	(2,032)	0
Council Tax Freeze Grant	(61)	(61)	0
Retained Business Rates	(2,325)	(2,548)	(223)
Council Tax Collection Fund surplus	(81)	(81)	0
Contribution to / (from) General Fund	(409)	84	493
Total Financing	**(12,505)**	**(12,247)**	**258**

The main variances relate to:

- Expenditure savings include £29,000 of employee expenses through positive vacancy management and £42,000 on utilities at leisure centres through reduced consumption and prices

- Additional income includes £57,000 of trade waste and garden waste income due to additional services supplied to existing customers and new customer growth, an additional £44,000m of DNA income due to new members and additional income of £70,000 due to New Burdens Grant for land charges litigation.

USE OF BALANCES

The following table shows the estimated and actual position on the General Fund and Earmarked Reserves at 31 March 2016.

Balances	Current Estimate 31 March 2016 £000	Actual Balance 31 March 2016 £000	Variance £000
General Fund	5,666	6,159	493
Earmarked Reserves	3,978	4,911	933
Total Reserves	**9,644**	**11,070**	**1,426**

When the budget for 2015/16 was set in March 2015 the assumption was for a contribution from balances of £409k to be required. As reported above the outturn position allowed a contribution to balances of £84k to be made, a variance of £493k. After accounting for revenue carry forwards to 2016/17 and the requirement to fund the business rate deficit this leaves an additional £195k in balances which can be used to support the future budget and medium term plan.

Significant movements on earmarked reserves include:

- Leisure Strategy Reserve – £500,000 transferred from the General Fund Balance as approved by Budget Council.

- Economic Development Fund – contribution of £273,800 from underspends in economic development in 2015/16 giving a total of £548,200 earmarked for committed and future projects;

- The Earmarked Grants reserve contains grants which are received for specific purposes to fund qualifying expenditure in future financial years. Notable grants added during 2015/16 include £24,400 New Burdens Localising Council Tax grant, £150,000 HCA Housing Zone grant and £30,000 Tram and Mineral Line grant.
- Asset Management Reserve – additional contributions of: £56,000 for car park maintenance funded by the County parking partnership income; £30,000 for the set up costs of the delayed Carlton Hub project; £25,000 from underspends on asset related revenue budgets; partly offset by contributions to approved projects of £47,000 leaves a balance for future asset management requirements of £208,600.

- Planning and Local Development Framework Reserve – additional contributions of £75,000 from related underspends to set aside resources for the inspection process in respect of the local planning document.

CAPITAL OUTTURN

The Council spent £1.951m on its Capital Programme in 2015/16 compared to an approved current estimate of £2.815m, an underspend of £864k which is represented by £695k for schemes carried forward for delivery in 2016/17 and savings on projects of £169k.

Capital Outturn	Current Estimate 2015/16 £000	Actual 2015/16 £000	Variance £000
Capital Expenditure			
Community Development	18	0	(18)
Health & Housing	429	169	(260)
Public Protection	704	577	(127)
Environment	1,457	1,011	(446)
Resources & Reputation	207	194	(13)
Total Capital Expenditure	**2,815**	**1,951**	**(864)**
Resources			
Capital Receipts	(663)	(369)	294
Capital Grants and Contributions	(1,384)	(1,010)	374
General Fund Revenue Contribution	(542)	(572)	(30)
Borrowing	(226)	0	226
Total Resources	**(2,815)**	**(1,951)**	**864**

REVENUE TAX COLLECTION OUTTURN

During 2015/16, 98.4% of the Council Tax due was collected and 98.9.0% of the National Non Domestic Rate.

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

The Council Tax account shows a deficit of £0.751m, and this has been disaggregated on the balance sheet in accordance with accounting requirements. Gedling Borough Council acts as an agent in respect of Council Tax, and only the proportion of the deficit calculated as attributable to Gedling Borough Council is shown on the Council Tax Collection Fund Adjustment Account, amounting to £72,000. The proportions attributable to Nottinghamshire County Council, Nottinghamshire Police and Crime Commissioner and the Combined Fire Authority are included in the overall Council Tax Collection Fund debtors with these parties, together with appropriate shares of arrears, bad debt provisions and prepayments.

The NNDR account shows a deficit of £0.738m, and again this has been disaggregated in accordance with accounting requirements. Only the proportion of the deficit calculated as attributable to Gedling Borough Council is shown on the NNDR Collection Fund Adjustment Account, amounting to £295,000, but this is partially offset by income of £80k in respect of renewable energy schemes that is 100% retained by Gedling Borough Council but due to specific Collection Fund accounting arrangements is yet to be recognised in the General Fund Balance. The proportions attributable to Central Government, Nottinghamshire County Council, and the Combined Fire Authority are included in the overall NNDR Collection Fund debtors with these parties, together with appropriate shares of arrears, bad debt provisions and prepayments.

BALANCE SHEET

Net Worth on the balance sheet moved by £5.498m in the year, from negative £12.340m at 1 April 2015 to negative £6.842m at 31 March 2016. The negative net worth position is largely due to the technical actuarial valuation requirements of the Pension Fund under IAS19 – Employment Benefits.

The decrease in the Pension Deficit of £2.962m is due to the specific technical calculations required under IAS19 which measure the net present value of future assets and liabilities based on actuarial assumptions. This technical valuation bears no resemblance to the cash position on the fund which remains healthy. Full details of the pension valuations and assumptions are included in note 31 to the financial statements, on pages 70 to 76. The total pension liability of £40.668m reflects the Authority's underlying commitment to pay retirement benefits. Whilst this has a substantial impact on the net worth of the Authority, the deficit will be made good by increasing contributions over the remaining working life of employees, as assessed by the scheme actuary.

During 2015/16 there were no significant revaluation losses due to falls in market value. However, the value of some of the Council's non-current assets reflected an improvement in market conditions, with net revaluation gains of £0.61m being recognised.

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

THE NON-FINANCIAL PERFORMANCE OF THE COUNCIL 2015/16

ACHIEVEMENTS

Although times are challenging for Gedling Borough Council and the Local Government sector as a whole, it is important to consider significant positive outcomes in the Borough, and the Council's key achievements in 2015/16. These include:

People:

1. Reduce anti-social behaviour, crime and the fear of crime

- Gedling Youth Council Tackle Bullying - At the Council meeting on 18th November the Gedling Youth Council presented their Anti-bullying Pack to Members. The pack is being rolled by the young people across Gedling schools and is being seen a model of excellent practice with interest to roll this out further afield.

- Improved Taxi Services - The Taxi Improvement Plan was fully implemented. This has resulted in a safer and better service for taxi users in the borough. The measures that have been brought in include changes to the taxi vehicle specification to have more environmentally friendly vehicles, the introduction of front plates to the vehicles, the introduction of mandatory display of the taxi drivers licence on the dash of the car and also the introduction of safeguarding training for all drivers with a mandatory test that all drivers have to pass to continue as a Gedling driver.

- Falling Crime - Crime has reduced more in Gedling than any other area in Nottinghamshire due to continued close working in partnership between the police and Gedling Borough Council. This builds on long-term interventions particularly in the areas with the highest levels of crime.

2. Improve health and wellbeing

- New Gedling Country Park "Parkrun" funded by the Council and has attracted 1,184 runners since it began in 2015.

- Launch of a Super Kitchen in Newstead to provide cheap hot meals at the Newstead Centre using supermarket surplus food for local residents.

- Summer Dance Programme ran for local young people, resulting in performances at the Gedling Show in September 2015.

3. Promote and encourage pride, good citizenship and participation in the local area

- The Newstead Dragon sculpture was created using recycled materials, including CDs, plastic bottles, drinks lids, soda cans, and phone top up cards. The dragon was funded by an Arts Council England grant to the Future Newstead group, who worked with City arts to produce the sculpture for the Newstead Bonfire Event in November 2015. Since then the Newstead Dragon has been to several exhibitions, including at the Civic Centre in Arnold and at Nottingham Light Night and has in fact been seen by an estimated 4,700 people across all the events.

- In 2015/16 the Council allocated £74,000 of community grants to local organisations through its Borough wide grant and local Members pots. In total 157 local groups benefited from the grant aid, including local scouts and guides, neighbourhood watch, schools, sports clubs, older persons groups, community groups, parish councils arts groups and churches.

Performance:

1. Improve the customer experience of dealing with the Council

- The percentage of customers that are satisfied with the overall customer service has increased to 93.54% in 2015/16 from 90.64% in 2014/15.

- Improved facilities for taxi drivers were completed in 2015 and include a separate waiting area and toilet facilities for taxi drivers bringing their taxis in for inspection and a new reception area within the Civic Centre to deliver a face to face service for drivers.

2. Give tax payers value for money

- As part of the programme to explore community asset transfer of its community centres, the Council facilitated the formation of a partnership of local groups with an interest in asset transfer. The groups agreed a programme of training workshops for the partnership to benefit from covering business planning, funding, legal agreements, facility management and governance arrangements. The Gedling COMA programme has been selected as a national Case Study by the Cabinet Office.

3. Maintain a positive and productive working environment and strong staff morale

- Sickness absence amongst Council employees has fallen to 7.24 days per Full Time Equivalent employee against the corporate target of 9 days. This is the second consecutive year that we have done better than target.

Place:

1. Ensure local people are well prepared and able to compete for jobs

- Netherfield's Get Ready for School resource was produced this summer with families from the Netherfield area. The resource includes a promotional video, leaflet and webpage. This project, funded by the Gedling Borough Council, Gedling Homes and Nottinghamshire County Council, provides a tool for local organisations to use when promoting the early years' services available for local families.

- Members of the Gedling Youth Council have been liaising with the Rushcliffe Borough Council YouNG project, which provides a web based facility run by young people providing links to jobs, work placements, career development, activities and events, including Youth markets for young entrepreneurs. This has resulted in Gedling Borough Council funding a Gedling Intern post to be based at Rushcliffe to extend the benefits of the project to Gedling Young People

- The official launch of the IT Suite at the Newstead Centre took place in June 2015 and the Council has been working with New College Nottingham to provide courses at the Centre.

- Following a successful joint fund application with the Council, the Gedling Sports Partnership received £120,000 from Sport England to deliver the Girls Make It Happen programme over two years. So far new targeted sessions for females have started in the Borough including Women's and Girls Basketball, Women's Social Cycle, Women's Social Walking, Zumba, Clubbercise, Yoga, Mother and Daughter Archery After School Clubs and activity sessions at Newstead Youth Club. The new programme aims to provide a lasting legacy in the Borough of sporting opportunities for females.

2. Provide an attractive and sustainable local environment that local people can enjoy and appreciate

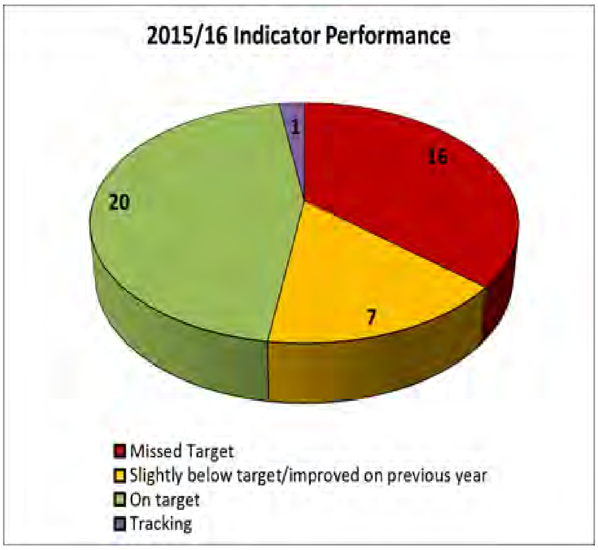
- The Councils has continued to procure vehicles that meet the latest European Engine Standards to improve air quality and pollution to help reduce fuel usage, contributing to a saving in fuel costs in 2015/16.

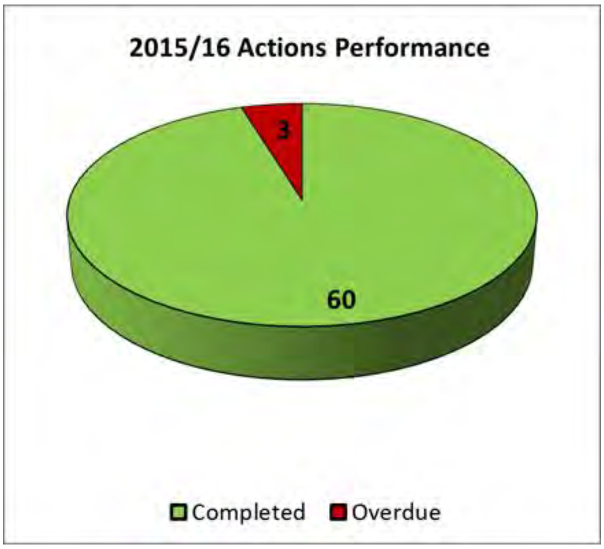
- Gedling Borough Council has funded a project to create a new mural for Arnot Hill Park, involving a number of local community groups working with artist Jess Kemp. The mural has been painted by children from Arno Vale Junior School, Gedling Homes' tenants and members of the Debz4coffee group who support families with children with special educational needs and disabilities. The mural is the latest piece of art work to be included in the arts trail for Arnot Hill Park.

PERFORMANCE AGAINST CORPORATE OBJECTIVES

The Council's main strategy document The Gedling Plan plays a key role in shaping the Performance Management framework and is monitored quarterly by Cabinet.

The following charts show the Council's overall performance against the 2015/16 Gedling Plan.





Indicator performance refers to measurement against the Council's agreed targets, ie. its Key Performance Indicators (KPIs).

Actions performance relates to plans and reviews achieved within the agreed timescales.

Indicators:

Particularly strong performance has been achieved in the following areas:

- A reduction in working days lost to sickness absence from 9 to 7 days per employee
- An increase in satisfaction with overall customer service from 91% to 93%
- Improvements in the processing of housing benefit claims, with new claims processed within 11 days against a target of 14 days, and claims changed due to claimants' circumstances processed within 3 days against a target of 5 days
- 100% of major planning applications being processed within the national target of 13 weeks
- A continued reduction in the level of anti-social behaviour

A number of indicators have however been highlighted as areas of concern and requiring focussed attention in 2016/17. These include:

- Processing of minor planning applications
- Housing delivery
- Fly tipping
- Visits to leisure centres

Actions:

The chart shows that performance against actions has been strong with 60 out of 63 actions (95%) completed.

FUTURE CHALLENGES AND RISKS

The Council faces further significant challenges to its funding in the years ahead and the overall message is one of continuing financial restraint, which itself creates inherent risks. To date, significant budget reductions have been achieved through efficiency savings and new income generation. Plans are already in place for further savings, together with targets for future reductions.

Specific risks that have been identified include:

- Business rates retention – the Government has announced that by 2020 100% of business rates will be retained locally and Revenue Support Grant will be phased out. With the need to support upper tier authorities in respect of their funding for social care there is a risk that district councils could lose further under any new allocation process.
- New Homes Bonus – potential changes to this funding stream could have a negative financial impact on the Council.
- Council Tax – Government assumptions at the last spending review may be optimistic, and in any case leave little room for local discretion.
- Economic growth – future Government spending decisions are based on estimates of growth that in the current economic climate may be optimistic.
- Brexit – on 23 June when the people of the UK voted in an EU referendum to leave the European Union. The Government will now begin exit negotiations and the outcome of these negotiations will determine what arrangements will apply with regard to EU legislation and funding once the UK has left the EU.

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 Governance Framework and the corporate risk scorecard and action plan are incorporated within this framework.

The Council's auditors noted in their 2015/16 Audit Plan that whilst the Council remained under financial pressure it had in place a savings plan to help deliver efficiencies and resulting savings. It also noted that the Council has a good track record in the delivery of such plans.

No significant issues were identified within the 2015/16 governance process.

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.

Core Financial Statements

- The Movement in Reserves Statement shows the movement in the year on the 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 surplus or deficit on the provision of services shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The net increase/decrease before transfers to earmarked reserves shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves have been undertaken by the Council.

- The Comprehensive Income and Expenditure Statement 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 Balance Sheet shows the value, as at the balance sheet date, of the assets and liabilities recognised by the authority. The net liabilities 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 amount 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.

Supplementary Statements

- The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from the taxpayer, and distribution to local authorities and the Government, of council tax and non-domestic rates.

SUMMARY

The Council's financial and non-financial position in 2015/16 continues to be robust. The revenue outturn represents a small 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 2016/17 and future years.

In 2015/16 the Council has faced and dealt with significant challenges and this trend will continue, however it is well placed to adapt to these challenges and to take advantage of the opportunities offered.

ANNUAL STATEMENT OF ACCOUNTS 2015/16

STATEMENT OF ACCOUNTING POLICIES

FOR GEDLING BOROUGH COUNCIL

ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016. 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 2015/16 (the 2015/16 Code) and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS).

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

2. Accruals of Income and Expenditure

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

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

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

3. Cash and Cash Equivalents

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

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

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

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

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

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

5. **Charges to Revenue for Non Current Assets**

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

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

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or 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 with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

6. **Employee Benefits**

Benefits Payable During Employment

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

Termination Benefits

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

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

STATEMENT OF ACCOUNTING POLICIES

Post Employment Benefits

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

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

The Local Government Pension Scheme

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

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

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

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

STATEMENT OF ACCOUNTING POLICIES

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

Discretionary Benefits

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

7. **Events After the Reporting Period**

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

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

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

8. **Financial Instruments**

Financial Liabilities

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

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

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has not undertaken any repurchase of early settlement of borrowing during 2015/16.

Financial Assets

Financial assets are classified in two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available for sale financial assets – assets that have a quoted market price and/or do not have fixed or determinable payments. There were no available for sale financial assets held during 2015/16.

Loans and Receivables

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

However, the Council has provided car loans to employees at less than market rates (soft loans). In normal circumstances soft loans would be recognised and measured in the accounts at fair value, in accordance with the Code as disclosed in notes 11 to 12 to the financial statements on pages 46 to 50. However, car loans to employees have been considered at length and it has been concluded that the sum outstanding of £34,719 is not material. Accordingly, no additional calculations for fair value have been undertaken and car loans are recognised at the value of the sums loaned less repayments made.

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

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

9. **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.

10. **Government Grants and Contributions**

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

- The Authority will comply with the conditions attached to the payments and;

- The grants or contributions will be received.

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

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 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.

11. **Intangible Assets**

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

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

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

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

12. **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.

13. **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 according to the market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

14. **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 2015/16.

The Authority as Lessee:

Finance Leases

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

Lease payments are apportioned between:

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

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

STATEMENT OF ACCOUNTING POLICIES

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 Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

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

Operating Leases

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

15. **Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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

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

16. **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

STATEMENT OF ACCOUNTING POLICIES

- 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 reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – 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 five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service).

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

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

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

<u>Impairment</u>

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:

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

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

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

Disposals and Non-Current Assets Held for Sale

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

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant, and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are 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.

16. **Provisions, Contingent Liabilities and Contingent Assets and Reserves**

Provisions

Provisions are made where an event has taken place that gives the authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

Reserves

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

STATEMENT OF ACCOUNTING POLICIES

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

17. **<u>Revenue Expenditure Funded from Capital Under Statute (REFCUS)</u>**

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.

18. **<u>VAT</u>**

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

19. **<u>Collection Fund</u>**

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

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

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

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

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Financial Officer.

- Manage its affairs to secure economic, efficient and effective use of resources, and to safeguard its assets.

- Approve the Statement of Accounts.

THE RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER

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

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

- Selected suitable accounting policies, and then applied them consistently.

- Made judgements and estimates that were reasonable and prudent.

- Complied with the Local Authority Code.

The Chief Financial Officer has also:

- Kept proper accounting records, which were up to date.

- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATION

I certify that this Statement of Accounts presents a True and Fair view of the financial position of the Authority as at 31 March 2016 and its income and expenditure for the year then ended.

Signed:

M Hill CPFA
Chief Financial Officer
20 September 2016

This Statement was approved by the Audit Committee at its meeting on 20 September 2016, in accordance with the authority given by the delegation arrangements under section 3 of the Council's Constitution.

Signed:

Councillor P Feeney
Chair of the Audit Committee
20 September 2016

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Financial Statements

MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement (MiRS) shows the movement in-year on the different reserves held by the authority (see the Balance Sheet on pages 30 to 31), analysed into "Usable" Reserves (ie. those that can be applied to fund expenditure or reduce local taxation), and other "Unusable" Reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing an authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES) on page 29. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves, undertaken by the Council.

2015/16 Statement	General Fund Balance	Earmarked Gen. Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	TOTAL RESERVES
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2015 per Balance Sheet	**6,575**	**3,722**	**61**	**309**	**10,667**	**(23,007)**	**(12,340)**
Surplus/(Deficit) on the Provision of Services (accounting basis)	(73)	0	0	0	**(73)**	0	**(73)**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	5,571	**5,571**
Total Comprehensive Income and Expenditure	**(73)**	**0**	**0**	**0**	**(73)**	**5,571**	**5,498**
Adjs between accg. basis and funding basis under regulations (note 5)	846	0	152	29	**1,027**	(1,027)	**0**
Net increase/(decrease) before transfers to Earmarked Reserves	**773**	**0**	**152**	**29**	**954**	**4,544**	**5,498**
Transfers (to)/from Earmarked Reserves (note 6)	(1,189)	1,189	0	0	**0**	0	**0**
Increase or (Decrease) in the year 2015/16	**(416)**	**1,189**	**152**	**29**	**954**	**4,544**	**5,498**
Balance at 31 March 2016 per Balance Sheet	**6,159**	**4,911**	**213**	**338**	**11,621**	**(18,463)**	**(6,842)**

2014/15 Comparatives	General Fund Balance	Earmarked Gen. Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	TOTAL RESERVES
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2014 per Balance Sheet	6,194	2,716	375	851	10,136	(13,053)	(2,917)
Surplus/(Deficit) on the Provision of Services (accounting basis)	(2,668)	0	0	0	(2,668)	0	(2,668)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(6,755)	(6,755)
Total Comprehensive Income and Expenditure	(2,668)	0	0	0	(2,668)	(6,755)	(9,423)
Adjs between accg. basis and funding basis under regulations (note 5)	4,055	0	(314)	(542)	3,199	(3,199)	0
Net increase/(decrease) before transfers to Earmarked Reserves	1,387	0	(314)	(542)	531	(9,954)	(9,423)
Transfers (to)/from Earmarked Reserves (note 6)	(1,006)	1,006	0	0	0	0	0
Increase or (Decrease) in the year 2014/15	381	1,006	(314)	(542)	531	(9,954)	(9,423)
Balance at 31 March 2015 per Balance Sheet	6,575	3,722	61	309	10,667	(23,007)	(12,340)

ANNUAL STATEMENT OF ACCOUNTS 2015/16

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 International Financial Reporting Standards (IFRS), rather than the amounts to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations, which may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement on page 28.

2014/15				2015/16		
Gross Exp £000s	Total Inc. £000s	Net Exp. £000s		Gross Exp £000s	Total Inc. £000s	Net Exp. £000s
			Net Cost of Services:			
2,111	(1,110)	1,001	Central Services to the Public	2,248	(1,090)	**1,158**
7,025	(3,102)	3,923	Cultural & Related Services	7,197	(3,612)	**3,585**
6,110	(2,250)	3,860	Environmental & Regulatory Services	6,664	(2,363)	**4,301**
1,895	(673)	1,222	Planning Services	1,761	(831)	**930**
1,453	(312)	1,141	Highways & Transport Services	423	(331)	**92**
29,503	(28,498)	1,005	Housing Services (Incl Rent Allws)	29,172	(28,443)	**729**
1,726	(3)	1,723	Corporate & Democratic Core	1,927	(3)	**1,924**
76	0	76	Non Distributed Costs	0	0	**0**
49,899	(35,948)	13,951	**Cost of Services**	**49,392**	**(36,673)**	**12,719**
			Other Operating Expenditure:			
519	0	519	Payment of Precepts to Parishes	536	0	**536**
16	0	16	Drainage Board Levy	16	0	**16**
10	0	10	Pensions Administration Cost	1	0	**1**
1	0	1	Payments of Housing capital receipts to Government Pool	0	0	**0**
305	(571)	(266)	(Gain)/Loss on disposal of PPE	3	(428)	**(425)**
851	(571)	280		**556**	**(428)**	**128**
			Financing and Investment I&E:			
393	0	393	Interest Payable on Debt	373	0	**373**
1,377	0	1,377	Net Pensions Interest Cost	1,413	0	**1,413**
0	(163)	(163)	Interest Receivable and similar income	0	(172)	**(172)**
1,261	(113)	1,148	Income & Exp re. Investment properties & changes in their fair value	15	(214)	**(199)**
0	0	0	(Gain)/Loss on disposal of Inv't Assets	85	(131)	**(46)**
3,031	(276)	2,755		**1,886**	**(517)**	**1,369**
			Taxation and Non Specific Grants:			
0	(5,926)	(5,926)	Council Tax Income	0	(6,051)	**(6,051)**
0	(2,954)	(2,954)	Non Domestic Rates	0	(3,319)	**(3,319)**
0	(4,730)	(4,730)	Non Ring-fenced Government Grants	0	(4,252)	**(4,252)**
0	(708)	(708)	Capital grants and contributions (note 7)	0	(402)	**(402)**
0		0	Donated Assets (note 7)	0	(119)	**(119)**
0	(14,318)	(14,318)		**0**	**(14,143)**	**(14,143)**
53,781	(51,113)	2,668	**(Surpl)/Def on Provision of Services**	**51,834**	**(51,761)**	**73**
		(3,212)	(Surplus) / Deficit on revaluation of non current assets (PPE)			**(612)**
		9,967	Actuarial re-measurements on Pension assets and liabilities			**(4,959)**
		6,755	**Other Comprehensive Income and Expenditure**			**(5,571)**
		9,423	**Total Comprehensive Income and Expenditure**			**(5,498)**

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 2015			31 March 2016	
£000s	£000s		£000s	£000s
		Property, Plant & Equipment (note 8)		
20,611		Land and Buildings	**20,805**	
2,666		Vehicles, Plant and Equipment	**2,751**	
381		Infrastructure	**599**	
2,813		Community Assets	**2,636**	
1		Assets Under Construction	**9**	
	26,472			**26,800**
	4,936	**Investment Property** (note 9)		**4,994**
	109	**Intangible Assets** (note 10)		**179**
	2,055	**Long Term Debtors** (note 13)		**2,036**
	33,572	**LONG TERM ASSETS**		**34,009**
7,532		Short Term Investments	**7,528**	
111		Inventories	**126**	
3,743		Short Term Debtors (note 14)	**4,215**	
610		Cash and Cash Equivalents (note 15)	**902**	
	11,996	**CURRENT ASSETS**		**12,771**
(2,001)		Short Term Borrowing (under 1year)	**(1,001)**	
(2,398)		Short Term Creditors (note 16)	**(3,448)**	
(66)		Provisions under 1 year (note 17)	**0**	
	(4,465)	**CURRENT LIABILITIES**		**(4,449)**
(811)		Provisions over 1 year (note 17)	**(1,042)**	
(7,812)		Long term Borrowing (PWLB)	**(6,812)**	
(43,630)		Net Pensions Liability (note 31)	**(40,668)**	
(177)		Deferred Liabilities	**0**	
(898)		Capital Grants & Contributions Received in Advance (note 27)	**(608)**	
(115)		Revenue Grants & Contributions Received in Advance (note 27)	**(43)**	
	(53,443)	**LONG TERM LIABILITIES**		**(49,173)**
	(12,340)	**NET ASSETS / (LIABILITIES)**		**(6,842)**

BALANCE SHEET

31 March 2015			31 March 2016	
£000s	£000s		£000s	£000s
	(12,340)	NET ASSETS / LIABILITIES FROM ABOVE		(6,842)
		Usable Reserves (MiRS p 28)		
6,575		General Fund	6,159	
3,722		Earmarked Reserves (note 6)	4,911	
61		Capital Receipts Reserve	213	
309		Capital Grants and Contributions Unapplied	338	
	10,667			11,621
		Unusable Reserves (note 19)		
5,509		Revaluation Reserve	5,962	
(43,630)		Pensions Reserve	(40,668)	
16,177		Capital Adjustment Account	16,684	
1		Deferred Capital Receipts	0	
(55)		Collection Fund Adjustment Account - CTax	(72)	
(801)		Collection Fund Adjustment Account - NDR	(215)	
(208)		Short-term Accumulating Compensated Absences Account	(154)	
	(23,007)			(18,463)
	(12,340)	TOTAL RESERVES		(6,842)

ANNUAL STATEMENT OF ACCOUNTS 2015/16

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.

2014/15		2015/16
£000s		£000s
(2,668)	**Net Surplus / (Deficit) on the Provision of Services per the Comprehensive Income and Expenditure Statement**	**(73)**
5,643	Total of adjustments to net Surplus/(Deficit) on Provision of Services for non-cash movements	3,091
(1,360)	Total of adjustments to the net Surplus/(Deficit) on Provision of Services for items that are investing and financing activities	(1,027)
1,615	**Net cash flow from operating activities** (see note 20)	**1,991**
(2,063)	Investing activities (see note 21)	**(258)**
(499)	Financing activities (see note 22)	**(1,441)**
(947)	**Net Increase / (Decrease) in Cash & Cash Equivalents**	**292**
1,557	Cash and Cash Equivalents at the beginning of the reporting period	**610**
610	**Cash and Cash Equivalents at the End of the Reporting Period**	**902**

Analysis of Cash and Cash Equivalents at Balance Sheet dates:	31 March 2015	31 March 2016
	£000s	£000s
Bank Account balances and cash in transit	(751)	**(700)**
Imprest accounts	11	**12**
Cash equivalents	1,350	**1,590**
Total Cash and Cash Equivalents per Balance Sheet	610	**902**

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Please refer to the full Statement of Accounting Polices, which can be found on pages 12 to 24.

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

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

The 2016/17 Code includes the adoption from 1 April 2016 of amendments to:

The format of the Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement (MiRS), and the introduction of a new Expenditure and Funding Analysis.

IAS1 - Presentation of Financial Statements - disclosure initiative

IAS16 - Property, Plant and Equipment and IAS38 Intangible Assets: clarification of acceptable methods of depreciation.

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

IFRS11 - Joint Arrangements - accounting for acquisition of interests in joint operations

Other changes include annual improvements to IFRS.

The Code does not anticipate that any of the above amendments will have a material effect on the information provided by the financial statements, ie. there is unlikely to be a change to the reported information in the net cost of services, or the surplus or deficit on the provision of services. However, in 2016/17 the comparator 2015/16 Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS) must reflect the new formats, and the reporting requirements as a result of the "Telling the Story" review of the presentation of local authority financial statements.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out on pages 12 to 24, the authority may have to make certain judgements about complex transactions or those involving uncertainty about future events. The only critical judgement in 2015/16 is the ongoing uncertainty about future levels of funding for local government, however the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service.

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

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

The estimated items in the Authority's Balance Sheet at 31 March 2016 for which there is a significant risk of causing a material adjustment in the forthcoming financial year are as follows:

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements in relation to the discount rate used, the rate at which salaries are projected to increase, changes in the retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £1.727m. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. See note 31 on pages 70 to 76 for further details.
Property Plant and Equipment	Depreciation and amortisation is provided to write down the assets to their residual values over their estimated useful lives. The selection of these residual values and useful lives requires the exercise of management judgements considering anticipated usage levels in service provision and levels of repairs and maintenance. A review of balance sheet values is undertaken each year end to assess if any of the assets have not been used at the estimated rates and if any impairment charges are required.	If the useful lives of assets are reduced, depreciation increases and the carrying amount of the asset falls. If assets lives were 10% lower than estimated the annual depreciation charge would be increased by approximately £184,100. However, as the asset values are reviewed on an annual basis this level of incorrect estimation is unlikely. See note 8 on pages 42 to 44 for further details.
Provisions	The Authority has made provisions of £50,000 each for Transferred Housing Stock Repairs and Transferred Housing Stock Environmental Warranty Excesses. These provide amounts to cover for an estimated number of future claims. It is possible the actual number may exceed the estimate. The Business Rate Retention scheme introduced a requirement to maintain a provision for rating appeals. The system is complex and neither the number of successful appeals nor the percentage reduction in rateable value achieved can be pre-determined. The current provision totals £2,355,900 of which the Council's share as billing authority is £942,400.	A change of 5% in the assumed success rate for NDR appeals could increase or decrease the provision requirement by around £277,000. Of this, the Council's share as billing authority would be £111,000. See note 17 on page 52 for further details on Provisions.
Arrears	An estimate of the impairment of sundry debtors is based upon the age and type of each debt. The percentages for impairment applied reflect an assessment of the recoverability of each debt based on past experience and a view of the impact of the prevailing economic climate. The provision for impairment at 31 March 2016 is £1,850,800.	If collection rates were to deteriorate, a 10% increase on the impairment percentage would require an additional £234,000 to be set aside as an allowance.

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

5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2015/16	Usable Reserves			Total	Mov't on
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Mov't on Usable Reserves	Unusable Reserves
	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account (note 19)					
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement					
Charges for depreciation & impairment of non-current assets	1,366	0	0	1,366	(1,366)
Revaluation losses/(reversals) on Property Plant and Equipment	0	0	0	0	0
Movement in fair value of investment properties	(94)	0	0	(94)	94
Amortisation of intangible assets	47	0	0	47	(47)
Capital grants & contributions applied	(293)	0	0	(293)	293
Revenue Expenditure Funded from Capital Under Statute	112	0	(2)	110	(110)
Carrying Amounts debited as part of the gain or loss on disposals of non-current assets	85	0	0	85	(85)
Income from Donated Assets	(119)	0	0	(119)	119
Insertion of items NOT debited or credited to the Comprehensive Income & Expenditure Statement					
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	(504)	0	0	(504)	504
Capital expenditure charged against General Fund Balance	(500)	0	(72)	(572)	572
Adjustments primarily involving the Capital Grants Unapplied Account					
Capital grants and contributions unapplied, credited to the Comprehensive Income & Expenditure Statement	(108)	0	108	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(5)	(5)	5
Sub-total of items adjusted	(8)	0	29	21	(21)

5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2015/16 (Continued)	Usable Reserves General Fund Balance	Usable Reserves Capital Receipts Reserve	Usable Reserves Capital Grants Unapplied	Total Mov't on Usable Reserves	Mov't on Unusable Reserves
	£000s	£000s	£000s	£000s	£000s
Sub-total of adjustments from prev. page	**(8)**	**0**	**29**	**21**	**(21)**
Adjustments primarily involving the Capital Receipts Reserve					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**(520)**	**520**	**0**	**0**	**0**
Transfer of capital grant repayments in excess of £10,000 credited to Income and Expenditure Statement	**0**	**0**	**0**	**0**	**0**
Use of Capital Receipts Reserve to finance new capital expenditure	**0**	**(369)**	**0**	**(369)**	**369**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	**0**	**0**	**0**	**0**	**0**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash (note 19)	**0**	**1**	**0**	**1**	**(1)**
Adjustments primarily involving the Pensions Reserve (note 19)					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	**3,673**	**0**	**0**	**3,673**	**(3,673)**
Employers pension contributions and direct payments to pensioners payable in the year	**(1,676)**	**0**	**0**	**(1,676)**	**1,676**
Adjustments primarily involving the Collection Fund Adjustment A/C (note 19)					
Amount by which council tax & NNDR income credited to the Comprehensive Income & Expenditure Statement differs to that income calculated for the year in accordance with statutory requirements	**(569)**	**0**	**0**	**(569)**	**569**
Adjustments primarily involving the Accumulated Absences Account (note 19)					
Amount by which officer remuneration credited to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**(54)**	**0**	**0**	**(54)**	**54**
Total Net adjs between Accounting basis and Funding basis under regulation (per Movement in Reserves Statement on p28)	**846**	**152**	**29**	**1,027**	**(1,027)**

5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2014/15 Comparatives continued	Usable Reserves			Total	Mov't on
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Mov't on Usable Reserves	Unusable Reserves
	£000s	£000s	£000s	£000s	£000s
Sub-total of adjustments from prev. page	2,611	0	(542)	2,069	(2,069)
Adjustments primarily involving the Capital Receipts Reserve					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(510)	510	0	0	0
Transfer of capital grant repayments in excess of £10,000 credited to Income and Expenditure Statement	(33)	33	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	(859)	0	(859)	859
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	1	(1)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash (note 19)	0	3	0	3	(3)
Adjustments primarily involving the Pensions Reserve (note 19)					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	3,250	0	0	3,250	(3,250)
Employers pension contributions and direct payments to pensioners payable in the year	(1,679)	0	0	(1,679)	1,679
Adjustments primarily involving the Collection Fund Adjustment A/C (note 19)					
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement differs to the council tax income calculated for the year in accordance with statutory requirements	410	0	0	410	(410)
Adjustments primarily involving the Accumulated Absences Account (note 19)					
Amount by which officer remuneration credited to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	5	0	0	5	(5)
Total Net adjs between Accounting basis and Funding basis under regulation (per Movement in Reserves Statement on p28)	4,055	(314)	(542)	3,199	(3,199)

6. TRANSFERS TO/FROM EARMARKED RESERVES

Contributions to Earmarked Reserves provide financing for future expenditure plans, and contributions posted back from such reserves helped to meet General Fund expenditure during 2014/15 and 2015/16.

	Balance 31 Mar 2014	Transfers out during 2014/15	Transfers in during 2014/15	Balance 31 Mar 2015	Transfers out during 2015/16	Transfers in during 2015/16	Balance 31 Mar 2016
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
IT Equipment Replacement Reserve	352	(104)	169	**417**	(85)	102	**434**
Community and Crime	63	0	25	**88**	0	10	**98**
Disabled Adaptations	22	0	0	**22**	0	0	**22**
Risk Management	184	(30)	190	**344**	(3)	0	**341**
Housing and Housing Benefits Reserve	426	0	24	**450**	(13)	36	**473**
Insurance Fund	280	(21)	14	**273**	(10)	0	**263**
Efficiency & Innovation	194	(50)	0	**144**	(18)	0	**126**
Asset Management	79	(9)	75	**145**	(47)	111	**209**
Local Development Framework & Planning Reserve	148	(61)	31	**118**	(44)	75	**149**
S106 Revenue Reserve	111	(15)	0	**96**	(17)	16	**95**
Earmarked Grants Reserve	385	(149)	305	**541**	(103)	259	**697**
Joint Use Maintenance Reserve	144	(144)	105	**105**	(172)	220	**153**
CCTV Reserve	122	0	92	**214**	0	28	**242**
Local Authority Mortgage Scheme Reserve	43	0	23	**66**	0	22	**88**
Rural Broadband Resv.	90	0	0	**90**	(59)	0	**31**
Apprentice Resv.	48	0	6	**54**	0	7	**61**
Land Charges Resv.	25	0	0	**25**	0	0	**25**
NNDR Pool Reserve	0	0	67	**67**	(42)	74	**99**
Transformation Reserve	0	0	189	**189**	0	68	**257**
Economic Development Reserve	0	0	274	**274**	(81)	355	**548**
Leisure Strategy Res'v	0	0	0	**0**	0	500	**500**
Total Earmarked Reserves per Balance Sheet p30-31	**2,716**	**(583)**	**1,589**	**3,722**	**(694)**	**1,883**	**4,911**
Net Movement in Year per MiRS p28		**1,006**			**1,189**		

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

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

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

6. TRANSFERS TO/FROM EARMARKED RESERVES (Continued)

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

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

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

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

Asset Management Reserve - to provide for asset maintenance and replacement.

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

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

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 indemnifies Lloyds for 20% of individual loans for 5 years (see note 13).

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

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

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

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

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

	2014/15	2015/16
Capital Grants and Contributions	**£000s**	**£000s**
Department for Environment and Rural Affairs:		
WREN Grant (Waste Recycling Environmental)	(34)	**0**
Homes and Communities Agency:		
Provision of starter homes	0	**(37)**
Other Grants and Contributions:		
Developers' Section 106 Contributions	(570)	**(296)**
Sport England	(104)	**(7)**
Rushcliffe Borough Council	0	**(39)**
ANESCO - solar farm	0	**(23)**
Total Capital Grants & Contributions per CIES on page 29	(708)	**(402)**
Donated Assets		
Community Facilities	0	**(119)**
Total Donated Assets per CIES on page 29	0	**(119)**

8. PROPERTY, PLANT & EQUIPMENT

Movements in 2015/16	Land & Bldgs. £000s	Vehicles Plant & Equipm't £000s	Infra-Struct. Assets £000s	Comm'y Assets £000s	Assets Under Constrn. £000s	Total £000s
Cost or Valuation:						
As at 1 April 2015	21,182	8,815	779	6,956	1	**37,733**
Additions	72	620	247	65	9	**1,013**
Donations	0	0	0	119	0	**119**
Revaln incr/(decr) recognised in the Revaluation Reserve	403	0	0	0	0	**403**
Revaln incr/(decr) recognised in the Surplus/Deficit on Provision of Services	0	0	0	0	0	**0**
Derecognition-Disposals	0	(379)	0	0	0	**(379)**
Other movements in cost or valuation	(49)	0	0	1	(1)	**(49)**
As at 31 March 2016	**21,608**	**9,056**	**1,026**	**7,141**	**9**	**38,840**
Accumulated Depreciation and Impairment:						
As at 1 April 2015	(571)	(6,149)	(398)	(4,143)	0	**(11,261)**
Depreciation Charge	(441)	(534)	(29)	(362)	0	**(1,366)**
Depreciation written out to the Revaluation Reserve	209	0	0	0	0	**209**
Depreciation written out to the Surplus/Deficit on Provision of Services	0	0	0	0	0	**0**
Derecognition-Disposals	0	378	0	0	0	**378**
As at 31 March 2016	**(803)**	**(6,305)**	**(427)**	**(4,505)**	**0**	**(12,040)**
Net Book Value 31/3/15	20,611	2,666	381	2,813	1	26,472
Net Book Value 31/3/16	**20,805**	**2,751**	**599**	**2,636**	**9**	**26,800**

8. PROPERTY, PLANT & EQUIPMENT (Continued)

Comparative Movements in 2014/15	Other Land & Bldgs. £000s	Vehicles Plant & Equipm't £000s	Infra-Struct. Assets £000s	Comm'y Assets £000s	Assets Under Constrn. £000s	Total £000s
Cost or Valuation:						
As at 1 April 2014	18,960	8,979	453	6,386	1,362	36,140
Additions	539	1,023	326	196	0	2,084
Donations	0	0	0	0	0	0
Revaln incr/(decr) recognised in the Revaluation Reserve	1,941	0	0	0	0	1,941
Revaln incr/(decr) recognised in the Surplus/Deficit on Provision of Services	(954)	0	0	0	0	(954)
Derecognition-Disposals	(291)	(1,187)	0	0	0	(1,478)
Other movements in cost or valuation	987	0	0	374	(1,361)	0
As at 31 March 2015	21,182	8,815	779	6,956	1	37,733
Accumulated Depreciation and Impairment:						
As at 1 April 2014	(1,424)	(6,800)	(391)	(3,764)	0	(12,379)
Depreciation Charge	(417)	(528)	(7)	(379)	0	(1,331)
Depreciation written out to the Revaluation Reserve	1,270	0	0	0	0	1,270
Depreciation written out to the Surplus/Deficit on Provision of Services	0	0	0	0	0	0
Derecognition-Disposals	0	1,179	0	0	0	1,179
As at 31 March 2015	(571)	(6,149)	(398)	(4,143)	0	(11,261)
Net Book Value 31/3/14	17,536	2,179	62	2,622	1,362	23,761
Net Book Value 31/3/15	20,611	2,666	381	2,813	1	26,472

8. PROPERTY, PLANT & EQUIPMENT (Continued)

Depreciation

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

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

Revaluation

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

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

Significant Capital Contracts

The following capital contracts had been entered into but not fully completed as at 31 March 2016. The figures represent the estimated value of works still to be completed in 2016/17, and not the full contract values.

	2015/16
	£000s
Gedling Country Park	37
Total	**37**

9. INVESTMENT PROPERTIES

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

	2014/15	2015/16
	£000s	£000s
Rental from Investment Property	(113)	**(120)**
Direct operating expenses arising from Investment Property	5	**15**
Net (Gain)/Loss	(108)	**(105)**

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

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

	2014/15	2015/16
	£000s	£000s
Balance at the start of the year	6,192	**4,936**
Additions (purchase, construction & subsequent expenditure)	0	**0**
Disposals	0	**(85)**
Net gain/(loss) from fair value adjustments	(1,256)	**94**
Transfers (to)/from Property, Plant and Equipment	0	**49**
Balance at the end of the year per Balance Sheet	4,936	**4,994**

10. INTANGIBLE ASSETS

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

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

The carrying amount of intangible assets is amortised on a straight line basis. Approximately half of the amortisation of £47,016 charged to revenue in 2015/16 was charged to IT, and then absorbed as an overhead across all the 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.

	2014/15	2015/16
	£000s	£000s
Gross carrying amount	745	**807**
Accumulated amortisation	(649)	**(698)**
Net carrying amount at start of year	**96**	**109**
Additions - purchases	62	**117**
Amortisation for the year	(49)	**(47)**
Net carrying amount at end of year per Balance Sheet	109	**179**
<u>**Represented by:**</u>		
Gross carrying amount	807	**924**
Accumulated amortisation	(698)	**(745)**
Total	109	**179**

11. FINANCIAL INSTRUMENTS

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

The 2015/16 Code introduces a requirement for 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.

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. A table showing the summary position is also given for clarity.

Soft Loans

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

11. 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 2015/16 were car loans to employees. It is the Council's view that the outstanding sum of £35k 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. IAS39 defines two classes of financial liabilities and four classes of financial assets, although in practice the vast majority of financial liabilities held by local authorities will be in the "amortised cost" category, and financial assets will be either "loans and receivables" or "available for sale". It will often not be necessary to undertake a formal effective interest rate (EIR) calculation, either because the instrument is a short duration receivable (debtor) or payable (creditor) which is required to be measured at the original invoice amount, or because it is clear that the nominal interest rate equals the EIR, as is the case with most fixed rate instruments.

Most loan debts and investments will feature transaction costs which should be applied to the initial carrying amount, however where these are judged 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 discounts, such spreading is a requirement for discounts.

No premiums or discounts were paid or received by the Council during 2015/16.

Gedling Borough Council's Financial Instruments:

(a) Category of Liabilities:

Amortised Costs:

(i) **Long and Short Term Borrowing** - Total debt outstanding on the balance sheet on 31 March 2016 is £7.81m, split between long term debt (repayable within periods beyond one year) and short term (repayable within one year), which includes accrued interest. All the debt held is with the Public Works Loan Board (PWLB). 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.

11. FINANCIAL INSTRUMENTS (Continued)

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 Councils outstanding loans of £7.81m would be valued at £9.31m. 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 £3.23m. The exit price for the outstanding PWLB loans including the penalty charge would therefore be £11.04m. The valuation basis adopted uses level 2 inputs, ie. inputs other than quoted prices that are observable for the financial liability.

This redemption charge is a supplementary measure of the fair value of the outstanding PWLB loans of £7.81m. 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.

(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 £0.65m. Short-term creditors outstanding at 31 March 2016, which are classed as financial instruments, totalled £1.90m.

Fair Value through Profit and Loss:

No Liabilities Held for Trading are used by the Council.

(b) Category of Assets:

Loans and Receivables:

(i) **Long Term Debtors** - As discussed above, the only soft loans identified by Gedling Borough Council are car loans to employees. The sum outstanding at 31 March 2016 was £35k, which is not material. The Council has made two advances of £1m each to Lloyds Bank in respect of the Local Authority Mortgage Scheme and these are held on the balance sheet as long-term debtors. Interest is paid on these advances at rates that were fixed at inception, and no formal calculations of EIR are deemed necessary, the carrying amounts representing a reasonable approximation of fair value.

(ii) **Long Term Investment** - The Council held no investments with maturities of over 12 months at 31 March 2016.

(iii) **Short Term Investment** - Investments held at 31 March 2016 amounted to £7.53m, including accrued interest, and consisted of fixed term deposits with approved counterparties. All the rates were fixed at inception, with interest paid on maturity. No formal calculation of EIR is deemed necessary, and the carrying amount is a reasonable approximation of the fair value.

(iv) **Short Term Debtors** - Operational debtors are financial instruments of short duration, with no formal effective interest rate, and are required to be valued at their original amount, ie. the carrying amount is a reasonable approximation of fair value. Debtors outstanding at 31 March 2016, which are classed as financial instruments, totalled £2.26m net of impairment provisions for doubtful debts.

(v) **Cash and Cash Equivalents** - The fair value of cash balances in hand (or overdrawn) is deemed to be the carrying value. The Council's cash balances overdrawn at 31 March 2016 totalled £0.79m, however these are combined on the Balance Sheet as part of the overall Cash and Cash Equivalents balance of £0.90m in hand. As this overdrawn position is only a result of daily cashflow management, the net position continues to be shown with current assets (note 15).

11. FINANCIAL INSTRUMENTS (Continued)

Available-for-Sale:

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

Fair Value through Profit and Loss:

No assets are held for trading by the Council.

Held to Maturity:

The Code prohibits the use of this category.

Summary

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

Summary of Financial Instruments	Long Term		Short Term	
	2014/15	2015/16	2014/15	2015/16
	£000s	£000s	£000s	£000s
Liabilities at Amortised Cost:				
Borrowing	(7,812)	**(6,812)**	(2,001)	**(1,001)**
Creditors and Receipts in Advance	(1,013)	**(651)**	(2,102)	**(1,903)**
Assets at Amortised Cost:				
Short Term Investments (up to 12 months)	0	**0**	7,532	**7,528**
Debtors	2,035	**2,035**	2,032	**2,258**
Cash and Cash Equivalents	0	**0**	610	**902**

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

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

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

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

Credit Risk:

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

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

The Council also operates an investment limit of £5m per Counterparty. Any investment in excess of this limit is subject to the specific approval of the Chief Financial Officer. The Council did not experience any non-performance from any of its counterparties in respect of its temporary investments or cash equivalents during 2015/16.

Liquidity Risk:

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

PWLB Maturity Analysis	2014/15 £000s	2015/16 £000s
Short Term Borrowing		
Repayable within 1 year:		
Principal	(2,000)	**(1,000)**
Interest accruals	(1)	**(1)**
Short Term Borrowing per Balance Sheet	(2,001)	**(1,001)**
Long Term Borrowing		
Repayable in 1 to 2 years	(1,000)	**0**
Repayable in 2 to 5 years	0	**0**
Repayable in 5 to 10 years	0	**0**
Repayable in over 10 years	(6,812)	**(6,812)**
Long Term Borrowing per Balance Sheet	(7,812)	**(6,812)**

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

Market Risk:

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

Price Risk:

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

Foreign Exchange Risk:

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

NOTES TO THE FINANCIAL STATEMENTS

13. LONG TERM DEBTORS

	2014/15	2015/16
	£000s	£000s
Car Loans	35	**35**
Local Authority Mortgage Scheme	2,000	**2,000**
Other	20	**1**
Total Long Term Debtors per Balance Sheet	2,055	**2,036**

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

14. SHORT TERM DEBTORS

	2014/15	2015/16
	£000s	£000s
Central Government Departments	188	**446**
Other Local Authorities	780	**1,143**
Other Entities and Individuals	2,775	**2,626**
Net Short Term Debtors per Balance Sheet	3,743	**4,215**

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

15. CASH AND CASH EQUIVALENTS

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

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

The balance of cash and cash equivalents is made up as follows:	31/03/15	31/03/16
	£000s	£000s
Cash balance at bank and cash in transit	(751)	**(700)**
Imprest Accounts	11	**12**
	(740)	**(688)**
Call Accounts	1,350	**1,590**
Total Cash and Cash Equivalents per Balance Sheet	610	**902**

16. SHORT TERM CREDITORS AND RECEIPTS IN ADVANCE

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

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

	2014/15	2015/16
	£000s	£000s
Central Government Departments	(109)	**(910)**
Other Local Authorities	(666)	**(963)**
Other Entities and Individuals	(1,623)	**(1,575)**
Total Short Term Creditors per Balance Sheet	(2,398)	**(3,448)**

17. PROVISIONS

	Transf'd Stock Env. Warranties £000s	Transf'd Stock Repairs £000s	Land Charges £000s	NNDR Appeals £000s	Total Provisions £000s
<u>Over one year:</u>					
Balance at 1 April 2015	**(50)**	**(50)**	**0**	**(711)**	**(811)**
Additional Provisions made in 2015/16	0	0	0	(231)	**(231)**
Used in 2015/16	0	0	0	0	**0**
Reversed in 2015/16	0	0	0	0	**0**
Balance at 31 March 2016	**(50)**	**(50)**	**0**	**(942)**	**(1,042)**
<u>Under one year:</u>					
Balance at 1 April 2015	**0**	**0**	**(66)**	**0**	**(66)**
Additional Provisions made in 2015/16	0	0	0	0	**0**
Used in 2015/16	0	0	59	0	**59**
Reversed in 2015/16	0	0	7	0	**7**
Balance at 31 March 2016	**0**	**0**	**0**	**0**	**0**

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

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

Land Charges - A group of property search companies sought to claim refunds of fees paid to the Council to access land charges data. The outstanding claim was settled during the year and associated costs are currently being negotiated, but are not estimated to be material in value. It is still possible that additional claimants may come forward and accordingly a reserve of £25,000 has been earmarked for any such future claims, see note 6.

NNDR Appeals - The Business Rate Retention regime places a liability on the Council to refund ratepayers who successfully appeal against the rateable value of their properties on the rating list. A provision of £942,400 has been made, representing the Council's estimated share of such liabilities at 31 March 2016.

18. USABLE RESERVES

Movements in the authority's Usable Reserves are detailed in the Movement in Reserves Statement on page 28, and in note 5 on pages 35 to 38.

19. UNUSABLE RESERVES

	31/03/14	31/03/15
	£000s	£000s
Revaluation Reserve	5,509	**5,962**
Capital Adjustment Account	16,177	**16,684**
Deferred Capital Receipts Reserve	1	**0**
Pensions Reserve	(43,630)	**(40,668)**
Collection Fund Adjustment Account - Council Tax	(55)	**(72)**
Collection Fund Adjustment Account - Non Domestic Rates	(801)	**(215)**
Accumulated Absences Account	(208)	**(154)**
Total Unusable Reserves	(23,007)	**(18,463)**

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.

	2014/15	2015/16
	£000s	£000s
Balance at 1st April	2,407	**5,509**
Upward revaluation of assets	3,278	**612**
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(66)	**0**
Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services	3,212	**612**
Difference between fair value depreciation and historic cost depreciation	(110)	**(159)**
Accumulated gains on assets sold or scrapped	0	**0**
Amount written off to the Capital Adjustment Account	(110)	**(159)**
Balance at 31st March	5,509	**5,962**

19. UNUSABLE RESERVES (Continued)

Capital Adjustment Account

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

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

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 5 on pages 35 to 38 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2014/15	2015/16
	£000s	£000s
Balance at 1st April	17,277	**16,177**
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	(1,331)	**(1,366)**
Revaluation (losses)/reversals on Property, Plant and Equipment	(954)	**0**
Amortisation of Intangible Assets	(49)	**(47)**
Revenue Expenditure funded from Capital under Statute (REFCUS)	(119)	**(110)**
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	(299)	**(85)**
	(2,752)	**(1,608)**
Adjusting amount written out of the Revaluation Reserve	110	**159**
Net written out amount of non-current assets consumed in the year	(2,642)	**(1,449)**
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	859	**369**
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	594	**293**
Applications of grants to capital financing from the Capital Grants Unapplied Account	694	**5**
Statutory provision for the financing of capital investment charged against the General Fund	533	**504**
Capital expenditure charged against the General Fund	118	**572**
	2,798	**1,743**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,256)	**94**
Donated Assets credited to the Comprehensive Income and Expenditure Statement	0	**119**
Balance at 31st March	16,177	**16,684**

19. UNUSABLE RESERVES (Continued)

Pensions Reserve

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

	2014/15	2015/16
	£000s	£000s
Balance at 1 April	(32,092)	**(43,630)**
Actuarial gains or losses on pensions assets and liabilities	(9,967)	**4,959**
Reversal of items relating to benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,250)	**(3,673)**
Employer's pension contributions and direct payments to pensioners payable in the year	1,679	**1,676**
Balance at 31 March	(43,630)	**(40,668)**

Deferred Capital Receipts Reserve

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

	2014/15	2015/16
	£000s	£000s
Balance at 1 April	4	**1**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	**0**
Transfer to the Capital Receipts Reserve on the receipt of cash	(3)	**(1)**
Balance at 31 March	1	**0**

19. UNUSABLE RESERVES (Continued)

Collection Fund Adjustment Accounts

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

Council Tax:	2014/15	2015/16
	£000s	£000s
Balance at 1 April	(62)	**(55)**
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	7	**(17)**
Balance at 31 March	(55)	**(72)**

Non Domestic Rates:	2014/15	2015/16
	£000s	£000s
Balance at 1 April	(384)	**(801)**
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	(417)	**586**
Balance at 31 March	(801)	**(215)**

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.

	2014/15	2015/16
	£000s	£000s
Balance at 1 April	(203)	**(208)**
Settlement or cancellation of accrual made at the end of the preceding year	203	**208**
Amounts accrued at the end of the current year	(208)	**(154)**
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	(5)	**54**
Balance at 31 March	(208)	**(154)**

20. CASH FLOW STATEMENT - OPERATING ACTIVITIES

	2014/15	2015/16
	£000s	£000s
Net Surplus / (Deficit) on the Provision of Services per CIES on p29	(2,668)	**(73)**
Adjustments to the net surplus / (deficit) on the Provision of Services for non-cash movements:		
Depreciation	1,331	**1,366**
Impairment and downward revaluations/(reversals)	954	**0**
Amortisation	49	**47**
Increase / (Decrease) in revenue creditors	(55)	**136**
(Increase) / Decrease in revenue debtors	(188)	**(479)**
(Increase) / Decrease in stocks and works in progress	18	**(14)**
Pension liability	1,571	**1,997**
Carrying amount of non current assets sold	299	**85**
Other non-cash items charged to net surplus/(deficit) on provision of services	1,664	**(47)**
	5,643	**3,091**
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	(1,360)	**(1,027)**
Net cash flow from Operating Activities per Cash Flow Statement on p32	1,615	**1,991**

Cash flows for operating activities include the following items:	2014/15	2015/16
	£000s	£000s
Interest Received	(163)	**(176)**
Interest Paid	393	**385**

21. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2014/15	2015/16
	£000s	£000s
Purchase of property, plant and equipment, investment property and intangible assets	(2,121)	**(1,272)**
Purchase of short term and long term investments	(1,000)	**0**
Other payments for investing activities	(5)	**(15)**
Proceeds from sale of property, plant and equipment, investment property and intangible assets	265	**733**
Proceeds from short-term and long term investments	0	**0**
Other receipts from investing activities	113	**120**
Capital grants	282	**176**
Capital contributions	403	**0**
Net cash flows from Investing Activities per Cash Flow Statement on p32	(2,063)	**(258)**

22. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2014/15	2015/16
	£000s	£000s
Cash receipts of short-term and long-term borrowing	0	**0**
Other receipts from financing activities	52	**62**
Repayment of short-term and long-term borrowing	(1,000)	**(2,000)**
Movement on NDR debtor with preceptors and CLG	236	**1,142**
Movement on Council Tax debtors with Preceptors	95	**(283)**
Domestic Violence Partnership grant held for Principal	181	**(181)**
Erasmus grant held for Principal	0	**39**
Other payments for financing activities	(63)	**(220)**
Net cash flows from Financing Activities per Cash Flow Statement on p32	(499)	**(1,441)**

23. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by Cabinet on the basis of budget reports analysed across Portfolios, which represent the segments reported to Management. These reports are prepared on a different basis to the accounting policies used in the financial statements - in particular, costs relating to employee benefits such as outstanding leave and post-employment benefits, which are based on payments of employee pension contributions rather than the current cost of benefits accrued in the year. Furthermore, technical capital charges relating to impairment losses in excess of the balance on the Revaluation Reserve, as well as amortisation, are not recognised within the Portfolio analysis. Conversely, contributions to, and funding from, Earmarked Reserves are included in the Portfolio analysis, but are not recognised in the Comprehensive Income and Expenditure Statement. The income and expenditure of the authority's Portfolios are shown in the table below. The 2014/15 comparatives have been re-analysed following changes to the portfolio reporting structure during 2015/16.

2015/16 Statement	**Community Development £000s**	**Housing, Health & Well-being £000s**	**Public Protection £000s**	**Environment £000s**	**Growth & Regeneration £000s**	**Resources & Reputation £000s**	**Total £000s**
Fees, charges and other service income	(310)	(4,012)	(842)	(2,433)	(918)	(2,028)	**(10,543)**
Government grants	0	(27,255)	(469)	(164)	(276)	(136)	**(28,300)**
Total Income	**(310)**	**(31,267)**	**(1,311)**	**(2,597)**	**(1,194)**	**(2,164)**	**(38,843)**
Employee expenses	480	3,083	909	3,279	974	3,783	**12,508**
Other service expenses	845	29,280	1,042	3,159	882	3,374	**38,582**
Support service recharges	373	1,057	769	538	429	(3,166)	**0**
Total Expenditure	**1,698**	**33,420**	**2,720**	**6,976**	**2,285**	**3,991**	**51,090**
Net Expenditure	**1,388**	**2,153**	**1,409**	**4,379**	**1,091**	**1,827**	**12,247**

23. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (Continued)

2014/15 Statement (Re-analysed)	Community Development £000s	Housing, Health & Well-being £000s	Public Protection £000s	Environment £000s	Growth & Regeneration £000s	Resources & Reputation £000s	Total £000s
Fees, charges and other service income	(272)	(3,932)	(696)	(2,287)	(697)	(2,093)	(9,977)
Government grants	0	(27,414)	(371)	(86)	0	(184)	(28,055)
Total Income	(272)	(31,346)	(1,067)	(2,373)	(697)	(2,277)	(38,032)
Employee expenses	474	3,148	892	3,213	879	3,656	12,262
Other service expenses	842	29,599	919	3,145	784	3,386	38,675
Support service recharges	506	958	717	541	430	(3,152)	0
Total Expenditure	1,822	33,705	2,528	6,899	2,093	3,890	50,937
Net Expenditure	1,550	2,359	1,461	4,526	1,396	1,613	12,905

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

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

	2014/15 £000s	2015/16 £000s
Net Expenditure in the Portfolio Analysis	12,905	**12,247**
Amounts in the Comprehensive Income and Expenditure Statement but not reported to Management in the Portfolio Analysis:	1,142	**530**
Amounts included in the Portfolio Analysis but not included in the Comprehensive Income and Expenditure Statement:	(96)	**(58)**
Cost of Services in the Comprehensive Income and Expenditure Statement (see page 29)	13,951	**12,719**

23. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (Continued)

Reconciliation to Subjective Analysis

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

2015/16 Statement	**Service Analysis**	**Amounts not reported to Mgt.**	**Amounts in Analysis but not incl. in CIES to COS**	**Net Cost of Services**	**Corporate Amounts**	**Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Fees, charges & other service income	(10,543)	0	678	**(9,865)**	0	**(9,865)**
Interest & other Investment Income	0	0	172	**172**	(172)	**0**
Income from Council Tax	0	0	0	**0**	(6,051)	**(6,051)**
Income from Non Domestic Rates	0	0	111	**111**	(3,319)	**(3,208)**
Government Grants & Contributions	(28,300)	0	0	**(28,300)**	(4,654)	**(32,954)**
Donated Assets	0	0	0	**0**	(119)	**(119)**
Investment Property income and gains on fair value	0	0	120	**120**	(214)	**(94)**
Total Income	**(38,843)**	**0**	**1,081**	**(37,762)**	**(14,529)**	**(52,291)**
Employee expenses	12,508	530		**13,038**	0	**13,038**
Other service expenses	38,582	0	(2,297)	**36,285**	0	**36,285**
Depreciation, amortisation and impairment	0	0	1,526	**1,526**	0	**1,526**
Interest payments	0	0	(373)	**(373)**	373	**0**
Pensions Interest & Administration Costs (IAS19)	0	0	0	**0**	1,414	**1,414**
Precepts and Levies	0	0	(16)	**(16)**	552	**536**
Payments to Housing Capital Receipts Pool	0	0	0	**0**	0	**0**
Net (Gain)/Loss on disposal of non current assets	0	0	36	**36**	(471)	**(435)**
Investments Property expenditure and losses on fair value	0	0	(15)	**(15)**	15	**0**
Total Expenditure	**51,090**	**530**	**(1,139)**	**50,481**	**1,883**	**52,364**
(Surplus) or Deficit on the Provision of Services (page 29)	**12,247**	**530**	**(58)**	**12,719**	**(12,646)**	**73**

23. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (Continued)

Reconciliation to Subjective Analysis

2014/15 Statement	**Service Analysis**	**Amounts not reported to Mgt.**	**Amounts in Analysis but not incl. in CIES to COS**	**Net Cost of Services**	**Corporate Amounts**	**Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Fees, charges & other service income	(9,977)	0	550	(9,427)	0	(9,427)
Interest & other Investment Income	0	0	163	163	(163)	0
Income from Council Tax	0	0	0	0	(5,926)	(5,926)
Income from Non Domestic Rates	0	0	116	116	(2,954)	(2,838)
Government Grants & Contributions	(28,055)	0	0	(28,055)	(5,438)	(33,493)
Donated Assets	0	0	0	0	0	0
Investment Property income and gains on fair value	0	0	113	113	(113)	0
Total Income	(38,032)	0	942	(37,090)	(14,594)	(51,684)
Employee expenses	12,262	188	0	12,450	0	12,450
Other service expenses	38,675	0	(2,178)	36,497	0	36,497
Depreciation, amortisation and impairment	0	954	1,499	2,453	0	2,453
Interest payments	0	0	(393)	(393)	393	0
Pensions Interest & Administration Costs (IAS19)	0	0	0	0	1,387	1,387
Precepts and Levies	0	0	(16)	(16)	535	519
Payments to Housing Capital Receipts Pool	0	0	(1)	(1)	1	0
Net (Gain)/Loss on disposal of fixed assets	0	0	55	55	(266)	(211)
Investments Property expenditure and losses on fair value	0	0	(4)	(4)	1,261	1,257
Total Expenditure	**50,937**	**1,142**	**(1,038)**	51,041	**3,311**	54,352
(Surplus) or Deficit on the Provision of Services (page 29)	12,905	1,142	(96)	13,951	(11,283)	2,668

24. MEMBERS' ALLOWANCES

Payments to members are made under the Local Authorities (Members Allowances) (England) Regulations 2003, which provide for the circumstances in which allowances are payable to members, and to the maximum amounts payable in respect of certain allowances. The regulations include a requirement for authorities to make public their scheme for members' allowances, and to disclose annually the amounts paid under such a scheme. The Council fulfils this requirement by the placement of a 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.

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

	2014/15	2015/16
	£000s	£000s
Allowances:		
Basic	185	**158**
Special Responsibility	86	**91**
Expenses:		
Car mileage and public transport	7	**6**
Conferences and subsistence	6	**4**
	284	**259**

25. EXTERNAL AUDIT COSTS

The authority is required to disclose amounts paid to its appointed auditors, KPMG, for work carried out in performing statutory functions and in providing additional services such as tax advice. The purpose of this is to demonstrate that the objectivity of the auditor is not compromised by fees for other work being significant in relation to audit costs. Amounts paid are split between audit and inspection work, and the certification of grant claims.

	2014/15 (Restated)	2015/16
	£	£
Audit services carried out by the appointed auditor	56,760	**42,570**
Grant certification	13,750	**10,562**
Total fees for statutory audit services in the year	**70,510**	**53,132**
Fees for tax advisory services	**0**	**33,000**
Total fees paid to the appointed auditor	**70,510**	**86,132**

The comparative figures for 2014/15 differ to the published accounts for that year. In accordance with the Code, the revised note discloses only payments made to the Appointed Auditor, KPMG, and excludes minor fees payable to other bodies, for example those in respect of the National Fraud Initiative.

Following changes to the UK APB ethical standards, audit firms engaged by UK clients are not permitted to provide certain tax services where there is a contingent fee arrangement. The Council entered in to such an arrangement with KPMG in 2011 and accordingly was required to revise its engagement to a fixed fee basis. KPMG received authorisation from Public Sector Audit Appointments in January 2016 to continue on this basis and during 2015/16 billed fees totalling £33,000. Of this, £30,000 was in respect of work carried out up to 31 March 2015, and £3,000 to that undertaken during 2015/16. The Council made provision for £30,000 in its accounts for 2014/15, however the full amount of £33,000 was paid to KPMG in 2015/16, following the PSAA approval.

26. OFFICERS' REMUNERATION

The Accounts and Audit Regulations 2015 require certain disclosures in respect of the remuneration of senior staff in Local Authorities, in order to provide greater transparency and accountability to local taxpayers in respect of the total remuneration package for the senior team charged with the stewardship of the Council.

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

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

Number of Employees in each Remuneration Band: (excluding employer pension contributions)	**2014/15** **Number**	**2015/16** **Number**
£50,000 to £54,999	1	**2**
£55,000 to £59,999	1	**0**
£65,000 to £69,999	0	**1**
£75,000 to £79,999	3	**1**
£95,000 to 99,999	2	**0**
£110,000 to £114,999	0	**1**
£150,000 to £154,999	0	**1**
£170,000 to 174,999	0	**1**
Total number of employees whose remuneration exceeds £50,000	7	**7**

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

The remuneration paid to the Authority's senior employees in 2015/16 and 2014/15 is detailed in the table below.

26. OFFICERS' REMUNERATION (Continued)

Individual Posts in receipt of a basic salary exceeding £50,000:	Salary, Fees & All'wces	Exps All'wces	Benefits in Kind	Comp'n for loss of Office	Total exc Pension Contribs	Employer Pension Contribs	Total
	£	£	£	£	£	£	£
2015/16							
Chief Executive	**109,677**	**747**	**120**	**0**	**110,544**	**13,399**	**123,943**
Corporate Director	**75,129**	**112**	**18**	**98,857**	**174,116**	**9,211**	**183,327**
Corporate Director	**61,374**	**609**	**97**	**90,069**	**152,149**	**7,361**	**159,510**
Corporate Director	**76,500**	**345**	**55**	**0**	**76,900**	**0**	**76,900**
Corporate Director	**65,412**	**59**	**9**	**0**	**65,480**	**7,795**	**73,275**
2014/15							
Chief Executive	98,334	649	104	0	99,087	12,095	111,182
Corporate Director	76,000	360	58	0	76,418	9,385	85,803
Corporate Director	75,375	17	3	0	75,395	9,271	84,666
Corporate Director	74,810	369	59	0	75,238	0	75,238
Corporate Director	66,652	0	0	30,000	96,652	7,798	104,450
Council Solicitor & Monitoring Officer	55,585	144	23	0	55,752	6,837	62,589
Service Mgr-Planning & Economic Development	54,439	51	8	0	54,498	6,569	61,067

27. GRANTS, CONTRIBUTIONS AND DONATED ASSETS

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

	2014/15	2015/16
	£000s	£000s
Credited to Taxation and Non-Specific Grant Income:		
Revenue Support Grant (including redistributed sums)	(3,073)	**(2,155)**
New Homes Bonus	(1,564)	**(2,032)**
Council Tax Freeze Grant	(61)	**(61)**
New Burden Grants	(32)	**(4)**
Non Ring-fenced Grants shown on CIES p29	(4,730)	**(4,252)**
Capital Grants and Contributions shown on CIES p29	(708)	**(402)**
Donated Assets shown on CIES p29	0	**(119)**
Total Non Ring-fenced Grants included in CIES	(5,438)	**(4,773)**
Credited to Services:		
Housing Benefits	(27,414)	**(27,251)**
Grants for Revenue Expenditure funded from Capital	(371)	**(709)**
Other Grants & Contributions	(297)	**(714)**
Total grants & contributions credited to Services	(28,082)	**(28,674)**
Total Grants, Contributions and Donated Assets	(33,520)	**(33,447)**

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:

	2014/15	2015/16
Capital	£000s	£000s
Developers' Section 106 Contributions	(898)	**(608)**
	(898)	**(608)**
Revenue		
Developers' Section 106 Contributions	(115)	**(43)**
	(115)	**(43)**

28. RELATED PARTIES

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

Central Government

The UK Central Government has significant influence over the Council's general operations, being responsible for providing the statutory framework within which the Council operates, providing the majority of its funding in the form of grants, and prescribing the terms of many of the transactions that the Council has with other parties (eg. council tax bills, housing benefits etc). Grants received from government departments are included in note 27 on page 66.

Members

Elected members of the council, and potentially close members of their families, exert direct control over the Council's financial and operating policies and as such must be identified as related parties. The statutory disclosure requirements in respect of members allowances are satisfied by note 24 on page 63. The aggregation option for individual transactions has been taken on the basis that the council is satisfied that all the transactions entered into have been concluded in accordance with its procedures for preventing undue influence.

Officers

Officers on the Council's Senior Leadership Team (SLT), and the closest members of their families, have the potential to significantly influence the policies of the Council, however this is limited by the Scheme of Delegation. During 2015/16 no interests were declared by members of SLT and the statutory disclosure requirements in respect of officer remuneration are satisfied by note 26 on pages 64 to 65.

Other Public Bodies

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

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

Letters were sent to all elected members, members of the Senior Leadership Team and to the deputy S151 and Monitoring Officers, explaining the requirements of IAS24, and seeking declarations to assist the demonstration of compliance with the standard. The information provided has been used in the preparation of the disclosures below. Details of outstanding debtors and creditors in respect of related parties are included within notes 14 and 16 on pages 51 and 52 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.

28. RELATED PARTIES (Continued)

Organisation/Body	Nature of relationship	Receipts £000s	Payments £000s
Citizens' Advice Bureau	Elected members are trustees and/or representatives	0	40
Derwent Living	Elected member is a director	0	14
East Midlands Council	Elected member is a representative	(13)	6
Equation Nottingham	Elected Member is on the Management Committee	0	26
Gedling Conservation Trust	Elected member is a trustee and/or representative	0	20
Gedling Homes	Elected member is a director and/or representative	(186)	1
Local Government Association	Elected members are board members and/or representatives	0	19
Mapperley Golf Club	Elected members are representatives and/or have a management interest	(65)	0
Nottinghamshire Police & Crime Commissioner's Office	Elected member is a member of the Crime Panel	(22)	2
Rural Community Action Nottingham (RCAN)	Elected member is a representative	0	10
Other local authorities	Material employee relationships	(461)	956
Parish Council grant aid	GBC elected members on parish councils	0	47

29. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2014/15	2015/16
	£000s	£000s
Opening Capital Financing Requirement (CFR)	**12,384**	**11,850**
Additions:		
Property, Plant & Equipment (note 8)	2,084	**1,013**
Intangible assets (note 10)	62	**117**
Revenue expenditure funded from capital under statute (REFCUS)	490	**821**
Total Capital Investment	2,636	**1,951**
Financing:		
Capital receipts	(860)	**(369)**
Government Grants	(371)	**(464)**
Other Grants and Contributions	(1,405)	**(1,118)**
Minimum Revenue Provision (MRP)	(534)	**(523)**
Total Sources of Finance	(3,170)	**(2,474)**
Closing Capital Financing Requirement (CFR)	11,850	**11,327**
Explanation of movements in the year:		
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	(534)	**(523)**
Increase/(Decrease) in Capital Financing Requirement (CFR)	(534)	**(523)**

30. TERMINATION BENEFITS

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

Two compulsory redundancies were made during 2015/16, incurring liabilities of £20,478. There were also two voluntary redundancies, incurring total liabilities of £188,925. 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 £	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£0 to £20,000	4	**2**	2	**0**	6	**2**	46,128	**20,478**
£20,000 to £40,000	1	**0**	1	**0**	2	**0**	45,560	**0**
£40,000 to 60,000	0	**0**	1	**0**	1	**0**	54,702	**0**
£80,000 to £100,000	0	**0**	0	**2**	0	**2**	0	**188,925**
	5	**2**	4	**2**	9	**4**	146,390	**209,403**

31. POST-EMPLOYMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME

(i) Participation in the Pension Scheme:

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

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

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

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

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

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

(ii) <u>Explanation of terms:</u>

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

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

<u>Movements on pensions assets and liabilities are analysed into the following constituents:</u>

Service cost - comprising:

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

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

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

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

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

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

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

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

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

Benefits paid - payments to discharge liabilities directly to pensioners.

(iii) <u>Transactions relating to post-employment benefits:</u>

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

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

	2014/15	2015/16
	£000s	£000s
Comprehensive Income and Expenditure Statement (CIES):		
Cost of Services:		
a) Service cost comprising:		
Current service cost	1,787	**2,259**
Past service cost	76	**0**
b) Other Operating Expenditure:		
Administration Cost	10	**1**
c) Financing & Investment Income & Expenditure:		
Net Interest Cost	1,377	**1,413**
Total Post Employment benefits charged to the Surplus or Deficit on the Provision of Services	3,250	**3,673**
Re-measurement of the net defined liability comprising:		
Return on plan assets in excess of interest (gain)	(3,682)	**2,455**
Other actuarial (gains) and losses on assets	0	**0**
Actuarial (gains) and losses on changes in financial assumptions	13,649	**(7,411)**
Actuarial (gains) and losses on changes in demographic assumptions	0	**0**
Experience (gains) and losses on defined benefit obligation	0	**(3)**
Total Re-measurements (See Comprehensive Income and Expenditure Statement on page 29)	9,967	**(4,959)**
Total Post Employment benefits charged to the Comprehensive Income and Expenditure Statement	13,217	**(1,286)**
Movement in Reserves Statement:		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code (see note 5)	(3,250)	**(3,673)**

Actual amount charged against the General Fund Balance for pensions in the year	2014/15	2015/16
	£000s	£000s
Employer's contributions payable to the scheme	1,523	**1,546**
Discretionary payments (added years, pension strain etc)	156	**130**
Total	1,679	**1,676**

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

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

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

	2011/12	2012/13	2013/14	2014/15	2015/16
	£000s	£000s	£000s	£000s	£000s
Present value of the funded defined benefit obligation	74,351	81,735	85,195	102,219	**98,144**
Fair value of assets	(47,208)	(54,160)	(55,010)	(60,581)	**(59,327)**
Net liability arising from the funded defined benefit obligation (LGPS)	**27,143**	**27,575**	30,185	41,638	**38,817**
Present value of the unfunded obligation (Discretionary Benefits)	1,792	1,853	1,907	1,992	**1,851**
Net Pension Liability on the Balance Sheet	28,935	29,428	32,092	43,630	**40,668**

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits. These total £99.995m, including funded and unfunded obligations.

The net pension liability of £40.668m has a substantial impact on the net worth of the authority, as recorded in the Balance Sheet, reducing it by 120.2%. However, statutory arrangements for funding the deficit means that the financial position of the authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie. before payments fall due), as assessed by the actuary, therefore finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

Reconciliation of the movements in the fair value of scheme liabilities:	2014/15	2015/16
	£000s	£000s
Opening defined benefit obligation	87,102	**104,211**
Current service cost	1,787	**2,259**
Interest Cost	3,786	**3,399**
Change in financial assumptions	13,649	**(7,411)**
Change in demographic assumptions	0	**0**
Experience loss/(gain) on defined benefit obligation	0	**(3)**
Estimated Benefits Paid (net of transfers in)	(2,555)	**(2,831)**
Past Service Cost including curtailments	76	**0**
Contributions by Scheme Participants	496	**501**
Unfunded Pension Payments	(130)	**(130)**
Closing defined benefit obligation	104,211	**99,995**

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

Reconciliation of the movements in the fair value of scheme assets:	2014/15	2015/16
	£000s	£000s
Opening fair value of scheme assets	55,010	**60,581**
Interest on assets	2,409	**1,986**
Return on plan assets in excess of interest	3,682	**(2,455)**
Other actuarial gains/(losses)	0	**0**
Administration expenses	(10)	**(1)**
Contributions by Employer including Unfunded Benefits	1,679	**1,676**
Contributions by Scheme Participants	496	**501**
Estimated Benefits paid including Unfunded Benefits	(2,685)	**(2,961)**
Closing fair value of scheme assets	60,581	**59,327**

LGPS assets allocated to Gedling Borough Council by asset class:	2013/14	2014/15	2015/16	
	£000s	£000s	£000s	%
Equities	40,157	42,705	**41,304**	**69**
Gilts	4,401	1,893	**1,846**	**3**
Other Bonds	2,751	4,276	**4,058**	**7**
Property	6,051	7,071	**7,494**	**13**
Cash	1,650	2,946	**2,405**	**4**
Inflation-linked Pooled Fund	n/a	1,690	**1,670**	**3**
Infrastructure	n/a	n/a	**550**	**1**
Total assets allocated to Gedling Borough Council	55,010	60,581	**59,327**	**100**

It is estimated that Gedling Borough Council's share of the total assets in the fund is approximately 1%.

Information regarding the detail of the total assets held in the Fund at 31 December 2015 is summarised in the table below. This represents the percentages of the total Fund held in each asset class, split by those that have a quoted market price in an active market, and those that do not. Further information regarding the Fund's precise asset allocations is available from Nottinghamshire County Council Pension Fund as administering authority.

Asset Class		Quoted	Unquoted	Total
		%	%	%
Fixed Interest Gov't Securities	UK	3.1	0.0	**3.1**
	Overseas	0.0	0.0	**0.0**
Corporate Bonds	UK	6.6	0.0	**6.6**
	Overseas	0.3	0.0	**0.3**
Equities	UK	32.3	0.1	**32.4**
	Overseas	35.3	0.0	**35.3**
Property	All	0.0	12.6	**12.6**
Others:	Private equities	0.0	1.9	**1.9**
	Infrastructure	0.0	0.9	**0.9**
	Inflation-linked pooled fund	0.0	2.8	**2.8**
	Cash/temporary investments	0.0	4.1	**4.1**
Total		**77.6**	**22.4**	**100.0**

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

(v) Basis for estimating Liabilities and Assets:

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the LGPS and the Discretionary Benefit liabilities have been assessed by Barnett Waddingham Ltd. Actuaries, an independent firm of actuaries. No differentiation has been made between the two schemes in terms of assumptions. Estimates for the Nottinghamshire County Council Pension Fund are based on the latest full valuation of the scheme at 31 March 2013. The actuary's estimate for the duration of Gedling Borough Council's liabilities is 18 years.

Significant assumptions used by the actuary as at 31 March 2016 are as follows:

Expected return on assets:

The discount rate is the annualised yield at the 18-year point on the Merill 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 14**	**31 Mar 15**	**31 Mar 16**
		Years	**Years**	**Years**
Retiring today-	Male	22.0	22.1	**22.1**
	Female	25.1	25.2	**25.3**
Retiring in 20 years-	Male	24.1	24.2	**24.4**
	Female	27.4	27.6	**27.7**

Financial Assumptions

The financial assumptions used for IAS19 purposes are as follows, and were set with reference to market conditions at 31 March 2016.

	31 March 2014		**31 March 2015**		**31 March 2016**	
	% pa	**Real %**	**% pa**	**Real %**	**% pa**	**Real %**
Retail Price Index increase	3.5	-	3.2	-	**3.2**	**-**
Consumer Price Index increase	2.7	-0.8	2.4	-0.8	**2.3**	**-0.9**
Salary Increase	4.5	1.0	4.2	1.0	**4.1**	**0.9**
Pension Increase	2.7	-0.8	2.4	-0.8	**2.3**	**-0.9**
Discount rate for liabilities	4.4	0.9	3.3	0.1	**3.6**	**0.4**

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

As future pension increases are expected to be based on CPI rather than RPI, the actuary has made a further assumption that CPI will be 0.9% below RPI, ie. 2.3%. This is a slightly higher differential than in 2014/15 and is considered to be a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts.

Salaries are assumed to increase at 1.8% above CPI in addition to a promotional scale.

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

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

Sensitivity analysis:	**£000s**	**£000s**	**£000s**
Adjustment to discount rate:	+0.1%	**0%**	-0.1%
Present value of total obligation	98,268	**99,995**	101,755
Projected service cost	1,969	**2,016**	2,064
Adjustment to long term salary increase:	+0.1%	**0%**	-0.1%
Present value of total obligation	100,250	**99,995**	99,742
Projected service cost	2,017	**2,016**	2,015
Adjustment to pension increase and deferred revaluation	+0.1%	**0%**	-0.1%
Present value of total obligation	101,520	**99,995**	98,498
Projected service cost	2,063	**2,016**	1,970
Adjustment to mortality age rating assumption	+ 1 Year	**None**	- 1 Year
Present value of total obligation	103,022	**99,995**	97,060
Projected service cost	2,067	**2,016**	1,966

Asset and liability matching strategy

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

Impact on the Council's cash flows

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

The actuary's estimate of the total pension expense for the year to 31 March 2017 is £3,453,000. Service cost is estimated to be £2,016,000, net interest on the defined liability £1,436,000, and administration expenses £1,000. Expected contributions for discretionary benefits are £130,000, as per the Council's own budget for 2016/17.

32. CONTINGENT LIABILITIES

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

33. CONTINGENT ASSETS

VAT - Fleming Claims and Compound Interest

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

To date, HMRC have rejected claims for compound interest, and have only paid simple interest on the sums refunded. The Appeal Court supported the taxpayer's right to compound interest, however HMRC and the taxpayer have now received permission to appeal to the Supreme Court. Should the ongoing legal action be ultimately successful, the Council may benefit from a significant additional sum of interest, however the Government has introduced a corporation tax charge of 45% on any compound interest awarded, and this would potentially be withheld from any payment to the Council. The Council's advisers are exploring all options for challenging the lawfulness of the proposed legislation.

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. Should these claims be successful the General Fund may potentially benefit from over £1m, however HMRC have as yet not accepted the non-business principle and indeed has put forward an argument for sporting services to be classed as exempt.

Preserved Right to Buy Receipts

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

34. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised and issued by Alison Ball CPFA, Chief Financial Officer, on 30 June 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 23 June 2016 an EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the EU and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation and it will be for the Government, under the new Prime Minister, to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.

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

ANNUAL STATEMENT OF ACCOUNTS 2015/16

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.

2014/15				2015/16		
Council Tax £000s	NNDR £000s	Total £000s		Council Tax £000s	NNDR £000s	Total £000s
			INCOME:			
(57,872)	0	(57,872)	Council Tax Receivable	**(59,860)**	**0**	**(59,860)**
0	(20,878)	(20,878)	Business Rates Receivable	**0**	**(21,647)**	**(21,647)**
(57,872)	(20,878)	(78,750)		**(59,860)**	**(21,647)**	**(81,507)**
			Apportionment of previous year deficits			
0	(329)	(329)	Central Government	**0**	**(1,070)**	**(1,070)**
0	(59)	(59)	Nottinghamshire County Council	**0**	**(192)**	**(192)**
0	0	0	Notts. Police and Crime Commissioner	**0**	**0**	**0**
0	(6)	(6)	Combined Fire Authority	**0**	**(21)**	**(21)**
0	(263)	(263)	Gedling Borough Council	**0**	**(856)**	**(856)**
0	(657)	(657)		**0**	**(2,139)**	**(2,139)**
			EXPENDITURE:			
			Apportionment of previous year surpluses			
0	0	0	Central Government	**0**	**0**	**0**
416	0	416	Nottinghamshire County Council	**586**	**0**	**586**
58	0	58	Notts. Police and Crime Commissioner	**83**	**0**	**83**
24	0	24	Combined Fire Authority	**34**	**0**	**34**
56	0	56	Gedling Borough Council	**81**	**0**	**81**
554	0	554		**784**	**0**	**784**
			Precepts, Demands and Shares			
0	10,530	10,530	Central Government	**0**	**10,782**	**10,782**
42,486	1,895	44,381	Nottinghamshire County Council	**44,197**	**1,941**	**46,138**
6,039	0	6,039	Notts. Police and Crime Commissioner	**6,282**	**0**	**6,282**
2,481	211	2,692	Combined Fire Authority	**2,579**	**216**	**2,795**
5,344	8,424	13,768	Gedling Borough Council	**5,451**	**8,625**	**14,076**
519	0	519	Parish Councils	**536**	**0**	**536**
56,869	21,060	77,929		**59,045**	**21,564**	**80,609**

ANNUAL STATEMENT OF ACCOUNTS 2015/16

COLLECTION FUND STATEMENT (Continued)

2014/15				2015/16		
Council Tax £000s	NNDR £000s	Total £000s		Council Tax £000s	NNDR £000s	Total £000s
			Other Charges to Collection Fund			
157	184	341	Sums written off	**155**	**82**	**237**
155	(80)	75	Incr/(Decr) in Bad Debt Provisions	**68**	**49**	**117**
0	1,221	1,221	Incr/(Decr) in Provision for Appeals	**0**	**579**	**579**
0	89	89	Transitional Protection Payments due	**0**	**67**	**67**
0	0	0	Renewables retained by GBC	**0**	**80**	**80**
0	102	102	Costs of Collection	**0**	**101**	**101**
0	2	2	Interest	**0**	**0**	**0**
312	1,518	1,830		**223**	**958**	**1,181**
(137)	1,043	906	**Net Deficit/(Surplus) for Current Yr.**	**192**	**(1,264)**	**(1,072)**
696	959	1,655	Add Balance BFwd from Previous Yr.	**559**	**2,002**	**2,561**
559	2,002	2,561	**Balance CFwd (Surplus) / Deficit (notes 2 and 4 to the Collection Fund Accounts)**	**751**	**738**	**1,489**

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*.

	2014/15 Number	2015/16 Number
Band A*	14	**15**
Band A	5,798	**5,995**
Band B	8,712	**8,938**
Band C	7,327	**7,464**
Band D	5,812	**5,839**
Band E	4,102	**4,145**
Band F	1,762	**1,815**
Band G	1,242	**1,263**
Band H	143	**136**
Council Tax Base	34,912	**35,610**

2. ACCOUNTING FOR THE COLLECTION FUND BALANCE - COUNCIL TAX

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

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

The opening balance on the Council Tax Collection Fund was a deficit of £0.559m. By 31 March 2016, this deficit had increased to £0.751m.

	2014/15	2015/16
Balance Sheet Debtors:	**£000s**	**£000s**
Nottinghamshire County Council (Local Authority Debtors)	420	**570**
Nottinghamshire Police & Crime Commissioner (General Debtors)	60	**77**
Combined Fire Authority (General Debtors)	24	**32**
	504	**679**
Council Tax Deficit attributable to Gedling BC	55	**72**
TOTAL	559	**751**

3. NATIONAL NON DOMESTIC RATES (NNDR)

	2014/15	2015/16
(a) Non Domestic Rateable Value at 31 March	£52,643,168	**£53,215,084**
(b) Multiplier for General Businesses	48.2p	**49.3p**
(c) Multiplier for Small Businesses	47.1p	**48.0p**

NOTES TO THE COLLECTION FUND ACCOUNTS (Continued)

4. ACCOUNTING FOR THE COLLECTION FUND BALANCE - NNDR

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. NNDR transactions and balances therefore need to be allocated between the billing authority, the major preceptors and central government. The applicable proportions are 50% for central government, 40% for Gedling Borough Council as the billing authority, 9% for Nottinghamshire County Council and 1% for the Fire Authority.

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

The opening balance on the NNDR Collection Fund was a deficit of £2.002m. By 31 March 2016, this deficit had fallen to £0.738m.

	2014/15	2015/16
Balance Sheet Debtors:	**£000s**	**£000s**
Central Government	1,001	**369**
Nottinghamshire County Council (Local Authority Debtors)	180	**67**
Combined Fire Authority (General Debtors)	20	**7**
	1,201	**443**
NNDR Deficit attributable to Gedling BC	801	**295**
TOTAL	2,002	**738**

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 of NNDR and Council Tax debtors is based upon the age and type of each debt. The percentages for impairment applied reflect an assessment of the recoverability of each debt based on past experience and a view of the impact of the prevailing economic climate. The total Collection Fund provision for impairment at 31 March 2016 is £1,321,800, of which £70,700 and £113,100 represent Gedling's shares of NNDR and Council Tax respectively.

Effect if actual results differ from assumptions

If collection rates were to deteriorate, a 10% increase on the impairment percentage would require an additional total of £306,800 to be set aside as an allowance. However, collection rates have not varied by more than 0.6% in any of the past five years.

(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 achieved can be pre-determined. The current provision totals £2,355,900 of which the Council's share as billing authority is £942,400.

Effect if actual results differ from assumptions

A change of 5% in the assumed success rate could increase or decrease the provision required by around £277,000. Of this, the Council's share as billing authority would be 40%, ie. £111,000.

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Audit Statements

KPMG

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

We have audited the financial statements of Gedling Borough Council for the year ended 31 March 2016 on pages 28 to 81. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2016 and of the Authority's and the Group's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement set out on pages 88 to 92 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the Narrative Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

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

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2015, as to whether Gedling Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Gedling Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Gedling Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the financial statements of Gedling Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Andrew Bush

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

Date: 28 September 2016

Accompanying Statements

ANNUAL GOVERNANCE STATEMENT

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

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

Gedling Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code can be obtained by contacting the Service Manager - Audit & Asset Management at Gedling Borough Council, Arnot Hill Park, Arnold, Nottingham NG5 6LU (vince.rimmington@gedling.gov.uk). This statement explains how Gedling Borough Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1)(b), which requires all relevant bodies to prepare an annual governance statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK - The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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

The governance framework has been in place at Gedling Borough Council for the year ended 31 March 2016 and up to the date of approval of the annual report and statement of accounts.

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

- The Corporate Plan (The Gedling Plan)
- The Development Plan
- The Treasury Strategy
- The Capital Strategy

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

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

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

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

- Annual review of the effectiveness of the Authority's Corporate Governance Framework, including signed Assurance Statements from Corporate Directors and Service Managers,

- An established anti-fraud strategy, including whistle-blowing procedures, communicated to members, officers and the public and available on the Council's website,

- Audit Committee established to undertake the core functions as identified in CIPFA guidance,

- The Terms of Reference for the Audit Committee have been reviewed and previously updated to include specific responsibility for reviewing risk management procedures, including the reporting arrangements on strategic risks via a corporate risk scorecard.

- The development of a risk register to include the identification of both strategic and operational risks, and the formulation of a Corporate Risk Scorecard for reporting purposes,

- Performance Plan monitoring, review and reporting,

- Facilitation of policy and decision making through the constitution, codes of conduct and the decision-making process, forward plan and role of the scrutiny committees,

- The statutory roles of the Council's Monitoring Officer and Chief Finance Officer place a duty on these post holders to ensure compliance with established policies, procedures, laws and regulations,

- Compliance with established policies, procedures, laws and regulations are monitored through the work of the Finance and Legal staff that are adequately trained and experienced,

- Internal audit reviews are carried out using a risk based audit approach with the emphasis on key financial systems. This work is undertaken in co-operation with the Council's External Auditor ensuring maximum use of Audit resources and ensure that professional standards are maintained,

- A Risk Management Strategy that is led by Senior Management for the identification and evaluation of Corporate Risks, and integrated with the work of Internal Audit to provide an holistic source of assurance aligned to corporate objectives,

- Departmental operational risk registers, subject to regular departmental review,

ANNUAL GOVERNANCE STATEMENT

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

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

The Council's approach includes an annual review of the Council's Corporate Governance process by the Senior Leadership Team, which includes signed assurance statements.

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

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

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

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

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

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

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

ANNUAL GOVERNANCE STATEMENT

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

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

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

SIGNIFICANT GOVERNANCE ISSUES: There were no significant issues identified within the Governance process to warrant inclusion in the 2015-16 Annual Governance Statement. The Council's external auditors did not identify any significant risks for consideration within their 2015-16 audit plan.

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

- **External Economy** – the Council remains susceptible to, but vigilant for, the external risks posed by the uncertain economic and political climate. Despite ongoing pressures and squeezes on costs, income streams and funding, effective planning has resulted in the Council's 2016-17 budget having no significant reductions in service.

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

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

- **Employee Pay & Rewards** – as a consequence of an increasingly buoyant labour market, employees are becoming increasingly confident to change employers.

  This presented a specific issue for the Council in remaining competitive with respect to pay and benefits, particularly where recruitment competes with the private sector, posing a specific problem with respect to recruiting and retaining experienced technically qualified professional staff.

  The Council has responded to this risk by undertaking an independent review to consider the competitiveness of its pay and rewards policy. As a consequence of the review the Council took a bold step in providing a pay increase to the majority of staff in excess of nationally agreed rates.

  In addition, market supplements have been developed and implemented where the recruitment of experienced and technically qualified professional staff has been a fundamental problem.

  It is anticipated that these actions will sufficiently mitigate the risks identified, however, the impact of implementation will be kept under review.

ANNUAL GOVERNANCE STATEMENT

The above risk and internal control issues have been reported specifically to the Authority's Senior Leadership Team and action plans to ensure that all issues are addressed within 2016-17 have been developed.

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

Signature of the Chief Executive:	Date:
John Robinson	**31 May 2016**
Signature of Leading Member:	Date:
John Clarke	**31 May 2016**

ANNUAL STATEMENT OF ACCOUNTS 2015/16

This is the Audited Version, published on 30 September 2016 by the Financial Services Team.

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Please call the Council's Communications Team on 0115 901 3801 if you need it in large print, audio or another format.