Gedling Borough Council
Annual Statement of Accounts
2018/19

Gedling Borough Council

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GEDLING BOROUGH COUNCIL

ANNUAL STATEMENT OF ACCOUNTS 2018/19

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The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with International Reporting Standards (IFRS), rather than the amounts to be funded from taxation (which are shown in the Expenditure Funding Analysis at note 6 on page 43). The Movement in Reserves Statement (MiRS) shows how the Council's resources, or "net worth", moved over the year, and the Balance Sheet shows how those resources were held at the year-end in the form of assets and liabilities. Finally the Cashflow Statement shows how the Council's cash balances have moved over the year.

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NARRATIVE REPORT

1. About Gedling Borough

The Borough of Gedling is home to around 116,000 people living in just over 53,000 households. It covers 120 square kilometres on the outskirts of Nottingham and is a Borough of contrasts, with an urban commuter base centred on the towns of Carlton and Arnold, extending out to rural farmland and villages including Calverton, Ravenshead and Woodborough.

Managing a net revenue budget of over £11.9m and a capital budget of over £4.9m, the Council provides a wide range of services for its residents including, for example:

- emptying some 60,000 bins every week;
- cleaning nearly 600km of roads;
- collecting nearly 1,400kg of litter from our streets;
- dealing with around 700 planning related applications and 8,000 benefit claims each year;
- assisting some 18,000 face to face customers, handling around 160,000 telephone calls and 34,000 digital contacts each year;
- welcoming over 1,100,000 visitors to our leisure centres each year;
- collecting council tax of £68.9m, of which £6.0m is retained by Gedling to spend on services, £22.7m of business rates, of which £3.7m is retained by Gedling to spend on services;
- generating £9.1m in fees and charges to help deliver services and keep council tax levels as low as possible.

Gedling's vision is clear: we strive to be regarded as a great Council both by the people and businesses we serve, and by the staff we employ. We do not limit our interest to those services we are directly accountable for, instead seeking to make a difference to all aspects of community life. Central to our daily operation is the motto "Serving People, Improving Lives", aiming to fulfil our ambitions of being a Council that is "Competent, Co-operative, Commercial, Compassionate and Considerate".

Gedling has a strong track record of delivering high quality, low cost services, but recent years have seen significant cuts in central government funding, making this an ever increasing challenge to maintain. Funding cuts have come at a time of increasing demands for services from a growing and increasingly ageing population, together with reducing income levels and inflationary pressures caused by the economic downturn. Further reductions in grant funding together with uncertainty around Brexit have made 2018/19 another extremely challenging year and it is not anticipated that the financial environment will improve appreciably in the near future. Details of the plans made by the Council for 2018/19, the performance achieved against those plans, and a look forward to 2019/20 and beyond are given in the following paragraphs.

2. Gedling's Plans for 2018/19

The Gedling Plan 2018/19, summarising how the Council would work with its partners to improve the lives of its residents, support local businesses and provide high quality and excellent value for money services, was approved by Council on 4 March 2018. The Plan set out the Council's three priorities, each with associated objectives, actions and performance indicators, along with the associated revenue and capital budgets. Gedling's plans are structured around these priorities:

People	Performance	Place
➢ Improve Health and Wellbeing	➢ Give tax payers value for money	➢ Create more jobs and better access to them
➢ Promote and encourage pride, good citizenship and participation in the local area	➢ Improve the customer experience of dealing with the Council	➢ Ensure local people are well prepared and able to compete for jobs
➢ Reduce anti-social behaviour, crime and the fear of crime	➢ Maintain a positive and productive working environment and strong staff morale	➢ Provide an attractive and sustainable local environment that local people can enjoy and appreciate
➢ Reduce hardship, and provide support to the most vulnerable		➢ Provide more homes

2018/19 Budget Highlights

The Chancellor of the Exchequer presented his Autumn Budget to Parliament in November 2017 setting out the Government's plans for public finances and the economy. It provided an update on the state of the economy, based on the latest fiscal forecast from the Office for Budget Responsibility (OBR), referencing a slowing of economic growth, increased Government borrowing and ongoing uncertainty in terms of the economic impact of Brexit. The Government remained committed to maintaining fiscal discipline expecting Government Departments to deliver the overall spending plans as set out in the 2016 Spending Review meaning there was no easing of austerity for public services.

The Government announced settlement grant reductions equating to 40% or £1.97m in cash terms over the full spending review period 2016/17 to 2019/20 compared to the base position of 2015/16. Total settlement reductions compared to the amount received in 2010/11 were projected to be £5.9m or 66% by 2019/20. An additional burden continued from changes made in 2017/18 to the New Homes Bonus (NHB), which reduced the length of time for which the bonus is paid and introduced a baseline increase in the number of new homes below which no NHB is payable. The impact of this in 2018/19 was a grant reduction of £1.5m when compared to the amount received in 2016/17 before the scheme was changed.

In order to manage both the grant reductions and spending pressures, since 2014/15 the Council has approved efficiency programmes totalling £5.2m. Progress to date has been positive and budget reductions achieved are in line with the estimate. Of the total programme £1.25m remains to be delivered over the period 2019/20 to 2021/22. However, in light of the latest grant announcements, in order to deliver a sustainable financial position in the medium term, an additional savings target of £1.1m was set by Council in March 2018 for delivery in 2019/20 to 2022/23.

The budget approved by the Council in March 2018 included major budget pressures of pay inflation and pay increments arising for the Pay Line Review. Modest revenue developments were approved including funds for the Plastic Clever Council scheme and the appointment of a temporary Empty Homes Officer.

3. Gedling's Performance in 2018/19

a. Financial Performance

During 2018/19, Cabinet received the usual Gedling Plan monitoring reports by portfolio for decision making (see the Expenditure and Funding Analysis at disclosure note 6 on page 43) and approved budget amendments to align resources to meet identified budget pressures, managing within the overall maximum capital and revenue budgets approved by Council, which included approved budget carry forwards from 2017/18.

Capital Outturn

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

Capital Outturn	Estimate 2018/19 £000	Actual 2018/19 £000	Variance £000
Capital Expenditure:			
Community Development	8	4	(4)
Housing, Health & Wellbeing	1,851	1,729	(122)
Public Protection	1,153	939	(214)
Environment	1,692	1,128	(564)
Growth and Regeneration	0	0	0
Resources and Reputation	251	112	(139)
Total Capital Expenditure	**4,955**	**3,912**	**(1,043)**
Financing:			
Capital Receipts	(597)	(636)	(39)
Capital Grants and Contributions	(2,548)	(2,310)	238
General Fund Revenue Contribution	(368)	(251)	117
Developer Contributions	(198)	(200)	(2)
Borrowing	(1,244)	(515)	729
Total Financing	**(4,955)**	**(3,912)**	**1,043**

After accounting for requests to carry forward budgets of £0.9m to 2019/20 the remaining underspend is reduced to £0.143m which is mainly due to a saving on land sale fees and efficiencies in vehicle procurement.

Major investments in services during the year included:

- £1.261m for the purchase and development of Arnold Market;
- £0.923m provided for Disabled Facilities Grants;
- £0.117m to progress Affordable Housing on Burton Road;
- £0.190m to replace gym equipment at Carlton Forum;
- £0.047m to refurbish Redhill Leisure Centre changing rooms;
- £0.125m on the refurbishment of two play areas;
- £0.051m to establish the Borough’s commercial Pet Cremation service;
- £0.787m in new and replacement vehicles and plant;
- £0.094m for improvements to Eagle Square.

At the end of the year capital grants and contributions received but not yet applied to capital expenditure totalled £1.41m. These capital reserves remain available for use in future years.

The Capital Financing Requirement represents the Council’s underlying “need” to borrow for capital purposes and totalled £10.22m at 31 March 2019. No PWLB loans matured during 2018/19, however £2m of additional borrowing was undertaken in order to benefit from favourable rates, due largely to Brexit uncertainty. Total external debt at 31 March totalled £8.812m and therefore the Council remained in an “internally borrowed position”, effectively using some of its reserves and balances to support capital expenditure in the short term. This approach is deemed prudent since although borrowing rates are currently low, investment rates also remain very low, and any further borrowing in advance of cash flow requirements would result in a significant additional cost to carry the extra debt. The Council has access to borrowing facilities at concessionary “certainty” rates from the PWLB. Loans taken from PWLB have special characteristics in that interest rates are based on the Government’s cost of borrowing, rather than on market rates.

Revenue Outturn

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

Revenue Outturn	Estimate 2018/19 £000	Actual 2018/19 £000	Variance £000
Portfolio:			
Community Development	1,526	1,463	(63)
Housing, Health & Wellbeing	2,322	1,924	(398)
Public Protection	1,528	1,338	(190)
Environment	4,618	4,629	11
Growth and Regeneration	893	814	(79)
Resources and Reputation	1,787	509	(1,278)
Net Portfolio Budget	**12,674**	**10,677**	**(1,997)**
Transf'd (from)/to Earmarked Reserves	(772)	1,073	1,845
Net Council Budget	**11,902**	**11,750**	**(152)**
Financing:			
Revenue Support Grant	(385)	(431)	(46)
Business Rates	(3,650)	(3,721)	(71)
Council Tax	(5,974)	(5,974)	0
New Homes Bonus	(857)	(857)	0
Transfer (from)/to General Fund Balance	**(1,036)**	**(767)**	**269**
Total Financing	**(11,902)**	**(11,750)**	**152**

The final revenue outturn position is an underspend of £152k, equating to 1.3% of the estimate. This underspend, together with additional income from business rates and grants of £117k, has resulted in the required contribution from the General Fund balance being £269k lower than estimated.

The General Fund balance at 31 March 2019 is £5.161m, which remains above the minimum required by the Council's Medium Term Financial Plan. This balance will be available to support future revenue expenditure.

In addition to the General Fund balance, earmarked reserves are sums set aside to provide financing for specific future expenditure plans. The total balance of such reserves at 31 March 2019 is £6.795m.

Council Tax

Gedling collects its own council tax and also, as a billing authority, for Nottinghamshire County Council, the Nottinghamshire Police and Crime Commissioner, the Combined Fire Authority and twelve parish councils. This has a significant impact on the Council's cash flow, collecting around £68.9m and retaining only its own £6m for spend on services. Gedling's element of the council tax rose by 3.16% in 2018/19, and during the year 98.5% of council tax due was collected, which exactly matched the target of 98.5%.

Non-Domestic Rates

Under the Business Rates Retention Scheme, Gedling collects around £22.7m of business rates and pays over the appropriate shares to Central Government, Nottinghamshire County Council and the Combined Fire Authority. Again this has a significant impact on the Council's cash flow with Gedling retaining only £3.7m for spend on services.

The Business Rates Retention Scheme introduced a requirement to maintain a provision for rating appeals. The system is complex and neither the degree of successful appeals nor the reduction in rateable value achieved can be pre-determined. Using the best information available the total provision at 31 March 2019 is £2.13m, of which Gedling's share under the scheme is £0.85m. This represents only a modest movement from the position at 31 March 2018.

During the year, 97.9% of the business rates due was collected, against a target of 98.9%.

Balance Sheet

The Council's net worth increased from a restated net liability of £13.726m to one of £9.304m at 31 March 2019. The movement is largely due to:

- Pension Liabilities

  The Council's pension liability is the value of its commitment to pay retirement benefits across future years, offset by the value of assets invested in the Pension Fund. The Pension Fund is revalued every three years to set future contribution rates. At the most recent actuarial valuation on 31 March 2016, which set Gedling's contribution rates for 2017-18 to 2019-20, the funding level of the Nottinghamshire County Council Pension Fund was 87%, and the actuary assessed that by the date of the next valuation on 31 March 2019, this would have risen to 90%. The results of this triennial valuation are awaited.

  Gedling's pension liability reduced by £1.6m to £47m during 2018/19 but this is mainly due to gains on plan assets and technical calculations based on actuarial assumptions, and whilst it has a significant impact on the Council's net worth, the deficit will be made good by the increases in future contributions, and the technical valuation bears no relation to the cash position on the Pension Fund.

- Property, Plant and Equipment

  After the restatement of prior period asset valuations, the value of Property, Plant and Equipment, Investment Property and Intangibles has reduced by £1.0m to £33m in 2018/19 (see disclosure note 5 for details of the prior period adjustment).

b. Non-Financial Performance

Achievements:

Key achievements are deemed to be those making a real difference to peoples' lives, in keeping with the Council's key aim of Serving People, Improving Lives:

People:

- A focussed response to anti-social behaviour and public concern about knife crime has been concentrated on Arnold, including significant partnership working between Gedling Borough Council, the Police and other agencies;
- Carlton Forum fitness suite refurbishment;
- Disability swimming lessons for children over 4 years old were introduced at Carlton Forum Leisure Centre to complement the already successful programme at Arnold Leisure Centre;
- The Council has achieved 86% of its commitment to rehouse Syrian refugees within the timespan of the current government;
- Two properties were leased from Gedling Homes to be used as Temporary Accommodation for homelessness households;
- A new Selective Landlord Licensing scheme was introduced in Netherfield;
- In November, a full programme of events and activities was delivered to commemorate the end of WWI;

- An 'Under 18 Burial Plan' has been approved by Cabinet that came into force with immediate effect, such that no cost will be levied against residents who are arranging the burial of a child under the age of 18;
- Gedling hosted the third Pride of Gedling awards event, showcasing the outstanding work of the people who live in the borough, especially those who make such a positive contribution to society;
- The innovative Warm Homes on Prescription service has continued to grow in 2018/19 which has been its most successful year to date;
- The Netherfield Cinder Path was awarded approximately £84,000 funding from WREN to contribute to the refurbishment of a space that is well loved by residents;
- In March the "Heritage Brought Alive Project" was launched at Café 1899 at Gedling Country Park.

Performance:

- The Advertising and Sponsorship Policy was approved to provide the framework by which advertising and sponsorship can be accepted;
- A revised Complaints/Compliments and Comments Policy was approved to enable the Council to effectively manage and respond to customer feedback;
- A Gedling Conversation was undertaken - a series of ward walks by senior managers and elected Members were carried out in September to see whether people think that their local area has got better or worse to live in;
- Ombudsman complaints – this year we had the lowest number of complaints made to the local Ombudsman, with eight - none of which were upheld;
- The annual Staff Health Fair and Employee Conference took place in December, with the highest number of attendees to date;
- A highly successful Customer Services week took place in October;
- Employee awards took place in December with over 100 nominations for 68 individuals across the seven categories.

Place:

- The Council successfully purchased Arnold Market and work is now ongoing to redevelop the site. New market stalls are already in place and the number of stallholders and customers has significantly increased;
- A Conservation Area Appraisal was approved for Papplewick Conservation Area;
- The Council has adopted a new Heritage Strategy for the Borough. This will direct the work of the Council for the next few years regarding work with and support for our local heritage partners;
- Work on the Erasmus+ project came to a close and has delivered support to 98 SMEs over the 2 year project and has supported 87 apprenticeship starts;
- A transnational meeting for the Erasmus+ funded project 'Increasing SME engagement in apprenticeships was held by the Council - During week commencing 25 June the Council hosted the final transnational meeting for the Erasmus+ funded project 'Increasing SME engagement in apprenticeships'. Our international partners from Bulgaria, Canada, Germany and Poland visited for the week;
- Work to refurbish Arnot Hill Park play area in Arnold was completed. The new play area was opened by councillors and local school children at the beginning of the summer holidays;
- A nature trail has been installed at Gedling Country Park with eight wood carvings of animals native to the park;
- The Youth Council hosted a spectacular inter-generational event at The Beacon, working collaboratively on the planning with members of the Gedling Seniors Council. The event was attended by over 40 members of the younger and older communities;
- Gedling's swimming pools are at an all-time high in terms of the number of children currently on the 'learn to swim scheme';
- Approval has been given to 'designate' Gedling Country Park as a Local Nature Reserve. A Local Nature Reserve (LNR) status will raise public awareness of the importance of wildlife and nature conservation;
- Following a referendum, the Burton Joyce Neighbourhood Plan was approved and therefore forms part of the statutory development plan for Gedling Borough;

- The "Big Spring Clean" campaign was launched across the borough to help communities who want to do more to keep tidy where they live.

The Council's performance is measured against its priorities and objectives, as set out within the Gedling Plan, by way of Actions and Indicators.

Actions:

Actions set out in the Plan reflect the Council's aims, for example creating a programme of activities to create a more compassionate society across the Borough; developing initiatives to address loneliness and dementia; increasing the number of new homes built, especially affordable housing, all supported by top-class infrastructure; reviewing and improving temporary housing; providing a varied range of leisure facilities for young people, and putting in place measures to encourage customers to access information and services online.

Progress was made as planned on 71 actions in 2018/19 with only four not progressing as expected. One action is placed on hold pending an evaluation and assessment of a business case for operating a Council owned housing company and 3 cases have been deferred to 2019/20 as follows:

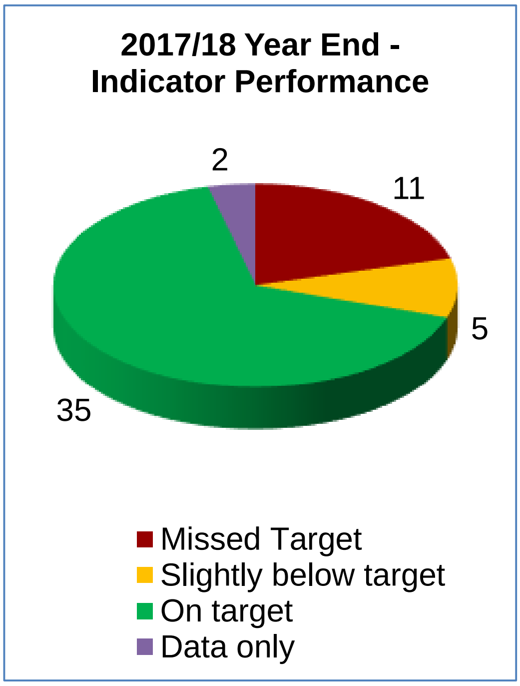
- Identify and implement practical initiatives to encourage cycling and walking - a strategy has been developed for the implementation of a cycling/walking route along the Gedling Mineral Line and its implementation will progress in 2019/20;

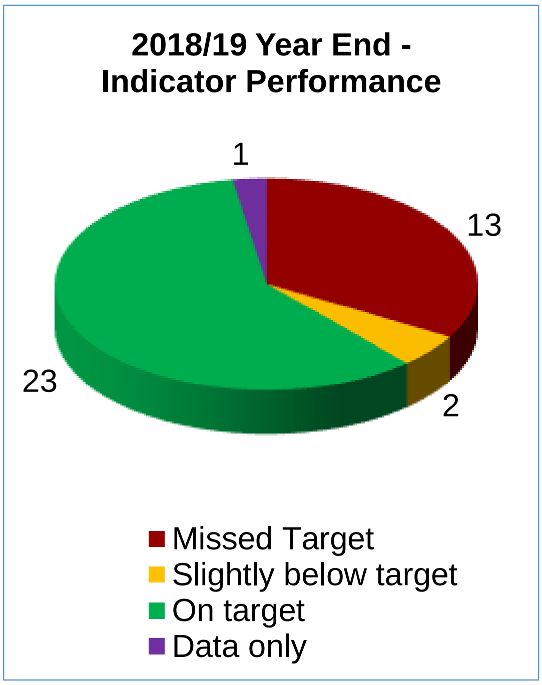
- Ensure the development and approval of an updated Asset Management Strategy - deferred until the summer 2019;

- Implement a programme of activity to deliver the Digital Strategy – work has commenced and will continue in 2019/20.

Performance Indicators:

Whilst Actions refer to the Council's broad aims, Performance Indicators are more specific indicators included in the Gedling Plan, and represent 39 measurable targets that are monitored and reported to Members on a quarterly or annual basis as appropriate. At 31 March, 25 of the indicators were on target or slightly behind target, with 13 behind target and one indicator used for tracking purposes only. Whilst the 2018/19 indicators are not directly comparable to the previous year (due to the inclusion in 2017/18 of indicators arising from the residents' satisfaction survey conducted biennially), the number of indicators which missed targets for 2018/19 was slightly higher than for 2017/18.





What we did well - 25 indicators were on target or slightly behind target. Some particularly positive results, both in terms of the performance against the target and when compared with 2017/18, are shown below, grouped according to the Council objectives:

People:

- Disabled Facilities Grants totalling just over £900k permitted the installation of adaptations to help people stay in their own home, significantly improving their quality of life and avoiding the need for full time care. Adaptations included stair lifts, ramps, walk-in showers and wet rooms;
- Visits to our leisure centres have continued to increase with the number of visits going from 1,033,527 to 1,125,302, representing a 9% increase;
- The number of attendances at Bonington Theatre has increased from 37,297 to 55,552 which is also significantly above the annual target of 28,500;
- The number of theatre, cinema shows and events has also increased, rising from 687 to 958 against a target of 690.

Performance:

- Customer satisfaction with the overall customer service at 98.2% has exceeded the target of 85% and increased from 96.7% last year. This was achieved despite an increasing volume and variety of demand;
- 94.3% of calls to the contact centre were answered (or call back made) against a target of 90%.

Place:

- The number of long term empty homes that have been returned to use was 37 against a target of 20;
- The Council's Garden Waste Scheme has gained popularity with the total number of users up from 14,548 in 2017/18 to 15,057 in 2018/19;
- High performing Planning Service, with increases in the percentage of Major, Minor and other applications processed in 8 weeks.

Where we need to improve - whilst overall performance is positive, 13 indicators were behind target. The main areas of concern were:

People:

- All crime - recorded crime has shown an overall increase of 2.3% compared to 2017/18. However, this increase is less than South Notts. Community Partnership as a whole, which has an overall increase of 4.8% compared to the same period last year.
- Key priorities for the community safety partnership will be focused upon violence which has increased during 2018/19, while maintaining existing work to address burglary and vehicle crime both of which decreased in 2018/19;
- Average time to process new Housing Benefit claims currently stands at 13.7 days against a target of 13. The quarter 4 result is positive and has improved the annual performance to 13.7 days. Despite missing the target by 0.7 days this performance is still within the top 5% of councils in the country, with the national average being 22 days;
- Average length of time spent in Temporary accommodation was 11.1 weeks, against a target of 8 weeks. The quarter 4 result showed an improvement at 6.7 weeks. This is mainly due to securing additional leased properties for temporary accommodation. New legislation introduced on 1 April 2018 (Homelessness Reduction Act) requires the council to provide 56 days for temporary accommodation relief instead of the previous 28 days. This is very much demand led and dependent upon suitable properties being available for temporary accommodation, of which there are very few. This is a national as well as a local problem.

Place:

- Net additional homes provided was 286 against a target of 480 - the adoption of the Local Planning Document in July 2018 amended the Green Belt boundary and brought forward a number of housing allocations which will result in an increase in house building. A number of planning applications have now been submitted and/or determined in relation to the housing allocations but the timescale for the development of individual sites is in the hands of the developers. Following the publication of the Housing Delivery Test results in February 2019 a Housing Delivery Action Plan is being prepared setting out a range of actions to help increase completions;
- Number of affordable homes delivered was 50 against a target of 130 - this reflects the slow pace of delivery in the wider housing market associated with recent economic conditions. However, this is still an increase over previous years and the Local Plan adoption has helped with this;
- Number of small and medium size enterprises supported to recruit their first apprentice and to support 16-24 year old Gedling Borough residents to secure an apprenticeship - these indicators are reliant upon two aspects: work through the Erasmus project and the general Economic Growth work programme. Firstly, the final stages of the Erasmus project, which was due to deliver the final set of apprentices as a carry forward from the previous year, was achieved. The second aspect to achieving this target was focussed on further engagement with SMEs to help facilitate additional apprenticeship placements. Unfortunately, this was not achieved as officer time was re-assigned to closing down the Erasmus project and the senior economic growth officer left part way through the financial year. The ability of the economic growth team to deliver this stream of work and how SMEs are engaged with generally going forward is being reviewed.
- Number of employment agreements and pre-employment arrangements including pre-employment training, placements in education, apprenticeship starts and jobs created – full target not achieved partly down to development sites not coming forward as quickly as anticipated and some operational issues with the Local Labour Agreements. A review of the Local Labour Agreement process is being undertaken.

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

The financial position remains extremely challenging, with central government support to the Council continuing to fall. By 2019/20 it is now confirmed that Gedling's total government grant reduction is £5.8m, equivalent to a 66% cash reduction when compared to the support received in 2010/11. Settlement grant has reduced to just 26% of Gedling's net budget for 2019/20, compared to 60% in 2010/11. In addition, New Homes Bonus has reduced by £1.9m in 2019/20 when compared to the grant received in 2016/17. Gedling is now judged to be the 2nd worst affected council in England based on the Government's assessment of core spending power.

The Council has always taken, and will continue to take, a proactive approach to funding cuts, actively seeking out ways to identify pressures, possible efficiencies and new sources of income. The Gedling Plan 2019/20 was presented to Members on 4 March 2019, with previous priorities of People, Performance and Place being replaced by 5 new priorities:

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

The budget agreed by Members was aligned to the new priorities and included £1.3m of further efficiencies which was in excess of the £1.1m target set by Council at its meeting in March 2018. The efficiency plans were approved to address the remaining budget deficit in the Medium Term Financial Plan and will be delivered over the period 2019/20 to 2022/23 to achieve a sustainable financial position. In a climate of reduced funding it was emphasised that sustainability is key, and that capital and revenue planning must be integrated to ensure that the implications of capital spending are always fully anticipated.

Even in the face of the financial challenges the Council remains ambitious for its residents, businesses and taxpayers, and the 3 year capital investment plan, detailed below, includes improvements to town centres and commercial property investment.

Capital Estimate	Three Year Plan		
	2019/20 £000	2020/21 £000	2021/22 £000
Housing, Health and Wellbeing	420	0	0
Public Protection	900	900	900
Environment	1,284	372	1,198
Growth and Regeneration	3,140	0	0
Resources and Reputation	3,200	2,750	250
Equipment Replacement	0	70	70
Future Service Development Bids	0	100	100
Total Expenditure	**8,944**	**4,192**	**2,518**
Financing			
Capital Receipts	611	611	611
Capital Grants and Contributions	2,482	900	900
General Fund Revenue Contribution	519	20	20
Borrowing	5,332	2,661	987
Total Financing	**8,944**	**4,192**	**2,518**

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

- Fair Funding Review – the Government is currently consulting on the Fair Funding Review which will implement new funding baselines for local authorities in 2020/21 based on an assessment of relative needs and resources. The Government recognises that this could result in significant changes to funding baselines and therefore the level of resources available to the authority, which could reduce. Transitional measures will be introduced to mitigate any immediate impact but these measures will be time limited;
- Business Rates Retention Scheme – the Government plans to introduce 75% retention by Councils in 2020/21 and is currently consulting on scheme details. As detailed above a mechanism will still be required to ensure that funding is distributed in respect of need, which will inevitably create winners and losers. Given the immense pressure on social care there is a danger that district councils could lose further under any new allocation process. The four year settlement ends in 2019/20 and there is no clarity over future funding levels which hampers meaningful financial planning;
- The nature and impact on the Council of the Brexit deal to be negotiated remains unclear.

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

5. Corporate Risk

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. In discharging this responsibility the Council is responsible for putting in place proper governance arrangements, facilitating the effective exercise of its functions including arrangements for the management of risk. For this purpose, the Council has approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework “Delivering Good Governance in Local Government”, and also meets the requirements of the Accounts and Audit Regulations 2015.

During the 2018/19 financial year the following issues were identified via the Council’s risk management, governance, internal audit and other internal control processes as being relevant to the preparation of the Annual Governance Statement. They are not highlighted as significant control or risk concerns, but included to highlight the Council’s awareness of emerging issues through its proactive and holistic approach to governance:

- <u>Constitutional Changes</u> – A number of changes have occurred over the last few years resulting in sections of the Constitution being reviewed and will be considered by SLT in 2019/20, prior to being presented to Members.

- <u>Commercialisation</u> – The Council is increasingly becoming “commercial” in its operations and robust governance arrangements have already been put in place for new service areas. This year the Council will investigate the possibility of introducing a commercial housing development operation and appropriate governance issues will need to be identified.

- <u>Member Training</u> – The Council has introduced a number of new Members as part of the district elections and an appropriate training programme will be developed.

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

- Counter Fraud & Corruption Strategy – A new strategy is currently in development which will require approval by both the Audit Committee and the Cabinet.

- Internal capacity/resilience – As a consequence of budget pressures, decreasing workforce, increasing workloads and customer expectations, the Council is seeing an impact on capacity and resilience. This may have an impact on compliance with the governance framework in later years.

- The external economy – Risks are posed by the uncertain economic and political climate.

- The EU referendum – The outcome of Brexit negotiations remains unclear.

No other significant issues were identified within the 2018/19 governance process and the Council's auditors did not identify any significant risks for consideration within their 2018/19 internal audit plan.

6. Explanation of the Financial Statements

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

Statements to the Accounts

- The Statement of Responsibilities for the Statement of Accounts sets out the respective responsibilities of the Authority and of the Chief Financial Officer.

- The Auditors Report gives the auditor's opinion of the financial statements and of the authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.

Financial Statements

- The Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards, rather than the amounts to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations, which may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- The Movement in Reserves Statement (MiRS) shows the movement from the start of the year to the end, on different reserves held by the authority, analysed into "usable" reserves (those that can be applied to fund expenditure or reduce local taxation) and other "unusable" reserves. The statement shows how the in-year movements of the authorities reserves are broken down between gains and losses incurred in accordance with Generally Accepted Accounting Practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movement in the year, following those adjustments.

- The Balance Sheet shows the value, as at the balance sheet date, of the assets and liabilities recognised by the authority. The net assets are matched by the reserves held by the authority, reported as usable reserves (those that may be used to provide services subject to the need to keep a prudent level of reserves) and unusable reserves (those holding unrealised gains and losses and therefore not available to use in the provision of services).

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

Supplementary Statements

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

7. Summary

The Council's financial and non-financial position in 2018/19 continues to be robust, given the extent of the financial challenges it faces. 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 2019/20 and future years.

Following the referendum held on 23 June 2016 the result of which was that the people of the United Kingdom voted to leave the European Union, Article 50 of the Lisbon Treaty, requiring a member state to formally notify the EU of its intention to leave, was triggered by the Prime Minister on 29 March 2017. 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. The full impact on the Council of the decision to leave remains unclear.

No material events took place between the reporting date of 31 March 2019 and the date the Statement of Accounts was authorised for issue by the Chief Financial Officer, ie. 23 July 2019.

The Council faced significant challenges during 2018/19, and this trend is expected to continue for the foreseeable future, however it remains well placed to adapt to such challenges, and to take advantage of any opportunities offered by Brexit and beyond.

STATEMENT OF ACCOUNTING POLICIES

FOR GEDLING BOROUGH COUNCIL

ACCOUNTING POLICIES

1. **General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. 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 2018/19 (the 2018/19 Code), supported by International Financial Reporting Standards (IFRS).

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

2. **Accruals of Income and Expenditure**

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

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

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

3. **Cash and Cash Equivalents**

Cash is represented by cash in hand at the bank, cash in transit and imprest amounts. Cash equivalents are represented by deposits held in Business Reserve accounts and Money Market Funds that are repayable at call without penalty. They are readily convertible to known amounts of 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 non-current assets during the year:

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

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

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 estimated cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment for non-distributed costs in the

Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

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

Post Employment Benefits

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

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

The Local Government Pension Scheme

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

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

The change in net 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;
    - Net interest on the net defined benefit liability (asset), ie. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of the contribution and benefit payments.

- Re-measurements comprising:
  - The return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Nottinghamshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

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. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has not undertaken any repurchase or early settlement of borrowing during 2018/19.

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

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

However, the Authority has provided car loans to employees at less than market rates (soft loans). In normal circumstances soft loans would be recognised and measured in the accounts at fair value, in accordance with the Code. However, car loans to employees have been considered at length and it has been concluded that the sum outstanding is not material. Accordingly, no additional calculations for fair value have been undertaken and car loans are recognised at the value of the sums loaned less repayments made.

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

Expected Credit Loss Model

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

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

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

Fair Value through Profit and Loss (FVPL)

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

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

Fair Value through Other Comprehensive Income (FVOCI)

These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of. The Authority did hold any FVOCI instruments during 2018/19.

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 to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Community Infrastructure Levy

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

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

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.

STATEMENT OF ACCOUNTING POLICIES

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

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

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

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 2018/19.

The Authority as Lessee:

Finance Leases

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

Lease payments are apportioned between:

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

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

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

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

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 service segments in accordance with the Authority's arrangements for accountability and financial performance.

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;
- 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 basis:

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

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

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

STATEMENT OF ACCOUNTING POLICIES

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

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

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

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

<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.

<u>Depreciation</u>

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 reclassified back to Non-Current Assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have to be recognised had they not been classified as Assets Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment, or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in Movement in Reserve Statement.

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

17. **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 transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

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

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

19. **VAT**

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

20. **Fair Value Measurement**

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

a) In the principal market for the asset or liability; or

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

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

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

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

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

21. **Collection Fund**

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

Accounting for Council Tax and NDR

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

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

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

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

Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

FOR GEDLING BOROUGH COUNCIL

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

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

THE RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER

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

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

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

CERTIFICATION

I certify that this Statement of Accounts presents a True and Fair view of the financial position of the Authority as at 31 March 2019 and its income and expenditure for the year then ended.

Signed:

M Hill FCPFA
Chief Financial Officer
31 July 2019

This Statement was approved by the Audit Committee at its meeting on 23 July 2019, in accordance with the authority given by the delegation arrangements under section 3 of the Council's Constitution.

Signed:

Councillor B Collis
Chair of the Audit Committee
31 July 2019

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Financial Statements

ANNUAL STATEMENT OF ACCOUNTS 2018/19

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 Expenditure and Funding Analysis (EFA), see note 6 on page 43 and the Movement in Reserves Statement on page 35.

2017/18 (Restated)				2018/19		
Gross Exp £000s	**Gross Inc £000s**	**Net Exp £000s**		**Gross Exp £000s**	**Gross Inc £000s**	**Net Exp £000s**
			Net Cost of Services:			
1,767	(260)	1,507	Community Development	1,670	(151)	**1,519**
31,707	(29,632)	2,075	Housing, Health & Well-being	31,826	(29,577)	**2,249**
3,344	(1,548)	1,796	Public Protection	3,278	(1,772)	**1,506**
7,780	(2,737)	5,043	Environment	8,035	(2,821)	**5,214**
2,053	(986)	1,067	Growth and Regeneration	2,095	(1,122)	**973**
4,256	(1,252)	3,004	Resources and Reputation	5,267	(1,023)	**4,244**
50,907	(36,415)	14,492	**Cost of Services**	**52,171**	**(36,466)**	**15,705**
			Other Operating Expenditure:			
634	0	634	Payment of Precepts to Parishes	673	0	**673**
17	0	17	Drainage Board Levy	17	0	**17**
28	0	28	Pensions Administration Cost	31	0	**31**
52	(799)	(747)	(Gain)/Loss on disposal of PPE	514	(429)	**85**
731	(799)	(68)		**1,235**	**(429)**	**806**
			Financing and Investment I&E:			
287	0	287	Interest Payable on Debt	295	0	**295**
1,379	0	1,379	Net Pensions Interest Cost	1,220	0	**1,220**
0	(90)	(90)	Interest Receivable and similar income	0	(150)	**(150)**
27	(665)	(638)	Income & Exp re. Investment Properties & changes in their fair value	254	(1,631)	**(1,377)**
65	(67)	(2)	(Gain)/Loss on disposal of Inv't Assets	2,928	(2,937)	**(9)**
0	0	0	(Gain)/Loss on Pooled Investm't Funds	0	(14)	**(14)**
0	0	0	Mvt on Impairment Loss Allowances	0	(100)	**(100)**
1,758	(822)	936		**4,697**	**(4,832)**	**(135)**
			Taxation and Non Specific Grants:			
0	(6,369)	(6,369)	Council Tax Income	0	(6,639)	**(6,639)**
0	(4,112)	(4,112)	Non Domestic Rates	0	(4,606)	**(4,606)**
0	(2,447)	(2,447)	Non Ring-fenced Government Grants	0	(1,288)	**(1,288)**
0	(1,223)	(1,223)	Capital grants and contribs (note 12)	0	(1,838)	**(1,838)**
0	(14,151)	(14,151)		**0**	**(14,371)**	**(14,371)**
53,396	(52,187)	1,209	**(Surpl)/Def on Provision of Services**	**58,103**	**(56,098)**	**2,005**
		(552)	(Surplus)/Deficit on reval'n of non current assets (PPE)			**(668)**
		43	(Surplus)/Deficit on reval'n of available for sale financial assets			**0**
		(6,017)	Actuarial re-measurements on Pension assets and liabilities			**(5,759)**
		(6,526)	**Other Comprehensive Income and Expenditure**			**(6,427)**
		(5,317)	**Total Comprehensive Income and Expenditure**			**(4,422)**

Restatement - during the 2018/19 asset valuation process, an error in the recorded measurement of the Civic Centre was identified by the Council's Valuer. Subsequently, a full review of asset measurements was undertaken and where material the financial statements have been restated. Please see note 5 (prior period adjustment) on pages 41-42 for full details.

ANNUAL STATEMENT OF ACCOUNTS 2018/19

MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement (MiRS) shows the movement, from the start of the year to the end, on the different reserves held by the authority, analysed into "usable reserves" (ie. those that can be applied to fund expenditure or reduce local taxation), and other "unusable reserves". The Statement shows how the in-year movements of the authority's reserves are broken down between gains and losses incurred in accordance with Generally Accepted Accounting Practices, and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/(Decrease) line shows the statutory General Fund Balance movement in the year, following those adjustments.

2018/19 Statement	**Unallocated Reserves**	**Earmarked Reserves**	**Total General Fund**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Total Usable Reserves**	**Total Unusable Reserves**	**TOTAL RESERVES**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Balance at 1 April 2018 per Balance Sheet (Restated)	**5,928**	**5,722**	**11,650**	**0**	**1,228**	**12,878**	**(26,604)**	**(13,726)**
Total Comprehensive Income and Expenditure	(2,005)	0	**(2,005)**	0	0	(2,005)	6,427	4,422
Adj between acc'g and funding basis under regs. (note 10)	2,311	0	**2,311**	0	185	**2,496**	(2,496)	**0**
Net Increase/(Decrease) before transfers to Earmarked Reserves	**306**	**0**	**306**	**0**	**185**	**491**	**3,931**	**4,422**
Transfers (to)/from Earmarked Reserves (note 11)	(1,073)	1,073	**0**	0	0	**0**	0	**0**
Increase or (Decrease) in the year 2018/19	**(767)**	**1,073**	**306**	**0**	**185**	**491**	**3,931**	**4,422**
Balance at 31 March 2019 per Balance Sheet	**5,161**	**6,795**	**11,956**	**0**	**1,413**	**13,369**	**(22,673)**	**(9,304)**

2017/18 Comparatives (Restated)	**Unallocated Reserves**	**Earmarked Reserves**	**Total General Fund**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Total Usable Reserves**	**Total Unusable Reserves**	**TOTAL RESERVES**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Balance at 1 April 2017 per Balance Sheet	5,977	4,504	10,481	0	547	11,028	(28,383)	(17,355)
Adj to Total Comprehensive Income and Expenditure	0	0	0	0	0	0	(1,688)	(1,688)
Restated balance 1 April 2017	5,977	4,504	10,481	0	547	11,028	(30,071)	(19,043)
Total Comprehensive Income and Expenditure (restated)	(1,209)	0	(1,209)	0	0	(1,209)	6,526	5,317
Adj between acc'g and funding basis under regs. (note 10)	2,378	0	2,378	0	681	3,059	(3,059)	0
Net Increase/(Decrease) before transfers to Earmarked Reserves	1,169	0	1,169	0	681	1,850	3,467	5,317
Transfers (to)/from Earmarked Reserves (note 11)	(1,218)	1,218	0	0	0	0	0	0
Increase or (Decrease) in the year 2017/18	(49)	1,218	1,169	0	681	1,850	3,467	5,317
Balance at 31 March 2018 per Balance Sheet (Restated)	5,928	5,722	11,650	0	1,228	12,878	(26,604)	(13,726)

Restatement - during the 2018/19 asset valuation process, an error in the recorded measurement of the Civic Centre was identified by the Council's Valuer. Subsequently, a full review of asset measurements was undertaken and, where material, the financial statements have been restated. Please see note 5 (prior period adjustment) on pages 41 to 42 for full details.

ANNUAL STATEMENT OF ACCOUNTS 2018/19

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 2017 Restated	31 March 2018 Restated		31 March 2019	
£000s	£000s		£000s	£000s
		Property, Plant & Equipment (note 13)		
20,088	22,209	Land and Buildings	**22,307**	
3,372	3,509	Vehicles, Plant and Equipment	**3,958**	
603	599	Infrastructure	**735**	
2,428	2,289	Community Assets	**2,195**	
760	6	Assets Under Construction	**20**	
27,251	28,612			**29,215**
4,859	2,419	**Investment Property** (note 14)		**3,685**
131	95	**Intangible Assets** (note 15)		**60**
0	956	**Long Term Investments**		**971**
1,020	20	**Long Term Debtors** (note 18)		**2,144**
33,261	32,102	**LONG TERM ASSETS**		**36,075**
0	2,847	Held for Sale Investment Property (note 14)	**0**	
8,008	4,017	Short Term Investments	**8,024**	
94	107	Inventories	**158**	
6,545	6,656	Short Term Debtors (note 19)	**5,886**	
(180)	2,641	Cash and Cash Equivalents (note 20)	**3,444**	
14,467	16,268	**CURRENT ASSETS**		**17,512**
(1)	(139)	Short Term Borrowing (under 1year)	**(147)**	
(4,487)	(3,651)	Short Term Creditors (note 21)	**(3,954)**	
(4,488)	(3,790)	**CURRENT LIABILITIES**		**(4,101)**
(1,138)	(927)	Provisions over 1 year (note 22)	**(953)**	
(6,812)	(6,812)	Long term Borrowing (PWLB)	**(8,812)**	
(52,375)	(48,608)	Net Pensions Liability (note 35)	**(46,983)**	
(1,777)	(1,889)	Capital Grants & Contributions Received in Advance (note 31)	**(1,960)**	
(181)	(70)	Revenue Grants & Contributions Received in Advance (note 31)	**(82)**	
(62,283)	(58,306)	**LONG TERM LIABILITIES**		**(58,790)**
(19,043)	(13,726)	**NET ASSETS / (LIABILITIES)**		**(9,304)**

ANNUAL STATEMENT OF ACCOUNTS 2018/19

BALANCE SHEET

31 March 2017 Restated	31 March 2018 Restated		31 March 2019	
£000s	£000s		£000s	£000s
(19,043)	**(13,726)**	**NET ASSETS / (LIABILITIES) AS ABOVE**		**(9,304)**
		Usable Reserves (MiRS p35)		
5,977	5,928	General Fund	**5,161**	
4,504	5,722	Earmarked Reserves (note 11)	**6,795**	
547	1,228	Capital Grants and Contributions Unapplied	**1,413**	
11,028	12,878			**13,369**
		Unusable Reserves (note 24)		
0	0	Deferred Capital Receipts	**2,625**	
5,053	5,426	Revaluation Reserve	**5,752**	
0	(43)	Available for Sale Financial Instrument Reserve	**0**	
0	0	Pooled Investment Funds Adjustment Account	**(29)**	
(52,375)	(49,724)	Pensions Reserve	**(47,541)**	
17,411	18,286	Capital Adjustment Account	**16,987**	
(168)	(24)	Collection Fund Adjustment Account - CTax	**(32)**	
163	(370)	Collection Fund Adjustment Account - NDR	**(182)**	
(155)	(155)	Short-term Accumulating Compensated Absences Account	**(253)**	
(30,071)	(26,604)			**(22,673)**
(19,043)	(13,726)	**TOTAL RESERVES**		**(9,304)**

Restatement - during the 2018/19 asset valuation process, an error in the recorded measurement of the Civic Centre was identified by the Council's Valuer. Subsequently, a full review of asset measurements was undertaken and where material the financial statements have been restated. Please see note 5 (prior period adjustment) on pages 41 to 42 for full details.

ANNUAL STATEMENT OF ACCOUNTS 2018/19

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.

2017/18		2018/19
£000s		£000s
(1,209)	**Net Surplus / (Deficit) on the Provision of Services per the Comprehensive Income and Expenditure Statement**	**(2,005)**
4,007	Total of adjustments to net Surplus/(Deficit) on Provision of Services for non-cash movements	**7,914**
(2,159)	Total of adjustments to the net Surplus/(Deficit) on Provision of Services for items that are investing and financing activities	**(5,291)**
639	**Net cash flow from operating activities** (see note 25)	**618**
985	Investing activities (see note 26)	**(3,093)**
1,197	Financing activities (see note 27)	**3,278**
2,821	**Net Increase / (Decrease) in Cash & Cash Equivalents**	**803**
(180)	Cash and Cash Equivalents at the beginning of the reporting period	**2,641**
2,641	**Cash and Cash Equivalents at the End of the Reporting Period**	**3,444**

Analysis of Cash and Cash Equivalents at Balance Sheet dates:	31 March 2018	31 March 2019
	£000s	£000s
Bank Account balances and cash in transit	(657)	**(1,053)**
Imprest accounts	8	**7**
Cash equivalents	3,290	**4,490**
Total Cash and Cash Equivalents per Balance Sheet	2,641	**3,444**

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Please refer to the full Statement of Accounting Polices, which can be found on pages 16 to 30.

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

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

IFRS16 (leases) - will require authorities that are lessees to recognise most leases on the balance sheet as "right of use assets", with corresponding lease liabilities. Implementation for local government has been deferred to 1 April 2020. It is not anticipated that this will have a material effect on the Council's financial statements.

IAS40 (investment property) - changes are being made to provide further explanation of the instances in which property can be reclassified as "investment property". It is not anticipated that these changes will have a material effect on the Council's financial statements.

IFRS9 (financial instruments) - changes are being made in respect of prepayment features with negative compensation. It is not anticipated that these changes will have a material effect on the Council's financial statements.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the Accounting Policies set out on pages 16 to 30, the authority may have to make certain judgements about complex transactions or those involving uncertainty about future events.

There is ongoing uncertainty about future levels of funding for local government, however the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service.

In a referendum held on 23 June 2016, the people of the United Kingdom voted to leave the European Union. Article 50 of the Lisbon Treaty requires a member state to formally notify the EU of its intention to leave, and this was triggered by the Prime Minister on 29 March 2017. No consensus on the terms of the UK's exit had been agreed by the original deadline of 29 March 2019, and this remains the case. A revised exit date of 31 October has been set, but until negotiations are concluded, the UK remains a full member of the EU and all the rights and obligations of EU membership remain in force, and the full impact on the Council of the decision to leave still remains unclear.

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

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

The estimated items in the Authority's Balance Sheet at 31 March 2019 for which there is a significant risk of causing a material adjustment in the forthcoming financial year are set out below. This list does not include assets and liabilities carried at fair value based on a recently observed market price.

NOTES TO THE FINANCIAL STATEMENTS

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements in relation to the discount rate used, the rate at which salaries are projected to increase, changes in the retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For example, a one year increase in the mortality assumption (life expectancy) would result in an increase of £4.74m in the pension liability, and a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £2.36m. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. See note 35 on pages 80 to 86 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 £248,400. However, as the asset values are reviewed on an annual basis this level of incorrect estimation is unlikely. See note 13 on pages 54 to 56 for further details.
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 (RV) achieved can be pre-determined. The current provision totals £2,132,500 of which the Council's share as billing authority is £853,000.	A change of 5% in the assumed RV reduction achieved for each NDR appeal could increase or decrease the provision requirement by around £106,600. Of this, the Council's share as billing authority would be £42,700. See note 22 on page 65 for further details on Provisions.
Arrears	An estimate of the impairment allowance for doubtful debts is based upon the age and type of each debt. A collective assessment matrix is used, including the value of items with shared characteristics, eg. the type of debtor and the period overdue, together with a weighting factor for the probability of default. The loss allowance for impairment at 31 March 2019 is £2,076,700.	If collection rates were to deteriorate, a 10% increase on the impairment percentage would require an additional £219,600 to be set aside as an allowance.

5. PRIOR PERIOD ADJUSTMENT - NON CURRENT ASSETS (PROPERTY VALUATIONS)

During the 2018/19 asset valuation process an error in the recorded measurement of the Civic Centre was identified by the Council's Valuer. Following this discovery, a full review of asset measurements was undertaken and this identified the following incorrect measurements which have a material impact on the valuation of the individual asset:

	Measurement (Square Metres)			Downward Revaluation £000s	
	Previous	Revised	Reduction	2016/17	2017/18
Civic Centre	4,878	3,689	(1,189)	(1,290)	(1,190)
Richard Herrod Leisure Centre	3,443	3,130	(313)	(285)	(276)
Newstead Pavilion	353	271	(82)	(113)	(115)
Total	**8,674**	**7,090**	**(1,584)**	**(1,688)**	**(1,581)**

In order to correct the error in valuation arising from the incorrect measurements, the Council has restated the prior year information. The review of asset measurements identified nine further assets with an incorrect recorded measurement, however the differences do not have a material impact on the asset valuations, either individually or in aggregate, with a net downward valuation of £151,200. Therefore, these assets have not been restated as part of the prior period adjustment but all have been revalued during the current reporting period of 2018/19.

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom requires that an authority must present a balance sheet at the beginning of the preceding period when it makes a retrospective restatement. As the identified errors occurred prior to the 2017/18 comparative year, opening balances for assets, liabilities and net worth have been restated for the earliest prior period presented, with the inclusion of a restated balance sheet for the financial years 2016/17 and 2017/18 on pages 36 to 37 of the financial statements.

The following table demonstrates the impact on the following line items in the Balance Sheet for the financial years 2016/17 and 2017/18:

<u>Effect on line items in the Balance Sheet at 31 March 2017 and 31 March 2018</u>

	2016/17			2017/18		
	Originally Stated	Restated	Restatem't	Originally Stated	Restated	Restatem't
	£000s	£000s	£000s	£000s	£000s	£000s
Land and Buildings (PPE)	21,776	20,088	(1,688)	23,790	22,209	(1,581)
Long Term Assets	**34,949**	**33,261**	**(1,688)**	**33,683**	**32,102**	**(1,581)**
Net Assets/(Liabilities)	**(17,355)**	**(19,043)**	**(1,688)**	**(12,145)**	**(13,726)**	**(1,581)**
Revaluation Reserve	6,741	5,053	(1,688)	7,007	5,426	(1,581)
Unusable Reserves	**(28,383)**	**(30,071)**	**(1,688)**	**(25,023)**	**(26,604)**	**(1,581)**
Total Reserves	**(17,355)**	**(19,043)**	**(1,688)**	**(12,145)**	**(13,726)**	**(1,581)**

The following restatement for the Movement in Reserves Statement for Unusable Reserves was also required. For the relevant line items, the restated prior period Movement in Reserves Statement for the 2017/18 comparative is provided with the current year information on page 35 of the financial statements.

5. PRIOR PERIOD ADJUSTMENT - NON CURRENT ASSETS (PROPERTY VALUATIONS) Continued

Effect on Movement in Reserves Statement - Unusable Reserves 31 March 2017 and 31 March 2018

	2016/17			2017/18		
	Originally Stated	Restated	Restatem't	Originally Stated	Restated	Restatem't
	£000s	£000s	£000s	£000s	£000s	£000s
Balance at the start of the reporting period	**(6,842)**	**(6,842)**	**0**	**(17,355)**	**(19,043)**	**(1,688)**
Total Comprehensive Income and Expenditure	(10,513)	(12,201)	(1,688)	5,210	5,317	107
Increase or (Decrease) in Year	(10,513)	(12,201)	(1,688)	5,210	5,317	107
Balance at the end of the reporting period	**(17,355)**	**(19,043)**	**(1,688)**	**(12,145)**	**(13,726)**	**(1,581)**

The following restatement to the Comprehensive Income and Expenditure Statement for revaluation of non current assets in Other Comprehensive Income and Expenditure was also required. For the relevant line items, the restated prior period Comprehensive Income and Expenditure Statement for the 2017/18 comparative is provided with the current year information on page 34 of the financial statements.

Effect on Comprehensive Income and Expenditure Statement 2016/17 and 2017/18

	2016/17			2017/18		
	Originally Stated	Restated	Restatem't	Originally Stated	Restated	Restatem't
	£000s	£000s	£000s	£000s	£000s	£000s
(Surplus)/Deficit on revaluation of non current assets	(940)	748	1,688	(445)	(552)	(107)
Other Comprehensive Income and Expenditure	**8,763**	**10,451**	**1,688**	**(6,419)**	**(6,526)**	**(107)**
Total Comprehensive Income and Expenditure	**10,513**	**12,201**	**1,688**	**(5,210)**	**(5,317)**	**(107)**

The restatement of asset valuations also impacts on the annual depreciation chargeable to the (Surplus)/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. In accordance with statutory requirements depreciation cannot be charged to council tax for the year and is reversed out as an adjustment between the accounting basis and funding basis in the Movement in Reserves Statement. Depreciation charges also impact on the Cashflow Statement and relevant disclosure notes, including the Expenditure and Funding Analysis. The total reduction in annual depreciation charges for the restated assets totals £31,500 which is not material and has not been restated as part of the prior period adjustment.

6. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with Generally Accepted Accounting Practices. It also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under Generally Accepted Accounting Practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES) on page 34.

2017/18				2018/19		
Net Exp chg'ble to General Fund Balance	Adjs between Funding & Acc'g Basis	Net Exp in CIES (page 34)		Net Exp chg'ble to General Fund Balance	Adjs between Funding & Acc'g Basis	Net Exp in CIES (page 34)
£000s	£000s	£000s		£000s	£000s	£000s
			Net Cost of Services:			
1,437	70	1,507	Community Development	1,463	56	**1,519**
1,834	241	2,075	Housing, Health & Well-being	1,928	321	**2,249**
1,654	142	1,796	Public Protection	1,339	167	**1,506**
4,429	614	5,043	Environment	4,662	552	**5,214**
905	162	1,067	Growth and Regeneration	814	159	**973**
1,183	1,821	3,004	Resources and Reputation	1,235	3,009	**4,244**
11,442	3,050	14,492	**Cost of Services**	**11,441**	**4,264**	**15,705**
			Other Operating Expenditure:			
634	0	634	Payment of Precepts to Parishes	673	0	**673**
17	0	17	Drainage Board Levy	17	0	**17**
0	28	28	Pensions Administration Cost	0	31	**31**
(35)	(712)	(747)	(Gain)/Loss on disposal of PPE	(18)	103	**85**
616	(684)	(68)		**672**	**134**	**806**
			Financing and Investment I&E:			
287	0	287	Interest Payable on Debt	295	0	**295**
0	1,379	1,379	Net Pensions Interest Cost	0	1,220	**1,220**
(90)	0	(90)	Interest Receivable & similar income	(150)	0	**(150)**
(107)	(531)	(638)	Inc & Exp re. Investment properties & changes in their fair value	(111)	(1,266)	**(1,377)**
0	(2)	(2)	(Gain)/Loss on disposal of Inv't Assets	0	(9)	**(9)**
0	0	0	(Gain)/Loss on Pooled Investm't Funds	0	(14)	**(14)**
0	0	0	Mvt on Impairment Loss Allowances	(100)	0	**(100)**
90	846	936		**(66)**	**(69)**	**(135)**
			Taxation and Non Specific Grants:			
(6,225)	(144)	(6,369)	Council Tax Income	(6,647)	8	**(6,639)**
(4,645)	533	(4,112)	Non Domestic Rates	(4,418)	(188)	**(4,606)**
(2,447)	0	(2,447)	Non Ring-fenced Government Grants	(1,288)	0	**(1,288)**
0	(1,223)	(1,223)	Capital grants and contribs (note 12)	0	(1,838)	**(1,838)**
(13,317)	(834)	(14,151)		**(12,353)**	**(2,018)**	**(14,371)**
(1,169)	2,378	1,209	**(Surpl)/Def on Prov'n of Services**	**(306)**	**2,311**	**2,005**

£000s		**£000s**
(10,481)	**Opening General Fund Balance**	**(11,650)**
(1,169)	(Surplus)/Deficit on General Fund	(306)
(11,650)	**Closing General Fund Balance**	**(11,956)**

7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

The Code requires a reconciliation of the main adjustments to net expenditure chargeable to the General Fund to arrive at the amounts shown in the Comprehensive Income and Expenditure Statement (CIES) on page 34. The relevant transfers between reserves are shown in the Movement in Reserves Statement (MiRS) on page 35.

2018/19

	Adjs. between Funding and Accounting Basis			
	Adjustments for capital purposes	**Net change for Pension adjustments**	**Other Differences**	**Total Adjustments**
	£000s	**£000s**	**£000s**	**£000s**
Community Development	0	55	1	**56**
Housing, Health & Well-being	0	296	25	**321**
Public Protection	0	153	14	**167**
Environment	117	417	18	**552**
Growth and Regeneration	0	143	16	**159**
Resources and Reputation	1,724	1,261	24	**3,009**
Cost of Services	**1,841**	**2,325**	**98**	**4,264**
Other income and expenditure from the Expenditure and Funding Analysis	(3,025)	1,251	(179)	**(1,953)**
Difference between the General Fund (surplus)/deficit and the CIES (surplus)/deficit on the Provision of Services	**(1,184)**	**3,576**	**(81)**	**2,311**

2017/18

	Adjs. between Funding and Accounting Basis			
	Adjustments for capital purposes	**Net change for Pension adjustments**	**Other Differences**	**Total Adjustments**
	£000s	**£000s**	**£000s**	**£000s**
Community Development	0	70	0	70
Housing, Health & Well-being	(84)	325	0	241
Public Protection	(10)	152	0	142
Environment	161	453	0	614
Growth and Regeneration	0	162	0	162
Resources and Reputation	1,024	797	0	1,821
Cost of Services	1,091	1,959	0	3,050
Other income and expenditure from the Expenditure and Funding Analysis	(2,468)	1,407	389	(672)
Difference between the General Fund (surplus)/deficit and the CIES (surplus)/deficit on the Provision of Services	(1,377)	3,366	389	2,378

Adjustments for Capital purposes

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

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

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

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

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

Net change for Pensions adjustments

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

Other operating expenditure is adjusted for pensions administration.

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

Other Differences

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

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

8. SEGMENTAL ANALYSIS

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

Depreciation, Amortisation & Revaluation Losses	2017/18	2018/19
	£000s	£000s
Community Development	59	**60**
Housing, Health & Well-being	244	**288**
Public Protection	5	**5**
Environment	1,163	**1,236**
Growth and Regeneration	1	**1**
Resources and Reputation	197	**940**
	1,669	**2,530**

External Income from Customers	2017/18	2018/19
	£000s	£000s
Community Development	(196)	**(119)**
Housing, Health & Well-being	(3,697)	**(3,796)**
Public Protection	(648)	**(893)**
Environment	(2,394)	**(2,560)**
Growth and Regeneration	(716)	**(895)**
Resources and Reputation	(798)	**(862)**
	(8,449)	**(9,125)**

9. EXPENDITURE AND INCOME ANALYSED BY NATURE

	2017/18	2018/19
	£000s	£000s
Employee benefits expenses	16,926	**17,162**
Other service expenses	33,719	**33,730**
Depreciation, amortisation & revaluation losses	1,669	**2,530**
Interest payments	287	**295**
Precepts and levies	651	**690**
Costs associated with the disposal of fixed assets	117	**3,442**
Expenditure on investment properties and reductions in fair value	27	**254**
Total Expenditure per CIES	53,396	**58,103**
Fees, charges and other service income	(8,449)	**(9,125)**
Interest and investment income	(90)	**(150)**
Income from council tax and NDR	(10,481)	**(11,245)**
Government grants and other contributions	(31,636)	**(30,467)**
Income from the disposal of assets	(866)	**(3,365)**
Income from investment properties and increases in fair value	(665)	**(1,631)**
Income from gains on pooled investment funds	0	**(15)**
Movement on Impairment Loss Allowances	0	**(100)**
Total Income per CIES	(52,187)	**(56,098)**
(Surplus)/Deficit on the Provision of Services	1,209	**2,005**

10. 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.

2018/19	Usable Reserves			Total Mov't on Usable Reserves	Mov't on Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		
	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account (note 24)					
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CIES):					
Charges for depreciation & impairment of non-current assets	1,610	0	0	1,610	(1,610)
Revaluation losses/(reversals) on Property Plant and Equipment	883	0	0	883	(883)
Movement in fair value of investment properties	(1,266)	0	0	(1,266)	1,266
Amortisation of intangible assets	36	0	0	36	(36)
Capital grants & contributions applied	(1,567)	0	0	(1,567)	1,567
Revenue Expenditure Funded from Capital Under Statute	117	0	0	117	(117)
Carrying Amounts debited as part of the gain or loss on disposals of non-current assets	3,356	0	0	3,356	(3,356)
Insertion of items NOT debited or credited to the CIES:					
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	(555)	0	0	(555)	555
Capital expenditure charged against General Fund Balance	(251)	0	0	(251)	251
Adjustments primarily involving the Capital Grants Unapplied Account					
Capital grants and contributions unapplied, credited to the CIES	(271)	0	271	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(86)	(86)	86
Adjustments primarily involving the Pooled Investment Funds Adjustment Account (note 24)					
Transfer of the gain/loss on pooled investments	(14)	0	0	(14)	14
Sub-total of items adjusted	2,078	0	185	2,263	(2,263)

10. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2018/19 (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	**2,078**	**0**	**185**	**2,263**	**(2,263)**
Adjustments primarily involving the Capital Receipts Reserve					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES (PPE)	**(405)**	**405**	**0**	**0**	**0**
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES (Investment Assets)	**(2,937)**	**312**	**0**	**(2,625)**	**2,625**
Use of Capital Receipts Reserve to finance new capital expenditure	**0**	**(636)**	**0**	**(636)**	**636**
Transfer of capital receipts to fund asset disposal costs	**81**	**(81)**	**0**	**0**	**0**
Adjustments primarily involving the Pensions Reserve (note 24)					
Reversal of items relating to retirement benefits debited or credited to the CIES	**5,649**	**0**	**0**	**5,649**	**(5,649)**
Employers pension contributions and direct payments to pensioners payable in the year	**(2,073)**	**0**	**0**	**(2,073)**	**2,073**
Adjustments primarily involving the Collection Fund Adjustment A/C (note 24)					
Amount by which Council Tax & NDR income credited to the CIES differs to that income calculated for the year in accordance with statutory requirements	**(180)**	**0**	**0**	**(180)**	**180**
Adjustments primarily involving the Accumulated Absences Account (note 24)					
Amount by which officer remuneration credited to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**98**	**0**	**0**	**98**	**(98)**
Total Net adjs between Accounting basis and Funding basis under regulation (per Movement in Reserves Statement on p35)	**2,311**	**0**	**185**	**2,496**	**(2,496)**

10. 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.

2017/18 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 24)					
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CIES):					
Charges for depreciation & impairment of non-current assets	1,472	0	0	1,472	(1,472)
Revaluation losses/(reversals) on Property Plant and Equipment	161	0	0	161	(161)
Movement in fair value of investment properties	(531)	0	0	(531)	531
Amortisation of intangible assets	36	0	0	36	(36)
Capital grants & contributions applied	(136)	0	0	(136)	136
Revenue Expenditure Funded from Capital Under Statute	229	0	0	229	(229)
Carrying Amounts debited as part of the gain or loss on disposals of non-current assets	115	0	0	115	(115)
Insertion of items NOT debited or credited to the CIES:					
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	(576)	0	0	(576)	576
Capital expenditure charged against General Fund Balance	(230)	0	(189)	(419)	419
Adjustments primarily involving the Capital Grants Unapplied Account					
Capital grants and contributions unapplied, credited to the CIES	(1,088)	0	1,088	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(218)	(218)	218
Sub-total of items adjusted	(548)	0	681	133	(133)

10. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

	Usable Reserves			Total	Mov't on
2017/18 Comparatives (Continued)	**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	(548)	0	681	133	(133)
Adjustments primarily involving the Capital Receipts Reserve					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	(829)	829	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	(829)	0	(829)	829
Adjustments primarily involving the Pensions Reserve (note 24)					
Reversal of items relating to retirement benefits debited or credited to the CIES	5,438	0	0	5,438	(5,438)
Employers pension contributions and direct payments to pensioners payable in the year	(2,072)	0	0	(2,072)	2,072
Adjustments primarily involving the Collection Fund Adjustment A/C (note 24)					
Amount by which council tax & NDR income credited to the CIES differs to the council tax income calculated for the year in accordance with statutory requirements	389	0	0	389	(389)
Adjustments primarily involving the Accumulated Absences Account (note 24)					
Amount by which officer remuneration credited to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0	0	0	0	0
Total Net adjs between Accounting basis and Funding basis under regulation (per Movement in Reserves Statement on p35)	2,378	0	681	3,059	(3,059)

11. 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 2017/18 and 2018/19.

Reserve:	Balance 31 Mar 2017	Transfers out during 2017/18	Transfers in during 2017/18	Balance 31 Mar 2018	Transfers out during 2018/19	Transfers in during 2018/19	Balance 31 Mar 2019
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
IT Equip't Replacement & Investment	428	(7)	268	**689**	(116)	92	**665**
Community and Crime	155	(83)	41	**113**	(33)	23	**103**
Risk Mgt & Budget Red'n	321	(145)	36	**212**	(41)	80	**251**
Housing and Housing Benefits	446	(15)	0	**431**	(15)	0	**416**
Insurance	262	(28)	46	**280**	(18)	36	**298**
Efficiency & Innovation	161	0	52	**213**	(18)	76	**271**
Asset Management	285	(53)	263	**495**	(110)	147	**532**
Development Framework	132	(31)	20	**121**	(89)	76	**108**
S106 Revenue	161	(33)	99	**227**	(38)	3	**192**
Earmarked Grants	547	(141)	306	**712**	(172)	244	**784**
Joint Use Maintenance	32	0	36	**68**	(5)	18	**81**
CCTV	280	(65)	41	**256**	(61)	26	**221**
Local Authority Mortgage Scheme Reserve	111	0	0	**111**	0	0	**111**
Apprentices	76	(25)	4	**55**	(9)	30	**76**
Land Charges	25	(25)	0	**0**	0	0	**0**
NDR Pool Surplus	200	0	292	**492**	0	589	**1,081**
Transformation	266	(88)	341	**519**	(5)	254	**768**
Economic Development	445	(41)	42	**446**	(94)	33	**385**
Leisure Strategy	142	0	45	**187**	0	50	**237**
Building Control	29	0	2	**31**	(21)	0	**10**
Property Fund	0	0	64	**64**	0	0	**64**
Selective Licencing	0	0	0	**0**	0	141	**141**
Total Earmarked Reserves per Balance Sheet p36-37	**4,504**	**(780)**	**1,998**	**5,722**	**(845)**	**1,918**	**6,795**
Net Movement in Year per MiRS p35		**1,218**			**1,073**		

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

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

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

11. TRANSFERS TO/FROM EARMARKED RESERVES (Continued)

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

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

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

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

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

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

Land Charges Reserve - to provide for future claims made by property search companies seeking refunds for fees paid to access land charge data. This has now been finalised and the balance on the reserve is nil.

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

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

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

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

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

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

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

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

	2017/18	2018/19
Capital Grants and Contributions	**£000s**	**£000s**
Department for Environment and Rural Affairs:		
WREN Grant (Waste Recycling Environmental) - Play Areas	(98)	**(106)**
Department for Communities and Local Government:		
Disabled Facilities Grant	(66)	**(235)**
Other Grants and Contributions:		
Community Infrastructure Levy (CIL)	(1,022)	**(36)**
Section 106 Developer Contributions	0	**(195)**
Nottinghamshire County Council Town Centres Fund - Arnold Market	0	**(1,250)**
Police & Crime Commissioner - Office Alterations	(37)	**0**
Other	0	**(16)**
Total Capital Grants & Contributions per CIES on page 34	(1,223)	**(1,838)**

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

13. PROPERTY, PLANT & EQUIPMENT

Movements in 2018/19	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 2018 (Restated)	22,970	8,610	1,119	7,341	6	**40,046**
Additions	1,389	1,189	189	152	19	**2,938**
Revaln incr/(decr) recognised in the Revaluation Reserve	(207)	0	0	0	0	**(207)**
Revaln incr/(decr) recognised in the Surplus/Deficit on Provision of Services	(885)	0	0	0	0	**(885)**
Derecognition-Disposals	(443)	(602)	0		0	**(1,045)**
Derecognition-Decommissioned	(79)	0	0	0	0	**(79)**
Other movements in cost or valuation	5	0	0	0	(5)	**0**
As at 31 March 2019	**22,750**	**9,197**	**1,308**	**7,493**	**20**	**40,768**
Accumulated Depreciation and Impairment:						
As at 1 April 2018 (Restated)	(761)	(5,101)	(520)	(5,052)	0	**(11,434)**
Depreciation Charge	(585)	(726)	(53)	(246)	0	**(1,610)**
Depreciation written out to the Revaluation Reserve	876	0	0	0	0	**876**
Depreciation written out to the Surplus/Deficit on Provision of Services	1	0	0	0	0	**1**
Derecognition-Disposals	21	588	0	0	0	**609**
Derecognition-Decommissioned	5	0	0	0	0	**5**
As at 31 March 2019	**(443)**	**(5,239)**	**(573)**	**(5,298)**	**0**	**(11,553)**
Net Book Value 31/3/18	22,209	3,509	599	2,289	6	28,612
Net Book Value 31/3/19	**22,307**	**3,958**	**735**	**2,195**	**20**	**29,215**

13. PROPERTY, PLANT & EQUIPMENT (Continued)

Comparative Movements in 2017/18 (Restated)	**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 2017	20,801	8,548	1,075	7,213	760	38,397
Additions	1,468	787	44	128	6	2,433
Revaln incr/(decr) recognised in the Revaluation Reserve	93	0	0	0	0	93
Revaln incr/(decr) recognised in the Surplus/Deficit on Provision of Services	(161)	0	0	0	0	(161)
Derecognition-Disposals	(50)	(302)	0		0	(352)
Derecognition-Decommissioned	0	(423)	0	0	0	(423)
Other movements in cost or valuation	819	0	0	0	(760)	59
As at 31 March 2018	22,970	8,610	1,119	7,341	6	40,046
Accumulated Depreciation and Impairment:						
As at 1 April 2017	(713)	(5,176)	(472)	(4,785)	0	(11,146)
Depreciation Charge	(507)	(650)	(48)	(267)	0	(1,472)
Depreciation written out to the Revaluation Reserve	141	0	0	0	0	141
Depreciation written out to the Surplus/Deficit on Provision of Services	0	0	0	0	0	0
Derecognition-Disposals	318	303	0	0	0	621
Derecognition-Decommissioned	0	422	0	0	0	422
As at 31 March 2018	(761)	(5,101)	(520)	(5,052)	0	(11,434)
Net Book Value 31/3/17	20,088	3,372	603	2,428	760	27,251
Net Book Value 31/3/18	22,209	3,509	599	2,289	6	28,612

During the 2018/19 asset valuation process, an error in the recorded measurement of the Civic Centre was identified by the Council's Valuer. Subsequently, a full review of asset measurements was undertaken and where material the financial statements have been restated. Please see note 5 (prior period adjustment) on pages 41 to 42 for full details.

13. 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	Generally 25 to 95 years however Arnot Hill House, a listed building, has a life of 173 years.
Vehicles, Plant and Equipment	5 to 25 years
Infrastructure	10 to 25 years

Revaluation

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

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

Capital Commitments

At 31 March 2019 there was one significant capital contract that had been entered into but not fully completed. This amounted to £50,000 and related to the development of an affordable housing scheme at Burton Road, Carlton.

14. INVESTMENT PROPERTY

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

	2017/18	2018/19
	£000s	£000s
Rental from Investment Property	(122)	**(119)**
Direct operating expenses arising from Investment Property	15	**8**
Net (Gain)/Loss	(107)	**(111)**

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

Long Term Investment Property:	2017/18	2018/19
	£000s	£000s
Balance at the start of the year	4,859	**2,419**
Additions (purchase, construction & subsequent expenditure)	0	**0**
Disposals	(65)	**0**
Net gain/(loss) from fair value adjustments	531	**1,266**
Transfer (to)/from Property, Plant and Equipment	(59)	**0**
Transfer (to)/from Held for Sale Investment Property (Current Assets)	(2,847)	**0**
Balance at the end of the year per Balance Sheet	2,419	**3,685**

14. INVESTMENT PROPERTY (Continued)

Held for Sale Investment Property (Current Assets)	2017/18	2018/19
	£000s	£000s
Balance at the start of the year	0	**2,847**
Transfer from Long Term Investment Property	2,847	**0**
Disposals	0	**(2,847)**
Balance at the end of the year per Balance Sheet	2,847	**0**

This disposal relates to the completion of a sale of land at Teal Close on 30 April 2018.

15. INTANGIBLE ASSETS

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

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

The carrying amount of intangible assets is amortised on a straight line basis. Over half of the amortisation of £35,816 charged to revenue in 2018/19 was charged to Payroll and IT, and then absorbed as an overhead across all relevant service headings in Cost of Services. Other charges were made directly to services.

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

	2017/18	2018/19
	£000s	£000s
Gross carrying amount	924	**924**
Accumulated amortisation	(793)	**(829)**
Net carrying amount at start of year	131	**95**
Derecognition of decommissioned assets:		
Gross carrying amount	0	**(202)**
Accumulated amortisation	0	**202**
Amortisation for the year	(36)	**(35)**
Net carrying amount at end of year per Balance Sheet	95	**60**
<u>Represented by:</u>		
Gross carrying amount	924	**722**
Accumulated amortisation	(829)	**(662)**
Total	95	**60**

16. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset in one entity, and a financial liability on another. Most straightforward financial assets (debtors, bank deposits, investments etc.) and liabilities (creditors, borrowings etc.) are covered, together with more complex ones not used by this authority (eg. debt instruments with embedded swaps, and options). For 2018/19 the requirements of accounting standard IFRS9 replace those of IAS39 for the classification and measurement of financial assets. There are no significant changes arising from the new standard in respect of financial liabilities.

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

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

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

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

Initial Recognition

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

Initial Measurement

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

Soft Loans

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

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.

16. FINANCIAL INSTRUMENTS (Continued)

The only "soft loans" identified by the Council in 2018/19 were car loans to employees. It is the Council's view that the outstanding sum of £20k 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. The requirements of IFRS9 replaced those of IAS39 on 1 April 2018. IFRS9 defines two classes of financial liabilities, and three classes of financial assets replacing the previous four. Classification is now based on the characteristics of the financial asset, including consideration of the business model within which the asset is held. This requires an assessment of the objectives for holding the asset, and whether the contractual terms give rise to cashflows that are solely payments of principal and interest (the SPPI test).

Financial liabilities:

Amortised cost

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

Financial assets:

Amortised cost

Fair value through comprehensive income (FVOCI) - none held by the Council

Fair value through profit and loss (FVPL)

In practice the majority of financial liabilities held by the Council will be in the "amortised cost" category, and most financial assets will be either at amortised cost, or held at fair value through profit and loss. It will often not be necessary to undertake a formal effective interest rate (EIR) calculation, either because the instrument is a short duration receivable (debtor) or payable (creditor) which is required to be measured at the original invoice amount, or because it is clear that the nominal interest rate equals the EIR, as is the case with most fixed rate instruments.

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

Premiums and Discounts

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

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

No premiums or discounts were paid or received by the Council during 2018/19.

Reclassification - the impact on Gedling Borough Council's Financial Instruments:

As noted above, the Council deals only in straightforward financial instruments and the impact of reclassification under IFRS9 is not significant. The judgements made on reclassification are as follows:

Short term investment is represented by fixed term deposits where the interest rate and repayment date are fixed at the inception of the loan. Accordingly they are classified as amortised cost, where the carrying value is deemed to be a reasonable approximation for fair value.

16. FINANCIAL INSTRUMENTS (Continued)

Cash and cash equivalents include deposits in Money Market Funds and are classified as amortised cost. Whilst the value of such funds can technically fluctuate, suggesting treatment as fair value through profit and loss, the Council only invests with Low Volatility Net Asset Value (LVNAV) products, which have an exceptionally low level of fluctuation. The Money Market Funds are AAA rated, and this would not be the case if the Funds were not deemed stable.

The Council's investment in the CCLA property fund has been reclassified as fair value through profit and loss following the abolition of the available for sale category. Gains and losses on the fund must now be charged to the Comprehensive Income and Expenditure Statement, however a statutory override effective until 31 March 2023 requires that such gains and losses must be reversed out through the Movement on Reserves Statement to the Pooled Investment Funds Adjustment Account.

The following table summarises the Council's reclassification of its financial instruments at 1 April 2018:

Previous Classification	**Balance BFwd 1/4/18**	**IFRS9 Classification**			
		Amortised Cost	**Fair Value OCI**	**Fair Value P&L**	**Total IFRS9**
Liabilities at amortised cost	£	£	£	£	£
Long Term Borrowing	(6,812)	(6,812)	0	0	(6,812)
Short Term Borrowing	(139)	(139)	0	0	(139)
Long Term Creditors	(1,959)	(1,959)	0	0	(1,959)
Short Term Creditors	(2,058)	(2,058)	0	0	(2,058)
Total Financial Liabilities	(10,968)	(10,968)	0	0	(10,968)
Assets at amortised cost					
Short Term Investments	4,017	4,017	0	0	4,017
Long Term Debtors	20	20	0	0	20
Short Term Debtors	4,669	4,669	0	0	4,669
Cash & Cash Equivalents	2,641	2,641	0	0	2,641
Available for Sale assets					
Pooled Investment Funds	956	0	0	956	956
Total Financial Assets	12,303	11,347	0	956	12,303

The Council's Financial Instruments at 31 March 2019

(a) Financial Liabilities at Amortised Cost:

(i) **Long and Short Term Borrowing** - Total long term debt outstanding on the balance sheet on 31 March 2019 is £8.812m, all held with the Public Works Loan Board (PWLB). The short term borrowing balance of £147k is represented by accrued interest only. PWLB loans have special characteristics in that the interest rates are based on the Government's cost of borrowing rather than on market rates, and a penalty charge is payable on early redemption that is over and above the cost to the lender.

The Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, and these are termed the PWLB certainty interest rates. As a result of its PWLB commitments for fixed rate loans, a comparison of the terms of these loans with the new borrowing rates available from PWLB has been used to calculate the fair value. If a value is calculated on this basis the carrying amount of the Councils outstanding loans of £8.812m would be valued at £11.426m. However, if the Council was to seek to avoid the projected loss by repaying the loans to PWLB, the PWLB would raise a penalty charge based on the premature redemption interest rates, totalling £5.192m. The exit price for the outstanding PWLB loans including the penalty charge would therefore be £14.004m.

16. FINANCIAL INSTRUMENTS (Continued)

This redemption charge is a supplementary measure of the fair value of the outstanding PWLB loans of £8.812m. It measures the economic effect of the terms agreed by the Council with the PWLB, compared with estimates of the terms that would be offered for market transactions undertaken at the balance sheet date, which have been assumed to be the PWLB premature redemption interest rates. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB against what would be paid if the loans were at prevailing market rates.

If the discount rate applied to each outstanding loan was to increase by 1%, the penalty would fall from £5.192m to £2.436m and the exit price from £14.004m to £11.248m. These amounts would be reversed if the discount rate was to fall, ie. the penalty and the exit price would rise.

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

(ii) **Long and Short Term Creditors** - Operational creditors are financial instruments of short duration, with no formal effective interest rate, and are required to be valued at their original amounts, ie. the carrying amount is a reasonable approximation of fair value. Long term creditors are represented by grants received in advance of £2.042m. Short-term creditors outstanding at 31 March 2019, which are classed as financial instruments, totalled £2.088m.

(b) <u>Financial Assets at Amortised Cost</u>

(i) **Short Term Investment** - Investments held at 31 March 2019 amounted to £8.024m, 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.

(ii) **Long Term Debtors** - As discussed above, the only soft loans identified by Gedling Borough Council are car loans to employees. The sum outstanding at 31 March 2019 is £20k, which is not material. The long term debtors figure also includes deferred capital receipts of £2.123m for a land sale at Teal Close.

(iii) **Short Term Debtors** - Operational debtors are financial instruments of short duration, with no formal effective interest rate, and are required to be valued at their original amount, ie. the carrying amount is a reasonable approximation of fair value. Short term debtors outstanding at 31 March 2019, which are classed as financial instruments, totalled £3.592m net of impairment provisions for doubtful debts (see note 19). This figure includes deferred capital receipts of £502k due in 2019/20 for a land sale at Teal Close.

(iv) **Cash and Cash Equivalents** - The fair value of cash balances in hand (or overdrawn) is deemed to be the carrying value. The Council's cash balances overdrawn at 31 March 2019 totalled £1.079m as a result of daily cashflow management. However these balances are combined on the Balance Sheet as part of the overall Cash and Cash Equivalents balance of £3.444m in hand, which includes a total of £4.490m held in Money Market Funds. Whilst the value of these funds can technically fluctuate, suggesting treatment as fair value through profit and loss, the Council uses invests with Low Volatility Net Asset Value (LVNAV) products, which have an exceptionally low level of fluctuation. The Money Market Funds are AAA rated, and this would not be the case if the Funds were not deemed stable.

(c) <u>Financial Assets at Fair Value through Profit and Loss</u>

The Council has a long term investment of £1m with the CCLA Local Authority Property Fund. This was previously classified as an available for sale financial instrument, and fluctuations in value were transferred to the Available for Sale Financial Instruments Reserve. This category, and the reserve, was abolished with the adoption of IFRS9 and the investment has been reclassified as a financial asset at fair value through profit and loss, with fluctuations in the certificated value of the fund being charged to the CIES. However, a statutory override in place until 31 March 2023 requires these fluctuations to be reversed out via the MiRS to a Pooled Investment Funds Adjustment Account and held on the balance sheet.

The certificated value of the property fund investment rose from £956,242 at 1 April 2018 to £971,092 at 31 March 2019. The gain of £14,850 was credited to CIES and reversed out in accordance with the statutory override. The current balance on the Pooled Investment Funds Adjustment Account is £28,908.

Dividends received in respect of the property fund investment totalled £41,405 in 2018/19. These have been credited to the CIES, and are included in the deficit on the provision of services.

16. FINANCIAL INSTRUMENTS (Continued)

A summary of the Council's exposure to financial instruments at 31 March 2019 is shown below:

Summary of Financial Instruments	1/4/18 (IFRS9)	31/3/19
	£000s	£000s
Financial liabilities at amortised cost		
Long Term Borrowing	(6,812)	**(8,812)**
Short Term Borrowing	(139)	**(147)**
Long Term Creditors	(1,959)	**(2,042)**
Short Term Creditors	(2,058)	**(2,088)**
Total Financial Liabilities	(10,968)	**(13,089)**
Financial assets at amortised cost		
Short Term Investments	4,017	**8,024**
Long Term Debtors	20	**2,144**
Short Term Debtors	4,669	**3,592**
Cash & Cash Equivalents	2,641	**3,444**
Financial assets at fair value through profit and loss		
Pooled Investment Funds	956	**971**
Total Financial Assets	12,303	**18,175**

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

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

Credit risk is the possibility that other parties might fail to pay amounts due to the authority. Liquidity risk is the possibility that the authority may not have funds available to meet its commitments to make payments. Refinancing risk is the possibility that the Council might be required to renew a financial instrument on maturity at unfavourable interest rates or terms. Market risk is the possibility that financial loss may arise as a result of changes in such measures as interest rates and stock market movements.

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

Credit Risk

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

The Council also operates maximum investment limits with individual counterparties and Money Market Funds. Any investment in excess of these limits is subject to the specific approval of the Chief Financial Officer. The Council did not experience any non-performance from any of its counterparties in respect of its temporary investments or cash equivalents during 2018/19.

Impairment of Financial Assets - the Expected Credit Loss Model

The Council has always made provision for impairments (losses) on its financial assets held at amortised cost, however IFRS9 introduces the concept of "expected credit losses" as opposed to "incurred losses". This is largely in response to the financial crisis, when impairment provisions were often found to be too little, and to have been made too late.

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

Impairment losses are calculated to reflect the expectation that future cashflows might not take place because the borrower could default on their obligations. Provision for trade receivables (debtors) is made on a lifetime expected loss basis using a collective provision matrix, and credit risk plays a crucial role in assessments. The Council has always used such a matrix but this has been reviewed to ensure that it is sufficiently "forward looking" and not purely based on historic experience. The overall reduction of £100k in the Council's impairment loss allowances for financial instruments during 2018/19 has been credited to the financing and investment section of the CIES, in accordance with the requirement of IFRS9 which was introduced on 1 April 2018.

No provision for impairment has been made for short term investments on the basis that these are fixed term deposits with high quality counterparties and the risk is assessed a negligible. The Council's treasury advisers have calculated that the historic risk of default on the entire portfolio at 31 March 2019 is less than 0.02%, and would amount to an expected credit loss provision of less than £2,000. This is not considered to be material.

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

Liquidity and Refinancing Risk

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

PWLB Maturity Analysis	**31/3/18**	**31/3/19**
	£000s	**£000s**
Short Term Borrowing (repayable within 1 year)		
Principal	0	**0**
Interest accruals	(139)	**(147)**
Short Term Borrowing per Balance Sheet	(139)	**(147)**
Long Term Borrowing		
Repayable in 1 to 2 years	0	**0**
Repayable in 2 to 5 years	0	**0**
Repayable in 5 to 10 years	0	**0**
Repayable in over 10 years	(6,812)	**(8,812)**
Long Term Borrowing per Balance Sheet	(6,812)	**(8,812)**

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

Market Risk:

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

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

Price Risk:

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

Foreign Exchange Risk:

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

18. LONG TERM DEBTORS

	2017/18	2018/19
	£000s	£000s
Car Loans	19	**20**
Other - Cycle Scheme	1	**1**
Land Sale Deferred Settlement	0	**2,123**
Total Long Term Debtors per Balance Sheet	20	**2,144**

The sale of land at Teal close was completed on 30 April 2018, however the sale proceeds will be phased over a contractually agreed period. The sum of £502k is to be received in the forthcoming year and is included with short term debtors below, however the sum of £2.123m to be received in periods beyond 31 March 2020 is included as a long term debtor. The total deferred capital receipt is £2.625m as detailed in note 24, Unusable Reserves.

19. SHORT TERM DEBTORS

	2017/18			2018/19		
	Financial Instrum'ts	Statutory Debts	Total	Financial Instrum'ts	Statutory Debts	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Central Government Departments	351	307	658	**1,031**	**292**	**1,323**
Other Local Authorities	396	534	930	**298**	**722**	**1,020**
Land Sale Deferred Settlement	0	0	0	**502**	**0**	**502**
Other Entities and Individuals	6,099	1,371	7,470	**3,838**	**1,546**	**5,384**
Total Short Term Debtors	6,846	2,212	9,058	**5,669**	**2,560**	**8,229**
Less Impairment Loss Allowance	(2,177)	(225)	(2,402)	**(2,077)**	**(266)**	**(2,343)**
Net Short Term Debtors per Balance Sheet	4,669	1,987	6,656	**3,592**	**2,294**	**5,886**

Following the adoption of IFRS9 on 1 April 2018, the reduction of £100k on the impairment loss allowance for financial instruments between 2017/18 and 2018/19 has been credited to the Financing and Investment section in the Comprehensive Income and Expenditure Statement.

20. CASH AND CASH EQUIVALENTS

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

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

20. CASH AND CASH EQUIVALENTS (Continued)

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

	31/03/18	31/03/19
	£000s	£000s
Cash balance at bank and cash in transit	(657)	**(1,053)**
Imprest Accounts	8	**7**
	(649)	**(1,046)**
Call Accounts	3,290	**4,490**
Total Cash and Cash Equivalents per Balance Sheet	2,641	**3,444**

21. SHORT TERM CREDITORS AND RECEIPTS IN ADVANCE

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

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

	2017/18			2018/19		
	Financial Instrum'ts	Statutory Creditors	Total	Financial Instrum'ts	Statutory Creditors	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Central Government Departments	0	(615)	(615)	**0**	**(779)**	**(779)**
Other Local Authorities	(578)	(750)	(1,328)	**(351)**	**(817)**	**(1,168)**
Other Entities and Individuals	(1,480)	(228)	(1,708)	**(1,737)**	**(270)**	**(2,007)**
Total Short Term Creditors per Balance Sheet	(2,058)	(1,593)	(3,651)	**(2,088)**	**(1,866)**	**(3,954)**

22. PROVISIONS

	Transf'd Stock Env. Warranties	Transf'd Stock Repairs	NDR Appeals	Total Provisions
	£000s	£000s	£000s	£000s
<u>**Over one year:**</u>				
Balance at 1 April 2018	**(50)**	**(50)**	**(827)**	**(927)**
Additional Provisions made in 2018/19	0	0	(26)	**(26)**
Used in 2018/19	0	0	0	**0**
Reversed in 2018/19	0	0	0	**0**
Balance at 31 March 2019	**(50)**	**(50)**	**(853)**	**(953)**

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

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

NDR Appeals - The Business Rate Retention regime places a liability on the Council to refund ratepayers who successfully appeal against the rateable value of their properties on the rating list. A provision of £853,000 has been made, representing the Council's estimated share of such liabilities at 31 March 2019.

23. USABLE RESERVES

Movements in the authority's Usable Reserves are detailed in the Movement in Reserves Statement on page 35, and in note 10 on pages 47 to 50.

24. UNUSABLE RESERVES

	31/03/18	31/03/19
	£000s	£000s
Deferred Capital Receipts	0	**2,625**
Revaluation Reserve	5,426	**5,752**
Available for Sale Financial Instrument Reserve	(43)	**0**
Pooled Investment Funds Adjustment Account	0	**(29)**
Capital Adjustment Account	18,286	**16,987**
Pensions Reserve	(49,724)	**(47,541)**
Collection Fund Adjustment Account - Council Tax	(24)	**(32)**
Collection Fund Adjustment Account - Non Domestic Rates	(370)	**(182)**
Accumulated Absences Account	(155)	**(253)**
Total Unusable Reserves	(26,604)	**(22,673)**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve. The balance relates to the sale of land at Teal Close, completed on 30 April 2018.

Revaluation Reserve

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

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

	2016/17 Restated	2017/18 Restated	2018/19
	£000s	£000s	£000s
Balance at 1 April	5,962	5,053	**5,426**
Upward revaluation of assets	964	481	**1,353**
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,712)	71	**(685)**
Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services	(748)	552	**668**
Difference between fair value depreciation and historic cost depr'n	(161)	(155)	**(154)**
Accumulated gains on assets sold or scrapped	0	(24)	**(188)**
Amount written off to the Capital Adjustment Account	(161)	(179)	**(342)**
Balance at 31 March	5,053	5,426	**5,752**

Restatement - please see note 5 (prior period adjustment) on pages 41-42 for full details.

24. UNUSABLE RESERVES (Continued)

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve previously contained the gains made by the authority arising from increases in the value of its investments that had quoted market prices or otherwise did not have fixed or determinable payments. Following the introduction of IFRS9, the Available for Sale Reserve has been abolished. The opening balance on the Reserve, represented by the difference between the Council's £1m investment in the CCLA property fund and its certificated value at 31 March 2018 has been transferred to the Pooled Investment Funds Adjustment Account.

	2017/18	2018/19
	£000s	£000s
Balance at 1 April	0	**(43)**
Balance as at 1 April transferred to Pooled Investment Funds Adjustment Account	(43)	**43**
Balance at 31 March	(43)	**0**

Pooled Investment Funds Adjustment Account

The introduction of IFRS9 requires pooled investment funds to be classified at Fair Value through Profit and Loss (FVPL), whereby all gains and losses are immediately charged to the Surplus and Deficit on the Provision of Services instead of held in the Available for Sale Financial Instruments Reserve (which has been abolished). In the case of certain property funds, including the CCLA LPAF in which the Council has an investment of £1m, a statutory override requires these gains and losses to be neutralised via the Movement on Reserves Statement to the Pooled Investment Funds Adjustment Account (PIFAA). The increase in value of the Council's property fund investment in 2018/19 represents a gain, which has been reversed out to the PIFAA in accordance with the regulations.

	2017/18	2018/19
	£000s	£000s
Balance at 1 April	0	**0**
Balance transferred from Available for Sale Financial Instruments Reserve as at 1 April	0	**(43)**
Gain on CCLA Property Fund in year	0	**14**
Balance at 31 March	0	**(29)**

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 10 on pages 47 to 50 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

24. UNUSABLE RESERVES (Continued)

Capital Adjustment Account (continued)	**2017/18**	**2018/19**
	£000s	**£000s**
Balance at 1 April	17,411	**18,286**
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	(1,472)	**(1,610)**
Revaluation (losses)/reversals on Property, Plant and Equipment	(161)	**(883)**
Amortisation of Intangible Assets	(36)	**(36)**
Revenue Expenditure funded from Capital under Statute (REFCUS)	(229)	**(117)**
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	(115)	**(3,356)**
	(2,013)	**(6,002)**
Adjusting amount written out of the Revaluation Reserve	179	**342**
Net written out amount of non-current assets consumed in the year	(1,834)	**(5,660)**
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	829	**636**
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	136	**1,567**
Applications of grants to capital financing from the Capital Grants Unapplied Account	218	**86**
Statutory provision for the financing of capital investment charged against the General Fund	576	**555**
Capital expenditure charged against the General Fund	419	**251**
	2,178	**3,095**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	531	**1,266**
Balance at 31 March	18,286	**16,987**

24. 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.

The Council paid a single lump sum to the Pension Fund in 2017/18 representing its monetary pension deficit contributions for a three year period, in order to take advantage of a cash discount. The cash payment of £1.675m immediately reduced the Council's pension deficit, however only one third of the sum paid was chargeable to the revenue accounts in 2017/18, resulting in a difference of £1.116m between the Pension Liability Account and the Pension Reserve at 31 March 2018. A further £0.558m has been charged to the revenue accounts in 2018/19, therefore this difference has reduced to £0.558m at 31 March 2019 and will reduce to nil by 31 March 2020 when the final charge to revenue is made in 2019/20.

	2017/18 £000s	2018/19 £000s
Balance at 1 April	(52,375)	**(49,724)**
Actuarial gains or (losses) on pensions assets and liabilities	6,017	**5,759**
Reversal of items relating to benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(5,438)	**(5,649)**
Employer's pension contributions and direct payments to pensioners payable in the year	2,072	**2,073**
Balance at 31 March	(49,724)	**(47,541)**

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:	2017/18 £000s	2018/19 £000s
Balance at 1 April	(168)	**(24)**
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	144	**(8)**
Balance at 31 March	(24)	**(32)**

24. UNUSABLE RESERVES (Continued)

Collection Fund Adjustment Accounts (continued)

Non Domestic Rates:	**2017/18**	**2018/19**
	£000s	**£000s**
Balance at 1 April	163	**(370)**
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	(533)	**188**
Balance at 31 March	(370)	**(182)**

Accumulated Absences Account

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

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

	2017/18	**2018/19**
	£000s	**£000s**
Balance at 1 April	(155)	**(155)**
Settlement or cancellation of accrual made at the end of the preceding year	155	**155**
Amounts accrued at the end of the current year	(155)	**(253)**
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	0	**(98)**
Balance at 31 March	(155)	**(253)**

25. CASH FLOW STATEMENT - OPERATING ACTIVITIES

	2017/18	2018/19
	£000s	£000s
Net Surplus / (Deficit) on the Provision of Services per CIES on p34	(1,209)	**(2,005)**
Adjustments to the net surplus / (deficit) on the Provision of Services for non-cash movements:		
Depreciation	1,472	**1,610**
Impairment and downward revaluations	161	**883**
Amortisation	36	**36**
Increase / (Decrease) in revenue creditors	209	**111**
(Increase) / Decrease in revenue debtors	(597)	**(910)**
(Increase) / Decrease in stocks and works in progress	(13)	**(51)**
Pension liability	3,366	**4,134**
Carrying amount of non current assets sold	115	**3,356**
Other non-cash items charged to net surplus/(deficit) on provision of services	(742)	**(1,255)**
	4,007	**7,914**
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	(2,159)	**(5,291)**
Net cash flow from Operating Activities per Cash Flow Statement on p38	639	**618**

Cash flows for operating activities include the following items:	2017/18	2018/19
	£000s	**£000s**
Interest Received	(122)	**(160)**
Interest Paid	149	**288**

26. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2017/18	2018/19
	£000s	£000s
Purchase of property, plant and equipment, investment property and intangible assets	(2,503)	**(2,943)**
Purchase of short term and long term investments	(1,000)	**(4,000)**
Pension Fund prepayment	(1,117)	**0**
Other payments for investing activities	(15)	**(8)**
Proceeds from sale of property, plant and equipment, investment property and intangible assets	790	**1,402**
Proceeds from short-term and long term investments	4,000	**0**
Other receipts from investing activities	122	**119**
Capital grants & contributions	708	**2,337**
Net cash flows from Investing Activities per Cash Flow Statement on p38	985	**(3,093)**

27. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2017/18	2018/19
	£000s	£000s
Receipt of short-term and long-term borrowing	0	**2,000**
Local Authority Mortgage Scheme receipt	1,000	**1,000**
Other receipts from financing activities	13	**21**
Movement on NDR debtor with preceptors and CLG	(1,161)	**254**
Movement on Council Tax debtors with Preceptors	1,282	**(41)**
Community Infrastructure Levy held for Parishes	52	**87**
Grants & contributions held for other principal parties	23	**(21)**
Other payments for financing activities	(12)	**(22)**
Net cash flows from Financing Activities per Cash Flow Statement on p38	1,197	**3,278**

28. MEMBERS' ALLOWANCES

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

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

	2017/18	2018/19
	£000s	£000s
Allowances:		
Basic	165	**167**
Special Responsibility	104	**106**
Expenses:		
Car mileage and public transport	3	**3**
Conferences and subsistence	3	**5**
	275	**281**

The figures above include payments made to independent members.

29. EXTERNAL AUDIT COSTS

The authority is required to disclose amounts paid to its appointed auditors for work carried out in performing statutory functions. For 2018/19, Mazars are the appointed auditors for accounts and inspection work, however KPMG are the appointed auditors for grant certification work. Amounts paid for work carried out in providing additional services such as tax advice must also be disclosed, the purpose being to demonstrate that the objectivity of the auditor is not compromised by fees for other work being significant in relation to audit costs.

	2017/18	2018/19
	£	£
Audit services carried out by the appointed auditor	42,570	**32,779**
Grant certification	10,562	**11,495**
Total fees for statutory audit services in the year	53,132	**44,274**
Fees for tax advisory services	0	**0**
Total fees paid to the appointed auditor	53,132	**44,274**

30. OFFICERS' REMUNERATION

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

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 employees are defined as those in receipt of a salary of £50,000 or more.

There is 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 senior employees it is also a requirement that employer pension contributions are disclosed.

The remuneration paid to the Authority's senior employees in 2018/19, and in 2017/18 for comparison, is detailed in the table below. Senior employees for this purpose are defined as the Chief Executive, the Deputy Chief Executive and Director of Finance (Section 151 Officer) and the two Corporate Directors, collectively representing the Council's Senior Leadership Team.

During 2018/19, the current Chief Executive was in post from 1 October 2018, and the previous Chief Executive was in post from 1 April until 22 July 2018.

Senior Employees 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
	£	£	£	£	£	£	£
2018/19							
Chief Executive (from 1/10/18)	**55,474**	**233**	**37**	**0**	**55,744**	**8,317**	**64,061**
Chief Executive (to 22/7/18)	**32,840**	**156**	**25**	**0**	**33,021**	**4,872**	**37,893**
Deputy Chief Executive & Director of Finance	**89,000**	**176**	**28**	**0**	**89,204**	**13,402**	**102,606**
Director of Org'l Devel. & Democratic Services	**80,296**	**62**	**10**	**0**	**80,368**	**12,124**	**92,492**
Director of Health & Community Well-being	**79,604**	**278**	**45**	**0**	**79,927**	**12,019**	**91,946**
2017/18 (Restated)							
Chief Executive	109,885	729	117	0	110,731	16,450	127,181
Deputy Chief Executive & Director of Finance	82,463	239	38	0	82,740	12,315	95,055
Director of Org'l Devel. & Democratic Services	79,837	68	11	0	79,916	11,382	91,298
Director of Health & Community Well-being	78,208	560	90	0	78,858	11,784	90,642

The comparatives for 2017/18 have been restated to include only the Senior Leadership Team. All other employees in receipt of remuneration of £50,000 or more are included in the banding table below.

30. OFFICERS' REMUNERATION (Continued)

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

Number of Employees in each Remuneration Band: (excluding employer pension contributions)	**2017/18 Number**	**2018/19 Number**
£50,000 to £54,999	0	**5**
£55,000 to £59,999	5	**4**
£65,000 to £69,999	2	**1**
£70,000 to £74,999	1	**0**
Total number of other employees whose remuneration exceeds £50,000	8	**10**

31. GRANTS, CONTRIBUTIONS AND DONATED ASSETS

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

	2017/18 £000s	2018/19 £000s
Credited to Taxation and Non-Specific Grant Income:		
Revenue Support Grant (including redistributed sums)	(787)	**(431)**
New Homes Bonus	(1,660)	**(857)**
Non Ring-fenced Grants shown on CIES p34	(2,447)	**(1,288)**
Capital Grants and Contributions shown on CIES p34	(1,223)	**(1,838)**
S31 Grants included in Non Domestic Rates income on CIES p34	(914)	**(1,111)**
Total Non Ring-fenced Grants included in CIES	(4,584)	**(4,237)**
Credited to Services:		
Housing Benefits	(25,566)	**(25,332)**
Grants for Revenue Expenditure funded from Capital	(852)	**(857)**
Other Grants & Contributions	(729)	**(749)**
Total grants & contributions credited to Services	(27,147)	**(26,938)**
Total Grants, Contributions and Donated Assets	(31,731)	**(31,175)**

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:

	2017/18 £000s	2018/19 £000s
Capital		
Developers' Section 106 Contributions	(1,889)	**(1,960)**
	(1,889)	**(1,960)**
Revenue		
Developers' Section 106 Contributions	(70)	**(82)**
	(70)	**(82)**

32. 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 31 on page 76.

Members

Elected Members of the Council, and potentially close members of their families, exert direct control over the Council's financial and operating policies and as such must be identified as related parties. The statutory disclosure requirements in respect of Members' Allowances are satisfied by note 28 on page 73. 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), all Service Managers, and the closest members of their families, have the potential to significantly influence the policies of the Council, however this is limited by the Scheme of Delegation. During 2018/19 no interests were declared by members of SLT and the statutory disclosure requirements in respect of officer remuneration are satisfied by note 30 on pages 74 to 75.

Other Public Bodies

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

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

Requests for information were sent to all Elected Members, members of the Senior Leadership Team, Service Managers, and the Procurement Officers, explaining the requirements of IAS24, and seeking declarations to assist the demonstration of compliance with the standard. The information provided has been used in the preparation of the disclosures below. Details of outstanding debtors and creditors in respect of related parties are included within notes 19 and 21 on pages 64 and 65 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.

32. RELATED PARTIES (Continued)

Organisation/Body	Nature of relationship	Receipts £000s	Payments £000s
APSE	Elected Member is a representative	**0**	**13**
Citizens' Advice Bureau	Elected Member has a management interest	**0**	**55**
East Midlands Council	Elected Member is a representative	**0**	**10**
Gedling Homes	Elected Member is a board member and/or representative	**(53)**	**7**
Local Government Association	Elected Members are board members and/or representatives	**0**	**16**
Mapperley Golf Club	Elected Members are representatives and/or have a management interest	**(71)**	**0**
NHS Trust	Elected Member is a trust member	**(85)**	**0**
Nottinghamshire Police & Crime Commissioner's Office	Elected Member is a member of the Crime Panel	**(49)**	**0**
Redhill Academy Trust	Elected Member is a board member	**(75)**	**0**
Other Local Authorities	Material employee relationships	**(342)**	**1,348**
Parish Councils	GBC Elected Members on parish councils	**(51)**	**51**

33. 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.

	2017/18 £000s	2018/19 £000s
Opening Capital Financing Requirement (CFR)	11,777	**11,262**
Additions:		
Property, Plant & Equipment (note 13)	2,433	**2,938**
Investment Properties (note 14)	0	**0**
Revenue expenditure funded from capital under statute (REFCUS)	1,081	**974**
Total Capital Investment	3,514	**3,912**
Financing:		
Capital receipts	(829)	**(636)**
Government Grants	(1,070)	**(922)**
Other Grants and Contributions	(554)	**(1,838)**
Minimum Revenue Provision (MRP)	(576)	**(556)**
Repayment of Local Authority Mortgage Scheme deposits	(1,000)	**(1,000)**
Total Sources of Finance	(4,029)	**(4,952)**
Closing Capital Financing Requirement (CFR)	11,262	**10,222**
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	**(515)**	**(1,040)**
Increase/(Decrease) in Capital Financing Requirement (CFR)	**(515)**	**(1,040)**

34. 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".

One compulsory redundancy was made during 2018/19, incurring liabilities of £5,443. There were also four terminations agreed for reasons other than redundancy, incurring total liabilities of £13,963. 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 £	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£0 to £20,000	4	**1**	2	**4**	6	**5**	45,179	**19,406**
£20,000 to £40,000	1	**0**	0	**0**	1	**0**	26,423	**0**
£40,000 to £60,000	2	**0**	0	**0**	2	**0**	98,337	**0**
£80,000 to £100,000	1	**0**	0	**0**	1	**0**	98,150	**0**
	8	**1**	2	**4**	10	**5**	268,089	**19,406**

35. POST-EMPLOYMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME

(i) <u>Participation in the Pension Scheme:</u>

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

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

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

The actuary, Barnett Waddingham, is instructed by Nottinghamshire County Council to undertake pension expense calculations, and has prepared its figures in accordance with its understanding of IAS19. The principal risks to Gedling Borough Council are the longevity assumptions, statutory changes to the scheme, changes to inflation and bond yields, and the performance of the equity investments held by the scheme. In addition, as there are many unrelated employers in the LGPS there is an "orphan liability risk", where an employer leaves the fund but with insufficient assets to cover their pension obligations, in which case the shortfall may fall on the remaining employers. These risks are mitigated to a certain extent by the statutory requirement to charge to the General Fund the amount required by statute, as described in the accounting policies note, and by the assumption that an employer may leave the fund with excess assets, and these may be inherited by the remaining employers.

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

35. 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, plus any constructive obligation for further benefits where the authority has given employees valid expectations that such benefits will be granted. Liabilities are measured on an actuarial basis, estimating the future cashflows that will arise from them based on such things as mortality rates, employee turnover, salary growth and expected early retirements under the scheme rules, discounted to present values.

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

<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 34) 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 35). Transactions affecting the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement are shown below.

During 2018 the Court of Appeal ruled that changes made to the pension schemes for judges and firefighters were unlawful on the grounds of age discrimination, a decision that has now been upheld by the Supreme Court. Whilst there remains much uncertainty regarding the exact impact of this judgement on the Local Government Pension Scheme, following a report from the Government Actuary's Department it has been concluded that it is very likely that there will some impact, since similar reforms were made to the LGPS.

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

Barnett Waddingham, the actuary for the Nottinghamshire County Council LGPS, has provided a "best estimate" of the potential impact for Gedling Borough Council which is 0.8% of liabilities, equating to £959,000 in past service costs, and the effect of this has been included in the financial statements. The potential impact on the projected service cost for the year to 31 March 2020 is 2.5%, which equates to £85,000.

The potential impact of the judgement is subject to sensitivity on the assumptions used. For example, if the rate of salary increase was lowered by 0.25%, the impact on liabilities would drop from 0.8% to 0.6% and on service cost from 2.5% to 1.8%.

For the best estimate, the actuary has assumed an impact for all members active in the LGPS at 31 March 2012 until their retirement. Such an outcome is not certain and there is a probability that the actual outcome will be different and less costly. Determining probability is subjective but if, for example, the probability of a different outcome was assumed to be 20% then the costs would reduce by 20%.

	2017/18	2018/19
	£000s	£000s
Comprehensive Income and Expenditure Statement (CIES):		
Cost of Services:		
a) Service cost comprising:		
Current service cost	3,521	**3,439**
Past service cost	163	**959**
Loss on settlement (net)	347	**0**
b) Other Operating Expenditure:		
Administration Cost	28	**31**
c) Financing & Investment Income & Expenditure:		
Net Interest Cost	1,379	**1,220**
Total Post Employment benefits charged to the Surplus or Deficit on the Provision of Services	5,438	**5,649**
Re-measurement of the net defined liability comprising:		
Return on plan assets less interest (gain) / loss	22	**(4,515)**
Actuarial (gains) and losses on changes in financial assumptions	(6,039)	**5,963**
Actuarial (gains) and losses on changes in demographic assumptions	0	**(7,207)**
Total Re-measurements (See Comprehensive Income and Expenditure Statement on page 34)	(6,017)	**(5,759)**
Total Post Employment benefits charged to the Comprehensive Income and Expenditure Statement	(579)	**(110)**
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 10)	(5,438)	**(5,649)**

Actual amount charged against the General Fund Balance for pensions in the year	2017/18	2018/19
	£000s	£000s
Employer's contributions payable to the scheme	1,881	**1,948**
Discretionary payments (added years, pension strain etc)	191	**125**
Total	2,072	**2,073**

35. 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:

	2014/15	2015/16	2016/17	2017/18	2018/19
	£000s	£000s	£000s	£000s	£000s
Present value of the funded defined benefit obligation	102,219	98,144	122,520	121,554	**125,402**
Fair value of assets	(60,581)	(59,327)	(72,172)	(74,855)	**(80,196)**
Net liability arising from the funded defined benefit obligation (LGPS)	41,638	38,817	50,348	46,699	**45,206**
Present value of the unfunded obligation (Discretionary Benefits)	1,992	1,851	2,027	1,909	**1,777**
Net Pension Liability on the Balance Sheet	43,630	40,668	52,375	48,608	**46,983**

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits. These total £126.220m, including funded and unfunded obligations.

The net pension liability of £46.983m has a substantial impact on the net worth of the authority, as recorded in the Balance Sheet, reducing it by 124.7%. 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.

The Council paid a single lump sum to the Pension Fund in 2017, representing its monetary pension deficit contributions for a three year period, in order to take advantage of a cash discount. The cash payment of £1.675m immediately reduced the Council's pension deficit, however only one third of the sum paid was chargeable to the revenue accounts in 2017/18. This resulted in a difference of £1.116m between the Pension Liability Account and the Pension Reserve at 31 March 2018. This has reduced to £0.558m by 31 March 2019, and will reduce to nil by 31 March 2020 when the final charge to revenue is made in 2019/20.

Reconciliation of the movements in the fair value of scheme liabilities:	2017/18	2018/19
	£000s	£000s
Opening defined benefit obligation	124,547	**123,463**
Current service cost	3,521	**3,439**
Interest Cost	3,338	**3,116**
Change in financial assumptions	(6,039)	**5,963**
Change in demographic assumptions	0	**(7,207)**
Liabilities assumed/(extinguished) on settlements	627	**0**
Estimated Benefits Paid (net of transfers in)	(3,131)	**(3,020)**
Past Service Cost including curtailments	163	**959**
Contributions by Scheme Participants	562	**591**
Unfunded Pension Payments	(125)	**(125)**
Closing defined benefit obligation	123,463	**127,179**

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

Reconciliation of the movements in the fair value of scheme assets:	2017/18	2018/19
	£000s	£000s
Opening fair value of scheme assets	72,172	**74,855**
Interest on assets	1,959	**1,896**
Return on plan assets in excess of interest	(22)	**4,515**
Other actuarial gains/(losses)	0	**0**
Administration expenses	(28)	**(31)**
Contributions by Employer including Unfunded Benefits	3,188	**1,515**
Contributions by Scheme Participants	562	**591**
Estimated Benefits paid including Unfunded Benefits	(3,256)	**(3,145)**
Settlement price received/(paid)	280	**0**
Closing fair value of scheme assets	74,855	**80,196**

LGPS assets allocated to Gedling Borough Council by asset class:	2016/17	2017/18	2018/19	
	£000s	£000s	£000s	%
Equities	50,478	49,220	**49,775**	**62**
Gilts	2,206	1,715	**2,612**	**3**
Other Bonds	4,354	8,744	**7,431**	**9**
Property	8,024	9,403	**10,852**	**14**
Cash	3,631	1,479	**1,938**	**2**
Inflation-linked Pooled Fund	1,802	1,852	**2,914**	**4**
Infrastructure	1,677	2,442	**3,861**	**5**
Unit Trust	0	0	**813**	**1**
Total assets allocated to Gedling Borough Council	72,172	74,855	**80,196**	**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 March 2019 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	3.3	0.0	**3.3**
Corporate Bonds	UK	9.0	0.0	**9.0**
	Overseas	0.2	0.0	**0.2**
Equities	UK	24.3	0.1	**24.4**
	Overseas	35.3	0.0	**35.3**
Property	All	0.0	13.5	**13.5**
Others:	Private equities	0.0	2.3	**2.3**
	Infrastructure	0.0	4.8	**4.8**
	Inflation-linked pooled funds	0.0	3.6	**3.6**
	Cash/temporary investments	0.0	2.4	**2.4**
	Unit Trust	0.0	1.2	**1.2**
Total		**72.1**	**27.9**	**100.0**

35. 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 2016 (the next triennial valuation of the Fund will be carried out as at 31 March 2019, and will set contributions for the period from 1 April 2020 to 31 March 2023). The actuary's estimate for the duration of Gedling Borough Council's liabilities is 19 years.

Significant assumptions used by the actuary as at 31 March 2019 are as follows:

Expected return on assets:

The discount rate is the annualised yield at the 19-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 17**	**31 Mar 18**	**31 Mar 19**
		Years	**Years**	**Years**
Retiring today-	Male	22.5	22.6	**21.6**
	Female	25.5	25.6	**24.4**
Retiring in 20 years-	Male	24.7	24.8	**23.3**
	Female	27.8	27.9	**26.2**

Financial Assumptions

The financial assumptions used for IAS19 purposes are as follows, and were set with reference to market conditions at 31 March 2019.

	31 Mar 17	**31 Mar 18**	**31 Mar 19**
	%	**%**	**%**
Retail Price Index increase	3.60	3.30	**3.40**
Consumer Price Index increase	2.70	2.30	**2.40**
Salary Increase	4.20	3.80	**3.90**
Pension Increase	2.70	2.30	**2.40**
Discount rate for liabilities	2.70	2.55	**2.40**

The RPI increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using notional cashflows. The SEIR is that which gives the same net present value of cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the Bank of England (BOE) implied inflation curve. This approach is consistent with the approach used at the previous accounting date, and results in an RPI assumption of 3.4%.

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 1% below RPI, ie. 2.4%. This is a considered by the actuary to be a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts, and is consistent with the approach used at the previous accounting date.

Salaries are assumed to increase in line with CPI until 31 March 2020, and thereafter to rise at 1.5% above CPI in addition to a promotional scale.

35. 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	124,821	**127,179**	129,584
Projected service cost	3,437	**3,523**	3,611
Adjustment to long term salary increase:	+0.1%	**0%**	-0.1%
Present value of total obligation	127,450	**127,179**	126,910
Projected service cost	3,523	**3,523**	3,523
Adjustment to pension increase and deferred revaluation	+0.1%	**0%**	-0.1%
Present value of total obligation	129,311	**127,179**	125,087
Projected service cost	3,611	**3,523**	3,437
Adjustment to mortality age rating assumption	+ 1 Year	**None**	- 1 Year
Present value of total obligation	131,918	**127,179**	122,616
Projected service cost	3,635	**3,523**	3,414

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 2019 and will set contribution rates for the period from 1 April 2020 to 31 March 2023. There are no minimum funding levels in the LGPS, however contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

Estimated costs for 2019/20

The actuary's estimate of the total pension expense for the year to 31 March 2020 is £4,667,000. Service cost is estimated to be £3,523,000, net interest on the defined liability £1,110,000, and administration expenses £34,000. Expected employer contributions are £1,386,000, and contributions for discretionary benefits are £128,900, as per the Council's own budget for 2019/20.

36. CONTINGENT LIABILITIES

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

37. CONTINGENT ASSETS

VAT - Sporting and Leisure Services - Non-Business claim

In conjunction with its advisers, the Council has submitted claims for the reimbursement of output tax accounted for on the supply of sporting services, on the basis that it is not a taxable person in providing them and the services are therefore outside the scope of VAT. HMRC have as yet not accepted the non-business principle.

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

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

Preserved Right to Buy Receipts

As a result of the Large Scale Voluntary Transfer of its housing stock in November 2008, the Council made an agreement with Gedling Homes relating to future sales under Preserved Right to Buy regulations. The Council received 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. This arrangement terminated in November 2018, at the end of the ten-year period.

38. EVENTS AFTER THE BALANCE SHEET DATE

The final audited Statement of Accounts will be authorised for issue by Mike Hill FCPFA, Chief Financial Officer, on 23 July 2019. Events taking place after this date will not be reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2019, the figures in the financial statements and notes will be adjusted in all material respects to reflect the impact of this information.

COLLECTION FUND STATEMENT

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

2017/18				2018/19		
Council Tax £000s	NDR £000s	Total £000s		Council Tax £000s	NDR £000s	Total £000s
			INCOME:			
(65,209)	0	(65,209)	Council Tax Receivable	**(68,891)**	**0**	**(68,891)**
0	(21,552)	(21,552)	Business Rates Receivable	**0**	**(22,726)**	**(22,726)**
(65,209)	(21,552)	(86,761)		**(68,891)**	**(22,726)**	**(91,617)**
			Apportionment of previous year deficits			
0	0	0	Central Government	**0**	**(354)**	**(354)**
(1,130)	0	(1,130)	Nottinghamshire County Council	**0**	**(64)**	**(64)**
(157)	0	(157)	Notts. Police and Crime Commissioner	**0**	**0**	**0**
(65)	0	(65)	Combined Fire Authority	**0**	**(7)**	**(7)**
(148)	0	(148)	Gedling Borough Council	**0**	**(283)**	**(283)**
(1,500)	0	(1,500)		**0**	**(708)**	**(708)**
			Other Income to Collection Fund			
0	(482)	(482)	Transitional Protection Pyts recv'ble	**0**	**(545)**	**(545)**
0	(482)	(482)		**0**	**(545)**	**(545)**
			EXPENDITURE:			
			Apportionment of previous year surpluses			
0	292	292	Central Government	**0**	**0**	**0**
0	52	52	Nottinghamshire County Council	**0**	**0**	**0**
0	0	0	Notts. Police and Crime Commissioner	**0**	**0**	**0**
0	6	6	Combined Fire Authority	**0**	**0**	**0**
0	233	233	Gedling Borough Council	**0**	**0**	**0**
0	583	583		**0**	**0**	**0**
			Precepts, Demands and Shares			
0	11,539	11,539	Central Government	**0**	**11,521**	**11,521**
49,085	2,077	51,162	Nottinghamshire County Council	**52,004**	**2,074**	**54,078**
6,659	0	6,659	Notts. Police and Crime Commissioner	**7,159**	**0**	**7,159**
2,733	231	2,964	Combined Fire Authority	**2,840**	**230**	**3,070**
5,739	9,232	14,971	Gedling Borough Council	**5,974**	**9,216**	**15,190**
634	0	634	Parish Councils	**673**	**0**	**673**
64,850	23,079	87,929		**68,650**	**23,041**	**91,691**

ANNUAL STATEMENT OF ACCOUNTS 2018/19

COLLECTION FUND STATEMENT (Continued)

2017/18				2018/19		
Council Tax £000s	NDR £000s	Total £000s		Council Tax £000s	NDR £000s	Total £000s
			Other Charges to Collection Fund			
313	49	362	Sums written off	**160**	**89**	**249**
91	57	148	Incr/(Decr) in Impairment Allowance	**181**	**72**	**253**
0	(527)	(527)	Incr/(Decr) in Provision for Appeals	**0**	**65**	**65**
0	0	0	Transitional Protection Pyts payable	**0**	**0**	**0**
0	122	122	Renewables retained by GBC	**0**	**135**	**135**
0	101	101	Costs of Collection	**0**	**100**	**100**
404	(198)	206		**341**	**461**	**802**
(1,455)	1,430	(25)	**Net Deficit/(Surplus) for Current Yr.**	**100**	**(477)**	**(377)**
1,702	(387)	1,315	Add Balance BFwd from Previous Yr.	**247**	**1,043**	**1,290**
247	1,043	1,290	**Balance CFwd (Surplus) / Deficit (notes 2 and 4 to the Collection Fund Accounts)**	**347**	**566**	**913**

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*.

	2017/18 Number	2018/19 Number
Band A*	11	**12**
Band A	6,123	**6,204**
Band B	9,190	**9,274**
Band C	7,525	**7,557**
Band D	5,897	**5,917**
Band E	4,291	**4,356**
Band F	1,850	**1,865**
Band G	1,281	**1,312**
Band H	138	**141**
Council Tax Base	36,306	**36,638**

2. ACCOUNTING FOR THE COLLECTION FUND BALANCE - COUNCIL TAX

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

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

The opening balance on the Council Tax Collection Fund was a deficit of £0.247m. By 31 March 2019, this deficit had increased to £0.347m.

Balance Sheet Deficit/(Surplus) Allocation:	2017/18 £000s	2018/19 £000s
Nottinghamshire County Council (Local Authority Debtors)	187	**262**
Nottinghamshire Police & Crime Commissioner (General Debtors)	26	**39**
Combined Fire Authority (General Debtors)	10	**14**
	223	**315**
Council Tax Deficit attributable to Gedling BC	24	**32**
TOTAL	247	**347**

3. NON DOMESTIC RATES (NDR)

	2017/18	2018/19
(a) Non Domestic Rateable Value at 31 March	£58,710,576	**£58,750,626**
(b) Multiplier for General Businesses	47.9p	**49.3p**
(c) Multiplier for Small Businesses	46.6p	**48.0p**

4. ACCOUNTING FOR THE COLLECTION FUND BALANCE - NDR

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

4. ACCOUNTING FOR THE COLLECTION FUND BALANCE - NDR (continued)

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

The opening balance on the NDR Collection Fund was a deficit of £1.043m. By 31 March 2019, this had fallen to a deficit of £0.566m.

	2017/18	2018/19
Balance Sheet Deficit/(Surplus) Allocation:	**£000s**	**£000s**
Central Government	522	**283**
Nottinghamshire County Council	94	**51**
Combined Fire Authority	10	**6**
	626	**340**
NDR (Surplus) / Deficit attributable to Gedling BC	417	**226**
TOTAL	1,043	**566**

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

(i) Arrears:

Uncertainties

An estimate of the impairment allowance for doubtful NDR and Council Tax debts is based upon the age and type of each debt. A collective assessment matrix is used, incorporating the value of items with shared characteristics, eg. the type of debtor and the period overdue, together with a weighting factor for the probability of default. The total Collection Fund impairment allowance at 31 March 2019 is £1,803,100, of which £128,000 and £138,200 represent Gedling's shares of NDR 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 £381,300 to be set aside as an allowance, of which Gedling's share as billing authority would be approximately £27,400 for NDR and £29,200 for Council Tax. Collection rates for Council Tax have not varied by more than 0.3% in any of the past five years. The collection rate for NDR was 1.1% lower in 2018/19, but had previously not varied by more than 0.3% in the previous four 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 (RV) achieved can be pre-determined. The current provision totals £2,132,500 of which the Council's share as billing authority is 40%, ie £853,000.

Effect if actual results differ from assumptions

A change of 5% in the assumed RV reduction achieved for each NDR appeal could increase or decrease the provision required by around £106,600. Of this, the Council's share as billing authority would be 40%, ie. £42,700.

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Audit Statements

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

Report on the financial statements

Opinion

We have audited the financial statements of Gedling Borough Council ('the Council') for the year ended 31 March 2019, which comprise the which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Gedling Borough Council as at 31st March 2019 and of its expenditure and income for the year then ended; and

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The Deputy Chief Executive and Director of Finance use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- The Deputy Chief Executive and Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Deputy Chief Executive and Director of Finance is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Deputy Chief Executive and Director of Finance for the financial statements

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Deputy Chief Executive and Director of Finance 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 2018/19, and for being satisfied that they give a true and fair view. The Deputy Chief Executive and Director of Finance is also responsible for such internal control as the Deputy Chief Executive and Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Deputy Chief Executive and Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Deputy Chief Executive and Director of Finance is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Gedling Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the 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 Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

Responsibilities of the Council

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

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report

This report is made solely to the members of Gedling Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council 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 Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

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

David Hoose

David Hoose
For and on behalf of Mazars LLP

Park View House
58 The Ropewalk
Nottingham
NG1 5DW

31 July 2019

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Accompanying Statements

ANNUAL STATEMENT OF ACCOUNTS 2018/19

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

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

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

1.3 Gedling Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the authority's code is on our website at www.gedling.gov.uk or can be obtained from the Deputy Chief Executive and Director of Finance, Gedling Borough Council, Arnot Hill Park, Arnold, Nottingham. NG5 6LU. This statement explains how Gedling Borough Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1), which requires all relevant bodies to prepare an annual governance statement.

2. The Purpose of the Governance Framework

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

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

2.3 The governance framework has been in place at Gedling Borough Council for the year ended 31 March 2019 and up to the date of approval of the statement of accounts.

3. The Governance Framework

3.1 Gedling Borough Council's approach to the *"Local Code of Corporate Governance"* recognises that effective governance is achieved through the 7 core principles and 21 supporting principles as identified in the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government 2016 Edition*. These are:

(A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

(i) Behaving with integrity
(ii) Demonstrating strong commitment to ethical values
(iii) Respecting the rule of law

(B) Ensuring openness and comprehensive stakeholder engagement.

(iv) Openness
(v) Engaging comprehensively with institutional stakeholders
(vi) Engaging with individual citizens and service users effectively

(B) Defining outcomes in terms of sustainable economic, social and environmental benefits.

(vii) Defining outcomes
(viii) Sustainable economic, social and environmental benefits

(D) Determining the interventions necessary to optimise the achievement of the intended outcomes.

(ix) Determining interventions
(x) Planning interventions
(xi) Optimising achievement of intended outcomes

(E) Developing the entity's capacity, including the capability of its leadership and the individuals within it.

(xii) Developing the entity's capacity
(xiii) Developing the capability of the entity's leadership and other individuals

(F) Managing risks and performance through robust internal control and strong public financial management.

(xiv) Managing risk
(xv) Managing performance
(xvi) Robust internal control
(xvii) Managing data
(xviii) Strong public financial management

(G) Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

(xix) Implementing good practice in transparency
(xx) Implementing good practices in reporting
(xxi) Assurance and effective accountability

3.2 The Audit Committee held on 20 March 2018 received the report on Gedling's *"Local Code of Corporate Governance 2018/19"* which set out in detail how the Council demonstrates that its governance structures comply with these seven core principles. An end of year review has confirmed that these were in place for the whole of the financial year.

4. <u>Governance Arrangements</u>

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

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

ANNUAL GOVERNANCE STATEMENT

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

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

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

4.5 Gedling's corporate governance framework defines the roles and responsibilities of the full Council, Cabinet, Scrutiny and officer functions, and demonstrates how the Council meets defined standards of governance in relation to its policies, aims and objectives.

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

4.7 The internal control system includes:

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

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

- An established Audit Committee that undertakes the core functions as identified in CIPFA guidance;

- The Terms of Reference for the Audit Committee which include specific responsibility for reviewing risk management procedures, including the reporting arrangements on strategic risks via a corporate risk scorecard;

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

- A comprehensive risk management process that includes the identification of both strategic and operational risks which are held and maintained on corporate and directorate Risk Registers, and subject to regular review;

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

- Performance Plan monitoring, review and reporting;

- Facilitation of policy and decision making through the Constitution, Codes of Conduct and the decision-making process, Forward Plan and role of the Scrutiny Committees;

- The statutory roles of the Council's Head of Paid Service, Monitoring Officer and Chief Financial Officer place a duty on these post-holders to 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;

- Budgetary and performance management reporting to management, Cabinet and Council;

- Formal project management guidelines;

- Adherence to good employment practices;

- Governance training has been provided to all key officers and Members, including induction training, and arrangements are in place for the ongoing continuation of that training.

5. Financial Management

5.1 Ensuring that an effective system of internal financial control is maintained and operated is the responsibility of the Section 151 Officer.

5.2 Internal financial control is based on a framework of management information that includes the Financial Regulations, Contract Standing Orders and Procurement Procedure Rules and administration procedures, adequate separation of duties, management supervision, and a system of delegation and accountability.

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

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

5.4 CIPFA issued in 2016 a Statement on *"The Role of the Chief Financial Officer in Local Government"*, and this covered five key areas. The Council can demonstrate how it conforms to these governance requirements as the Section 151 Officer:

- is a member of the Senior Leadership Team and plays a key role in helping it to develop and implement strategy to resource and deliver the Council's strategic objectives sustainably and in the public interest.

- is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and there is alignment with the Council's overall financial strategy.
- leads the promotion and delivery by the whole Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- leads and directs the finance function, which is resourced to be fit for purpose.
- is professionally qualified and suitably experienced.

5.5 CIPFA issued in 2010 a Statement on "The Role of the Head of Internal Audit", and this covered five key areas. The Council can demonstrate how it conforms to these governance requirements as the Head of Internal Audit:

- champions best practice in governance and management, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments.
- gives an objective and evidence based opinion on all aspects of governance, risk management and internal control.
- is Chris Williams, a Director of RSM UK, and he (or his RSM representatives) have had regular and open engagement across Gedling Borough Council, particularly with the Leadership Team and with the Audit Committee.
- leads and directs an internal audit service that is resourced to be fit for purpose.
- is professionally qualified and suitably experienced.

6. Assurance from Internal and External Audit

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

- The external auditor (KPMG)'s Value For Money conclusion for 2017/18 which stated:

  "We have concluded that the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people."

- The Head of Internal Audit (RSM) Annual Report for 2018/19, which concluded:

  "For the 12 months ended 31 March 2019, the Head of Internal Audit opinion for Gedling Borough Council is as follows:

  The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective."

  <u>"Factors and findings which have informed our opinion</u>

  - *Governance – We have taken into consideration the governance and oversight related elements of each of the reviews undertaken as part of the 2018/19 internal audit plan. There is a sound governance framework in place and we have observed that the Audit Committee is effective in monitoring and challenging management and holding them to account. An audit of Corporate Governance, with a specific focus on the Council's constitution provided continued assurance over key areas of governance*

- *including the Council's effectiveness and ability to react to and reach informed decisions. Our review concluded that the Council could take substantial assurance.*

- *Risk Management – Our risk management opinion is informed by our observation of risk management systems and processes throughout the course of all audits within the Audit Plan. The Corporate Risk Register contains those risks which may impact achievement of the Council's strategic objectives, whereas the Service Risk Register documents risks identified at an operational level for each service area. The risks are discussed and reviewed quarterly by the Senior Leadership Team and a quarterly report is presented to Audit Committee. An audit of Risk Management was undertaken during 2018/19, which concluded that the Council could take substantial assurance.*

- *Internal control – We undertook 17 internal audit reviews in 2018/19 which resulted in an assurance opinion. There were 13 reviews (76 per cent) from which the Council can take substantial assurance and four reviews (24 per cent) from which the Council can take reasonable assurance. During the year we raised a total of 71 management actions across assurance and follow up reviews. Of the 71 actions raised: 23 were 'medium' priority and 48 were 'low' priority actions.*

  To further enhance the framework for risk management, governance and internal controls, management have agreed to put actions in place. We also undertook three advisory reviews, General Data Protection Regulation (GDPR) Governance, Ethical Phishing and a Strategic Fraud Risk Assessment. The Strategic Fraud Risk Assessment advisory report has yet to be reported in final."

6.2 It is important to recognise the results of the Internal Audit Annual Report where the Council has been issued with an overall positive assurance rating, with no 'high' priority actions being identified.

7. <u>Review of Effectiveness</u>

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

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

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

7.3 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined in section 8 below.

8. Significant Governance Issues

INTERNAL:

8.1 During the 2018/19 financial year the following issues were identified via the Council's risk management, governance, internal audit and other internal control processes as being relevant to the preparation of the Annual Governance Statement. They are not highlighted as significant control or risk concerns, but included to highlight the Council's awareness of emerging issues through its proactive and holistic approach to governance:

- Constitutional Changes – A review group was established as part of the Dynamic Council programme and updates to a number of sections of the Constitution have been drafted and considered by the Dynamic Council Programme Board. These need further consideration by SLT before being presented to Members.

  Action: Senior Leadership Management Team – March 2020.

- Commercialisation – The Council is increasingly becoming "commercial" in its operations and robust governance arrangements have already been put in place for new service areas. This year the Council will investigate the possibility of introducing a commercial housing development operation and appropriate governance issues will need to be identified.

  Action: Senior Leadership Management Team – December 2019.

- Member Training – The Council has introduced a number of new Members as part of the district elections and an appropriate training programme will be developed.

  Action: Director of Organisational Development and Democratic Services – August 2019.

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

  Action: Senior Leadership Management Team – March 2020.

- Counter Fraud & Corruption Strategy – A new strategy is currently in development which will require approval by both the Audit Committee and the Cabinet.

  Action: Deputy Chief Executive – December 2019.

- Internal capacity/resilience – As a consequence of budget pressures, decreasing workforce, increasing workloads and customer expectations, the Council is seeing an impact on capacity and resilience. This may have an impact on compliance with the governance framework in later years.

  Watching brief: Senior Leadership Management Team.

EXTERNAL:

- 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 short and medium term planning has resulted in the Council presenting a balanced budget for the period 2019 – 2024 with no significant reductions in service. The Council is well placed to deal with the ongoing pressure on income and funding streams, but there are approved budget reduction targets to be achieved and delivered during this five-year period in order for the Council to maintain its financial standing.

  Action: Senior Leadership Management Team – March 2020.

- Brexit - On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. It was scheduled to depart at 11pm UK time on Friday 29 March 2019, but parliamentary agreement on the way forward has not yet been delivered. Until exit negotiations are concluded, the UK remains a full member of the European Union 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, whilst also determining future funding levels for public services once the UK has left the EU.

  Watching brief: Senior Leadership Management Team.

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

Karen Bradford
Chief Executive — Date: 31 May 2019

John Clarke
Council Leader — Date: 31 May 2019

ANNUAL STATEMENT OF ACCOUNTS 2018/19

This is the Audited Version, published on 31 July 2019 by the
Financial Services Team.

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