

2021/2022



**Gedling Borough Council**

**Annual Statement of Accounts**

**2021/2022**

Unaudited

## ANNUAL STATEMENT OF ACCOUNTS 2021/22

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**GEDLING BOROUGH COUNCIL**  
**ANNUAL STATEMENT OF ACCOUNTS 2021/22**  
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The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with International Reporting Standards (IFRS), rather than the amounts to be funded from taxation (which are shown in the Expenditure Funding Analysis at note 5 on page 46). 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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# ANNUAL STATEMENT OF ACCOUNTS 2021/22

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# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NARRATIVE REPORT

### **1. Introduction to Gedling Borough**

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

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

Managing a net revenue budget of £11.7m and a revised capital budget of over £9.5m, the Council provides a wide range of services for its residents as detailed in our Gedling Plan 2020-23.

Gedling has a strong record of delivering high quality, low cost services, but the Council continues to face cuts in central government funding, making this an ever increasing challenge to maintain. Funding cuts have come at a time of increasing demands for services from a growing and increasingly ageing population, together with inflationary pressures, in particular the Government's removal of the public sector pay cap has impacted on pay expectations in local government. The Covid-19 pandemic has had an unprecedented impact upon the Council in 2020/21 and 2021/22 in both financial and performance terms and further details are set out in section 4. The financial environment facing the Council is expected to continue to be challenging in 2022/23 and beyond. Details of the plans made by the Council for 2021/22, the performance achieved against those plans and a look forward to 2022/23 and beyond are given in the following sections.

### **2. Gedling's Plans for 2021/22**

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

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

#### **2021/22 Budget Highlights**

On 25 November 2020 the Government announced the outcome of the Spending Round 2020. At national level, this included an increase in Core Spending Power (CSP) for local authorities equivalent to a cash increase of 4.5% for 2021/22 which primarily related to increases in funding for social care which is not a district council function. The subsequent Local Government Finance Settlement 2021/22 was a further one year settlement that meant no clarity over funding levels beyond March 2022. Gedling's CSP increased in 2021/22 by 1.4% compared to 2020/21 which was 3.1% below the 4.5% increase received by the local government sector as a whole.

Gedling's settlement funding assessment (revenue support grant and business rates income) for 2021/22 was unchanged from that in 2020/21 at £3.076m. This amounted to a reduction of £1.862m (or 37.7%) compared to 2015/16. The settlement funding assessment for 2021/22 accounted for 26% of Gedling's net budget for 2021/22 compared to 60% in 2010/11.

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NARRATIVE REPORT

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 2021/22 was a grant reduction of £2.3m when compared to the amount received in 2016/17 before the scheme was changed.

A new Central Government grant that was introduced in 2021/22 was the Lower Tier Services Grant. Gedling's allocation was £131,000 and this is included in the CSP figure.

The Local Government Finance Settlement 2021/22 was accompanied by four Covid-19 funding policies providing non-ringfenced grants. First, there was a Covid-19 Expenditure Pressure Grant distributed on the basis of the Covid Relative Needs Formula that saw Gedling allocated £534,700. Second, Gedling received £117,700 in Local Council Tax Support Grant to meet the additional costs of the Local Council Tax Reduction Scheme (LTRS). Third, the Government stated that funding would be provided to compensate local authorities for 75% of irrecoverable losses in Council Tax and Business Rates income in 2020/21 (estimated to be £718,000) and finally an extension of the Sales, Fees and Charges Compensation Scheme to cover 75% (after accounting first for a 5% deduction of budgeted income) for the first three months of 2021/22 (estimated at £268,000).

In order to manage both the grant reductions and spending pressures, since 2014/15 the Council has approved four efficiency programmes totalling £6.5m net of risk provision. Progress has been positive and budget reductions have been in line with the profiled estimates. Of the total programme, £1.7m net of risk provision was planned for delivery over the period 2020/21 to 2022/23. Following a review, non deliverable efficiencies of £605,000 were identified leaving £1.1m of which £0.5m was expected for delivery in 2020/21. This left £0.6m to be delivered in 2021/22 to 2022/23. Due to additional budget pressures, a new target of £584,000 was proposed for 2021/22 to 2024/15 with £254,200 in 2021/22.

The budget approved by the Council on 4 March 2021 included major budget pressures of pay inflation, an increase in rent allowances and a reduction in major planning applications income.

### **3. Gedling's Performance in 2021/22**

#### **a. Financial Performance**

During 2021/22, Cabinet received the usual Gedling Plan monitoring reports by portfolio for decision making (see the Expenditure and Funding Analysis at disclosure note 5 on page 46) and approved budget amendments to align resources to meet identified budget pressures, managing within the overall maximum capital and revenue budgets approved by Council, which included approved budget carry forwards from 2020/21.

## ANNUAL STATEMENT OF ACCOUNTS 2021/22

### NARRATIVE REPORT

#### Capital Outturn

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

Capital Outturn	Revised Estimate 2021/22 £000	Actual 2021/22 £000	Variance 2021/22 £000
<b>Capital Expenditure:</b>			
Community Development	4	0	(4)
Housing, Health & Wellbeing	1,357	789	(568)
Public Protection	2,301	1,254	(1,047)
Environment	1,501	935	(566)
Growth and Regeneration	3,404	2,785	(619)
Resources and Reputation	976	564	(412)
<b>Total Capital Expenditure</b>	<b>9,543</b>	<b>6,327</b>	<b>(3,216)</b>
<b>Financing:</b>			
Capital Receipts	(611)	(632)	(21)
Capital Grants and Contributions	(3,113)	(1,849)	1,264
General Fund Revenue Contribution	(1,656)	(1,562)	94
Developer Contributions	(187)	(58)	129
Borrowing	(3,976)	(2,226)	1,750
<b>Total Financing</b>	<b>(9,543)</b>	<b>(6,327)</b>	<b>3,216</b>

Requests for carry forward of budgets to 2022/23 totalled £3.1m.

Major investments in services during the year included:

- ❖ £2.411m on the Arnold Market development;
- ❖ £1.195m provided for Disabled Facilities Grants;
- ❖ £0.721m on measures to enhance the provision of temporary accommodation;
- ❖ £0.657m on replacement vehicles;
- ❖ £0.374m on the development of Carlton Square;

At the end of the year capital grants and contributions received but not yet applied to capital expenditure totalled £6.77m. 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 £11.659m at 31 March 2022. No PWLB loans matured during 2021/22 and one additional PWLB loan for £1.0m was taken out in the year. Total external debt at 31 March 2022 totalled £10.812m 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 and investment rates are starting to increase, 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.

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NARRATIVE REPORT

### Revenue Outturn

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

Revenue Outturn	Estimate 2021/22 £000	Actual 2021/22 £000	Variance £000
<b>Portfolio:</b>			
Community Development	1,473	1,394	(79)
Housing, Health & Wellbeing	2,933	2,458	(475)
Public Protection	1,576	1,881	305
Environment	5,105	5,041	(64)
Growth and Regeneration	910	531	(379)
Resources and Reputation	2,919	1,940	(979)
<b>Net Portfolio Budget</b>	<b>14,916</b>	<b>13,245</b>	<b>(1,671)</b>
Transf'd (from)/to Earmarked Reserves	(3,261)	(1,909)	1,352
<b>Net Council Budget</b>	<b>11,655</b>	<b>11,336</b>	<b>(319)</b>
<b>Financing:</b>			
Business Rates	(1,714)	(1,235)	479
Council Tax	(6,423)	(6,423)	0
Lower Tier Services Grant	(131)	(131)	0
Local CTRS Support Grant	(118)	(118)	0
New Homes Bonus	(107)	(107)	0
<b>Transfer (from)/to General Fund Balance</b>	<b>(3,162)</b>	<b>(3,322)</b>	<b>(160)</b>
<b>Total Financing</b>	<b>(11,655)</b>	<b>(11,336)</b>	<b>319</b>

The final revenue outturn position is an underspend of £319k, equating to 2.7% of the estimate, primarily due to savings on staffing and property costs and improved income. Further details of the impact of the Covid-19 pandemic in respect of the Council's finances and performance are set out in section 4.

The General Fund balance at 31 March 2022 is £4.601m, which is well above the minimum required by the Council's Medium Term Financial Plan. However, the reduction in the balance during the year is primarily due to Section 31 grant received during 2020/21 being utilised in 2021/22 to fund the exceptional business rates deficit created by the Covid-19 pandemic. The remaining 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 2022 is £6.122m as opposed to £8.031m at 31 March 2021.

### Council Tax

Gedling collects its own council tax and also, as a billing authority, for Nottinghamshire County Council, the Nottinghamshire Police and Crime Commissioner, the Combined Fire Authority and twelve parish councils. This has a significant impact on the Council's cash flow with the Council planning to collect around £79.4m and retaining only its own £6.5m for spend on services in 2021/22. Gedling's element of the council tax was increased by £5 (for a Band D equivalent property) in 2021/22 and during the year 98.06% of council tax due was collected, against a target of 98.5%.



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## NARRATIVE REPORT

### Non-Domestic Rates

Under the Business Rates Retention Scheme, Gedling collects business rates income and pays over the appropriate shares to Central Government, Nottinghamshire County Council and the Combined Fire Authority. Gedling was due to collect business rates income of £18.8m in 2021/22 after applying a number of reliefs announced by the Government in response to the Covid-19 pandemic. These reliefs and the accompanying compensation grants from the Government have had a significant impact on the Council's cash flow in 2021/22 and this impact will continue for a number of years. Gedling's share of business rates income amounted to £1.2m in 2021/22.

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 2022 is £4.12m, of which Gedling's share under the scheme is £1.65m. This represents an increase of £0.33m from the position at 31 March 2021.

During the year, 97.36% of the business rates due was collected against a target of 98.9%.

### Balance Sheet

The Council's net worth decreased from a net liability of £31.940m to one of £21.547m at 31 March 2022. The movement is largely due to a change in the pension liability.

#### ❖ Pension Liabilities

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

Gedling's pension liability decreased by £8.7m to £60.7m during 2021/22. This was mainly due to decrease of £2.4m in the present value of the defined benefit obligation and an increase of £6.3m in the fair value of fund assets based on technical calculations and actuarial assumptions. Whilst this has a significant impact on the Council's net worth, the increase in pension liability will be made good by the increases in future contributions and bears no relation to the cash position on the Pension Fund.

#### ❖ Short Term Creditors

The value of short term creditors and receipts in advance increased by £1.9m during 2021/22.

#### ❖ Short Term Debtors

The value of short term debtors decreased by £5.0m during 2021/22. The balance of statutory debtors was particularly significant at 31 March 2021 due to the central government share of the exceptional business rates deficit - resulting from additional reliefs granted due to the pandemic. The balance has reduced considerably at 31 March 2022.

### b. Non-Financial Performance

#### Key Achievements and Key Performance Measures:

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

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NARRATIVE REPORT

### **Cohesive, Diverse and Safe Communities:**

#### Key Achievements

- ❖ We approved a new Equality and Diversity Policy and Action Plan following consultation with residents and local community groups. The policy can be viewed by visiting [www.gedling.gov.uk](http://www.gedling.gov.uk)
- ❖ Successful Outreach services are now running across the Borough with weekly sessions run by our Customer Services team at the Carlton Hub.
- ❖ A range of successful events were held throughout the year including Remembrance events, a programme of summer events, Christmas markets and light switch-ons, Gedling Play Forum events and play-pack distributions, a half term event at the Newstead Centre and a welfare community day at Bestwood Miners' Welfare.
- ❖ We have been highly successful in working with Community Activity Providers to deliver Holiday Activities and Food (HAF) programmes over Easter, summer and winter 2021. The programmes have also been maximised by additional HAF delivery at family events, resulting in over 1000 free school meals and SEND eligible children and young people aged 5 - 16 in Gedling and their families benefitting from the scheme.
- ❖ A new Council policy to protect animals and vulnerable people from firework displays was agreed. All public displays on Council owned land will now need to be advertised in advance and local suppliers will be encouraged to stock quieter fireworks. We will be working with other relevant authorities to ensure the current rules around the purchase and setting off of fireworks is enforced across the borough and county.
- ❖ New CCTV equipment has been installed at Carlton Square and Arnold Town Centre as part of the Council's commitment to reduce crime and anti-social behaviour in the borough.

#### Key Performance Measures

- ❖ 48 fixed penalty notices were served for litter and dog fouling;
- ❖ Over £1m of adaptations were funded to support people with disabilities to remain in their homes;
- ❖ The average time to process new Housing Benefits claims (in calendar days) was 13.5 days against target of 15 days;
- ❖ 99.2% of fly tipping incidents were removed within 4 working days;

### **High Performing Council:**

#### Key Achievements

- ❖ We completed our biennial Resident's Survey. The results will be used to inform our new Gedling Plan for 2023-27
- ❖ The Constitution was reviewed and approved to ensure it is as robust and up to date as possible to allow for effective governance.
- ❖ We successfully completed County and Police & Crime Commissioner elections in the midst of the pandemic and as well as a by-election.
- ❖ Our ICT team provided laptops and other equipment to allow employees to continue to work in a flexible and agile way thus saving money, creating efficiency and meeting the needs of our customers.
- ❖ We approved a new efficiency programme and achieved a balanced Medium Term Financial Plan.

#### Key Performance Measures

- ❖ 94.4% of calls to our Contact Centre were answered or a call made back;
- ❖ We have 44,000 'Keep Me Posted' email newsletter subscribers;
- ❖ Almost 3,000 responded to our biennial Residents Survey
- ❖ Over 98% of council tax was collected.

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NARRATIVE REPORT

### Vibrant Economy:

#### Key Achievements

- ❖ We successfully completed the full administration and payment of 20 different grant schemes totalling £31.4m of support to local businesses facing financial difficulty during the Covid-19 pandemic and re-opening periods.
- ❖ Our self-build matchmaker service was launched. This aims to match landowners who are considering selling their land with people who want to build their own home within Gedling Borough.
- ❖ Our planning team produced a residential design guidance which will be used to negotiate future planning applications and promote higher design standards.
- ❖ We worked collaboratively with partners to secure development funding and the delivery of the new Gedling Access Road to improve journey times, reduce congestion through Gedling village and facilitate the delivery of new homes and businesses to the Borough.
- ❖ Our Human Resources team worked with East Midlands Councils and our own service teams to set up our Kick Start scheme - a national scheme through which young people up to the age of 25 can gain temporary paid work experience funded by the Government.
- ❖ Working with West Notts College and the County Council, we took part in a Supported Internship programme which provided practical and real work experience for students with additional needs to help them become more employable once they leave college.
- ❖ We continued to make good progress with the AMP (Arnold Market Place) development with construction now nearing completion and promotion and marketing well underway.
- ❖ The main resurfacing works at our Carlton Square development are now complete and plans are underway for improvements to the shopping area.

#### ❖ Key Performance Measures

- ❖ 81 long term empty homes were returned to use as a result of our intervention;
- ❖ 37 affordable homes were delivered (gross) against a target of 20;
- ❖ 100% of major planning applications were progressed within 13 weeks against the target of 90%;

### Sustainable Environment:

#### Key Achievements

- ❖ Following extensive public consultation our Carbon Management Strategy and Action Plan were approved. These contain over 100 actions to drive the Council forward to achieve our ambitious net zero target by 2030.
- ❖ Work began to develop a borough wide Heritage Way – a recreational route that highlights the many locations and iconic places across the borough.
- ❖ Our Gedling Big Spring Clean and other local litter pick activities were once again highly successful with many volunteers taking part. Lots of positive feedback was received from local schools and groups.
- ❖ We adopted the Linby Conservation Area Character Appraisal which sets out guidance for the preservation and control of change to ensure the Conservation Area continues to retain its special architectural and historic interest.
- ❖ Our new Waste and Recycling Policy was developed and approved to increase recycling rates and create a more sustainable way of disposing of waste in the borough.
- ❖ We extended our annual free bulky waste collection for a sixth year. This offers a free collection of large household items to all residents, subject to availability and on a first come, first served basis. All slots were allocated and the offer was open to all.
- ❖ Gedling Country Park was further improved by the addition of an outdoor seating area at Café 1899, a new tree trail, and the planting of approximately 600 further trees as part of the Green Lung Project.
- ❖ We were once again delighted to receive Green Flag Awards for four of our flagship parks - Gedling Country Park, Arnot Hill Park, Burton Road Jubilee Park and Bestwood Country Park.

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## NARRATIVE REPORT

### Key Performance Measures

- ❖ Nearly 1,700 trees were planted in the Borough;
- ❖ 33.9% of household waste was recycled;
- ❖ 98% of streets surveyed had acceptable levels of litter;

### **Healthy Lifestyles:**

#### Key Achievements

- ❖ We have continued to improve our leisure centres including the introduction of personal training, purchase of equipment ready for the launch of virtual aqua classes, new bike storage facilities, essential pool maintenance and the development of a new Leisure Management System to improve the overall customer experience.
- ❖ A new swimming scheme was launched to help people in the borough to be more active and enjoy swimming. The Swimming Passport scheme enables Gedling residents aged under 16 and over 65 to swim for free at dedicated weekly sessions at leisure centres.
- ❖ Our Health and Wellbeing team and commissioner partners operating in the borough continue to collaborate on key opportunities. Joint projects have included a Let's Talk Wellbeing service, commissioning of further Citizens Advice Bureau services in GP settings, the development of family food clubs and the GoodSam NHS volunteer pilot national consultation.
- ❖ The "One Step at a Time" project to address isolation and loneliness continues to match volunteers with identified individuals that need some support to re-engage in community based activities. In Gedling the concept is being coordinated by Jigsaw Homes and is focussed in the Carlton area.
- ❖ We were awarded over £90k from the Football Foundation towards facility improvements at Lambley Lane Recreation Ground which will enable local football clubs to deliver grassroots football in a positive environment. Further sites at Ravenshead, Arnold Town FC and Goosedale have also been successful in investment.

#### Key Performance Measures

- ❖ The learn-to-swim scheme has grown from 2,426 members pre-Covid to 3,501.
- ❖ Health and Wellbeing E-Newsletters have been circulated throughout the year to over 6,000 recipients.
- ❖ There are now 279 registered Gedling residents with access to the Armed Forces Leisure Card scheme.
- ❖ 96% of food premises scored 4 or 5 in the national food hygiene-rating scheme.
- ❖ There were over 800,000 visits to our Leisure Centres.

### **Actions:**

The Council's performance management included 96 actions in the Gedling Plan that were due for completion in 2021/22. At the end of the year, 27 actions had been completed with 65 in progress and 4 where the target was missed. The actions that were not completed have been carried forward to 2022/23 and are as follows:

- ❖ Create a welcoming and vibrant reception at the Civic Centre;
- ❖ Develop and implement a new ICT Strategy;
- ❖ Explore and further develop plans for the Gedling Borough Heritage Way
- ❖ Work with owners to identify and secure opportunities for external funding for key historic assets.

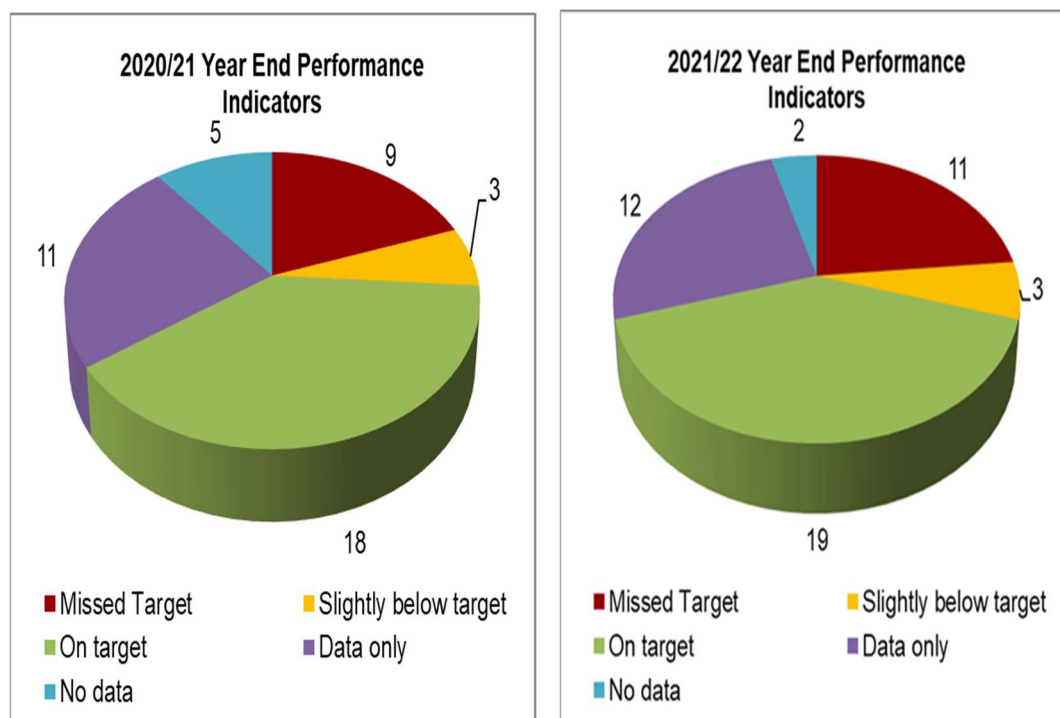
### **Performance Indicators:**

Whilst Actions refer to the Council's broad aims, Performance Indicators are more specific and represent measurable targets that are monitored and reported to Members on a quarterly or annual basis as appropriate. At 31 March 2022, 22 of the 47 indicators were on target or slightly behind target, with 11 behind target and 12 indicators used for tracking purposes only.

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### NARRATIVE REPORT

No data was available for 2 of the indicators. The proportion of indicators which missed targets for 2021/22 was broadly the same as for 2020/21. This was influenced by issues arising from the Covid-19 pandemic where a “whole Council” approach was adopted that resulted in capacity issues for some teams.



**What we did well** - 22 indicators were on target or slightly behind target. Examples of particularly positive results, either in terms of the performance against the target or when compared with 2020/21, are shown below

- ❖ The average time to process new Housing benefit claims in 2021/22 was 13.5 calendar days and below the target of 15 days;
- ❖ The percentage of calls to the contact centre that were answered or called back in 2021/22 was 94.4% and exceeded the target of 94%;
- ❖ The percentage of customers seen within 15 minutes was 100% against a target of 94%;
- ❖ The number of “Keep Me Posted” email newsletter subscribers increased from 37,777 in 2020/21 to 44,000 in 2021/22 and exceeded the 2021/22 target of 38,000;
- ❖ 81 long term empty homes in the borough were returned to use as a result of intervention by the Council in 2021/22 compared to 65 in 2020/21 which was significantly in excess of the target of 40;
- ❖ 37 affordable homes were delivered (gross) which was comfortably in excess of the target of 20;
- ❖ The percentage of major planning applications processed within 13 weeks was 100% against a target of 90%;
- ❖ The percentage of fly tipping incidents removed within 4 working days was 99.2% against a target of 98%.
- ❖ The amount of residual household waste per household was 535.3kg against a target of 560kg.
- ❖ The percentage of food premises scoring 4 or 5 in the national hygiene rating scheme was 96% against a target of 90%.

**Where we need to improve** - whilst overall performance is positive, 11 indicators were behind target. Three major areas of concern were:

## ANNUAL STATEMENT OF ACCOUNTS 2021/22

### NARRATIVE REPORT

- ❖ The average length of time spent in temporary accommodation increased from 20.9 weeks in 2020/21 to 24.3 weeks in 2021/22 and was in excess of the target of 22 weeks. During the Covid-19 pandemic officers had to deliver the "Everyone In" initiative aimed at ensuring nobody was rough sleeping or homeless despite their circumstances. This resulted in the overall number of clients entitled to temporary accommodation increasing. The team have also continued to support 'extremely vulnerable' clients as well as supporting several large families who require a larger property. Finding housing in the private rented sector continues to be a challenge as current rent levels far exceed the Local Housing Allowance rates awarded for those on benefits and this gap increases for the larger properties. As a consequence, clients have to be housed in temporary accommodation.
- ❖ The net number of additional homes provided increased from 310 in 2020/21 to 357 in 2021/22 but was lower than the 480 anticipated. The Housing Delivery Action Plan, published in July 2021, analyses the key reasons for the under delivery of the Council's housing requirement and identifies measures the Council intends to undertake to increase the delivery of new housing. The Action Plan looks at the planning policy context, provides an analysis of past housing delivery and identifies a number of key actions which aim to improve housing delivery.
- ❖ The percentage of household waste sent for reuse, recycling and composting was 33.9% against a target of 36%. The Council has a media campaign to promote recycling utilising the website, social media and advertising on refuse vehicles. The bin calendar is distributed to all households whilst there is also leafleting and the bin reminder e-mail service.

#### 4. Impact of Covid-19 Pandemic

##### Background

The financial impact of the Covid-19 pandemic has continued during 2021/22 but to a lesser extent than in 2020/21.

The outturn position of the total net budget impact of the Covid-19 Pandemic is summarised in the table below:-

Budget Implications Covid-19	Actual 2020/21  £	Actual 2021/22  £
Expenditure Pressures	644,900	55,400
Income Losses	3,260,900	1,114,900
<b>Total Budget Pressure</b>	<b>3,905,800</b>	<b>1,170,300</b>
Government Grant Funding:		
Emergency Funding	(1,570,000)	(534,700)
Income Compensation	(1,588,800)	(201,500)
Job Retention (Furlough)	(362,600)	(50,700)
<b>Total Grants</b>	<b>(3,521,400)</b>	<b>(786,900)</b>
<b>Net Total Budget Impact</b>	<b>384,400</b>	<b>383,400</b>

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#### Covid Related Government Grants

In addition to the funding stated above, as part of the Government response to the Covid Pandemic a number of Government Grants have been issued to Local Authorities to distribute to individuals and businesses. The total amount of grants awarded to Gedling in 2021/22 was £2,938,100. This includes £1,961,800 of Mandatory Grants, where the Council acts as an Agent of the Government to award grants directly in line with set grant conditions and restrictions. Mandatory Grants are held on the Balance Sheet with any unpaid amounts repaid to the Government.

The remaining £976,300 of grants are directed through the Revenue Accounts and are made up of Discretionary Grants which the Council have distributed as part of individual Council approved schemes, specific grants for delivery of specified outcomes and administration grants which recognise the additional workload faced by the Council. These grants are detailed in the table below;

	<b>Grant</b>
	<b>£</b>
<b>Business Support Grants</b>	
Additional Restrictions Business Grants	774,500
<b>Grants for Citizens</b>	
Test & Trace Support Grants	24,500
<b>Admin Support Grants</b>	
Business Grants	130,700
Test & Trace Support	46,600
<b>Total</b>	<b>976,300</b>

#### Key Achievements

- ❖ Operation of a local Incident Response Team (IMT) until March 2022 that coordinated response operations on behalf of the Council working closely with Nottinghamshire County Council, Public Health and NHS services. Covid-19 IMT meetings took place since January 2020. Up until September 2021, we recorded detailed statistics regarding local Covid cases, deaths and vaccination takeup to assist a rapid response to local outbreaks.
- ❖ We used the Government's Contain Funding to support our key statutory services such as Environment Health to recover and catch up with work following our deployment on Covid-19 compliance work during the previous year.
- ❖ The IMT supported the coordination of Covid-19 testing sites at Druid's Car Park in Arnold, Lambley Lane Recreation Ground and the Richard Herrod Centre.
- ❖ The IMT coordinated the reopening of Council offices and facilities as part of the Government's Covid-19 roadmap, ensuring risk assessment and mitigation measures were in place for a safe re-opening of our services.
- ❖ The Richard Herrod Centre operated as a Community Vaccination Centre until October 2021 and then opened for vaccinations again as a pop-up centre in December 2021 as the Omicron variant emerged. In total over 150,000 Covid-19 vaccinations were received by residents at the site.
- ❖ The Gedling Covid-19 Recovery Fund was launched in 2021 to support local community organisations in their aid for our most vulnerable residents as they emerged from lockdown.
- ❖ We worked closely with retailers and businesses to ensure they re-opened and were following the Government Covid guidelines.
- ❖ Working with Nottinghamshire County Council, we developed an assessment process for targeting mobile vaccination services using local vaccination take up data. This has been adopted as a good practice approach across the County.
- ❖ Our Customer Services team facilitated the Household Support Fund to financially aid our most vulnerable residents during 2021.
- ❖ We have been shortlisted for a national MJ Award for our work at the Richard Herrod Centre as a Humanitarian Hub and Vaccination Centre.
- ❖ Approximately £1.2 million of Covid Additional Relief Fund (CARF) grant was paid to businesses in April 2022

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

The financial position remains extremely challenging with Central Government support to the Council continuing to fall. The Settlement Funding Assessment for 2022/23 has fallen by 37.7% or £1.86m in cash terms over the period from 2016/7 to 2022/23 compared to the base position of 2015/16. The total settlement in 2022/23 compared to the amount received in 2010/11 is reduced by £5.8m or 65%. The Settlement Funding Assessment is now just 25% of Gedling's net budget for 2022/23, compared to 60% in 2010/11. In addition, New Homes Bonus has reduced by £1.88m in 2022/23 when compared to the grant received in 2016/17. Gedling is judged to have had the seventh largest reduction in core spending power when comparing 2022/23 to 2015/16 out of 341 councils in England.

The Council has always taken, and will continue to take, a proactive approach to funding cuts, actively seeking out ways to identify pressures, possible efficiencies and new sources of income. The Gedling Plan 2020-23 was presented to Members on 5 March 2020 and reaffirmed the Council's priorities as:

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

Since 2014/15, progress with the delivery of four separate Efficiency Programmes totalling £6.5m net of risk provision has been positive and budget reductions achieved have been broadly in line with the profiled estimate. Of the total programme, £2.6m was planned for delivery from 2019/20 to 2022/23.

As regards 2021/22, the original programme for the delivery of efficiencies totalled £0.906m but £0.264m was subsequently deferred to 2022/23. Efficiencies actually delivered in 2021/22 totalled £0.642.

Due to the reduced delivery of the existing efficiency programme and future funding uncertainty, a new cumulative efficiency target of £0.545m was approved by the Council in March 2022 and incorporated within the Medium Term Financial Plan. This comprised of targets of £0.337m for 2022/23, £0.108m for 2023/24 and £0.100m for 2024/25. The inclusion of this target maintained the required level of efficiencies broadly in line with previous expectations and contributed to the achievement of a balanced budget.

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

Even in the face of the financial challenges, the Council remains ambitious for its residents, businesses and taxpayers and the 3 year capital investment plan, detailed below, includes schemes to provide affordable housing, replace vehicles and refurbish play areas.



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Capital Estimate	Three Year Plan		
	2022/23 £000	2023/24 £000	2024/25 £000
Housing, Health and Wellbeing	2,634	0	0
Public Protection	1,065	1,000	1,000
Environment	1,782	1,161	580
Growth and Regeneration	350	0	0
Resources and Reputation	629	460	260
Equipment Replacement	0	70	70
Future Service Development Bids	0	100	100
<b>Total Expenditure</b>	<b>6,460</b>	<b>2,791</b>	<b>2,010</b>
<b>Financing</b>			
Capital Receipts	(611)	(611)	(50)
Capital Grants and Contributions	(2,154)	(1,000)	(1,000)
General Fund Revenue Contribution	(135)	0	0
Borrowing	(3,560)	(1,180)	(960)
<b>Total Financing</b>	<b>(6,460)</b>	<b>(2,791)</b>	<b>(2,010)</b>

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

- ❖ Fair Funding Review – the Government’s review and consultation process is ongoing and implementation of the Fair Funding Review based on an updated assessment of relative needs and resources has been further delayed. 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 – Whilst there were no details provided in the Local Government Finance Settlement 2022/23 regarding the plans for the future of Business Rates Retention and the intended reset of the system, on 7 November 2021 the Secretary of State for Levelling Up, Housing and Communities announced that the Government would abandon moves towards 75% Business Rates Retention as they considered that it conflicted with their levelling up agenda. The Business Rates Retention Scheme will be retained at 50% for next year and there will be no reset of the business rates baseline for 2022/23 which provides some funding certainty for next year i.e. it was anticipated that some existing business rates growth could be removed upon reset and reduce income levels. However there is no real clarity regarding whether the future of the scheme or the potential reset will form part of the scope of the planned Fair Funding Review.
- ❖ The impact of the recovery from the Covid-19 pandemic and the associated uncertainty cannot be underestimated.

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

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## NARRATIVE REPORT

### **6. Corporate Risk**

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

During the 2021/22 financial year, the annual review of the effectiveness of the Council's governance framework did not highlight any significant control or risk management concerns as being relevant to the preparation of the Annual Governance Statement (AGS) and the Council's auditors did not identify any significant risks for consideration within their 2022/23 internal audit plan.

The AGS assesses governance up to 31 March 2022. Significant issues affecting our governance arrangements arising during 2021/22 included the emergence of Covid-19 in March 2020, which continued for 2020/21 and 2021/22. The key governance issues arising have been effectively addressed as demonstrated through regular reports to Cabinet on the Council's response to the pandemic and the impact on the Gedling Plan.

A number of proposed actions for 2022/23 have been identified in the AGS to address control and risk issues following a review of the governance framework which, whilst not all significant, are included to provide a proactive and holistic approach to governance, including assessing and monitoring the risks and assumptions underpinning the Council's Medium Term Financial Plan (MTFP), monitoring the emerging risk of workforce capacity to the delivery of the Gedling Plan and to governance compliance, reviewing the emergency planning arrangements to incorporate lessons learnt from the Covid-19 pandemic response and updating all business continuity plans to ensure they are fit for purpose for all business continuity risks, reviewing and adopting the principles of CIPFA's Position Statement: Audit Committees in Local Authorities to ensure that effective audit committee arrangements are in place in order to meet statutory responsibilities, ongoing monitoring of compliance with the Financial Management Code and implementation of planned actions as well as implementing system improvements to support the monitoring and timely implementation of internal audit actions by management.

### **7. Explanation of the Financial Statements**

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

#### **Statements to the Accounts**

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

#### **Financial Statements**

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

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- ❖ 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.

### 8. Summary

The Council's financial and non-financial position in 2021/22 remains robust, given the extent of the financial challenges it faces. The revenue outturn represents an underspend that is broadly in line with expectations and the capital programme has been actively managed. The Council continues to maintain a level of reserves and balances that will provide financial resilience for 2022/23 and although the recovery from the Covid-19 pandemic is likely to present a significant challenge in the medium term, the Council will not lose sight of achieving the Gedling Plan and delivering its aim of 'Serving People, Improving Lives'.

No material events took place between the reporting date of 31 March 2022 and the date the Statement of Accounts was authorised for issue by the Chief Financial Officer.

**ANNUAL STATEMENT OF ACCOUNTS 2021/22  
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# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## STATEMENT OF ACCOUNTING POLICIES

### FOR GEDLING BOROUGH COUNCIL

#### 1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2021/22 financial year and its position at the year end of 31 March 2022. 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 2021/22 (the 2021/22 Code), supported by International Financial Reporting Standards (IFRS).

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

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

#### 2. Accruals of Income and Expenditure

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

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

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

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### 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. Exceptional items

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

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

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

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

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

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

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

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

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore

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## STATEMENT OF ACCOUNTING POLICIES

replaced by the contribution in the General Fund Balance by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 require local authorities to approve an MRP policy at the beginning of each financial year, determining how the amount to be set aside for the repayment of principal on outstanding debt is to be calculated. This policy is included in the Treasury Management Strategy Statement for 2021/22, which was approved by Council on 3 March 2022.

### 7. Employee Benefits

#### Benefits Payable during Employment

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

#### Termination Benefits

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

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

#### Post-Employment Benefits

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

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

#### The Local Government Pension Scheme

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

## ANNUAL STATEMENT OF ACCOUNTS 2021/22

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

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

- 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



# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## STATEMENT OF ACCOUNTING POLICIES

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

### Discretionary Benefits

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

### 8. Events After the Balance Sheet Date

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

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

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

### 9. Financial Instruments

#### Financial Liabilities

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has not undertaken any repurchase or early settlement of borrowing during 2021/22.

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## STATEMENT OF ACCOUNTING POLICIES

### Financial Assets

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

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

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

### Financial Assets Measured at Amortised Cost

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

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

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

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

### Expected Credit Loss Model

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

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

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## STATEMENT OF ACCOUNTING POLICIES

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

### Fair Value through Profit and Loss (FVPL)

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

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

### Fair Value through Other Comprehensive Income (FVOCI)

These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the Comprehensive Income and Expenditure Statement when the asset is disposed of. The Authority did not hold any FVOCI instruments during 2021/22.

## 10. Foreign Currency Conversion

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

## 11. Government Grants and Contributions

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

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

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.

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## STATEMENT OF ACCOUNTING POLICIES

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

### Community Infrastructure Levy

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

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

### 12. Intangible Assets

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

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an 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.

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## STATEMENT OF ACCOUNTING POLICIES

### 13. Inventories

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

### 14. Investment Property

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

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

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

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

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

### 15. Leases

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

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

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. The Authority did not have any arrangements of this type during 2021/22.

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## STATEMENT OF ACCOUNTING POLICIES

### **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.

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## STATEMENT OF ACCOUNTING POLICIES

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 non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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

### Operating Leases

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

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

### 16. Overheads and Support Services

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

### 17. Property, Plant and Equipment

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

#### Recognition

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

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## STATEMENT OF ACCOUNTING POLICIES

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.

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);



# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## STATEMENT OF ACCOUNTING POLICIES

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

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

### Impairment

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Depreciation

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

Depreciation is calculated on the following bases:

- 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.

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## STATEMENT OF ACCOUNTING POLICIES

### Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

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

## **18. Provisions, Contingent Liabilities and Contingent Assets and Reserves**

### Provisions

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

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

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## STATEMENT OF ACCOUNTING POLICIES

becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

### Contingent Liabilities

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

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

### Contingent Assets

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

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

### Reserves

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

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

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

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

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## STATEMENT OF ACCOUNTING POLICIES

### 20. VAT

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

### 21. Fair Value Measurement

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

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

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

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

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

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

### 22. Collection Fund

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

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## STATEMENT OF ACCOUNTING POLICIES

### 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'.

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## 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 2022 and its income and expenditure for the year then ended.

Signed:

**A Ball CPFA**  
Chief Financial Officer

Date: 31 July 2022

# Financial Statements

## ANNUAL STATEMENT OF ACCOUNTS 2021/22

### COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amounts to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations, which may be different from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis (EFA), see note 5 on page 46 and the Movement in Reserves Statement on page 39.

2020/21			2021/22			
Gross Exp £000s	Gross Inc £000s	Net Exp £000s		Gross Exp £000s	Gross Inc £000s	Net Exp £000s
			<b><u>Net Cost of Services:</u></b>			
1,639	(155)	1,484	Community Development	1,696	(205)	1,491
26,665	(22,459)	4,206	Housing, Health & Well-being	25,520	(22,597)	2,923
3,311	(1,782)	1,529	Public Protection	3,848	(1,704)	2,144
8,610	(2,732)	5,878	Environment	9,436	(2,988)	6,448
2,302	(1,031)	1,271	Growth and Regeneration	2,306	(1,523)	783
8,985	(2,116)	6,869	Resources and Reputation	5,229	(798)	4,431
<b>51,512</b>	<b>(30,275)</b>	<b>21,237</b>	<b>Cost of Services</b>	<b>48,035</b>	<b>(29,815)</b>	<b>18,220</b>
			<b><u>Other Operating Expenditure:</u></b>			
740	0	740	Payment of Precepts to Parishes	751	0	751
19	0	19	Drainage Board Levy	20	0	20
36	0	36	Pensions Administration Cost	47	0	47
0	(43)	(43)	(Gain)/Loss on disposal of PPE	0	(61)	(61)
<b>795</b>	<b>(43)</b>	<b>752</b>		<b>818</b>	<b>(61)</b>	<b>757</b>
			<b><u>Financing and Investment I&amp;E:</u></b>			
351	0	351	Interest Payable on Debt	365	0	365
1,192	0	1,192	Net Pensions Interest Cost	1,404	0	1,404
0	(148)	(148)	Interest Receivable and similar income	0	(116)	(116)
45	(311)	(266)	Income & Exp re. Investment			
0	0	0	Properties & changes in their fair value	21	(473)	(452)
6	0	6	(Gain)/Loss on disposal of Inv't Assets	0	0	0
172	0	172	(Gain)/Loss on Pooled Investm't Funds	0	(163)	(163)
<b>1,766</b>	<b>(459)</b>	<b>1,307</b>	Mvt on Impairment Loss Allowances	0	(3)	(3)
				<b>1,790</b>	<b>(755)</b>	<b>1,035</b>
			<b><u>Taxation and Non Specific Grants:</u></b>			
0	(7,013)	(7,013)	Council Tax Income	0	(7,303)	(7,303)
0	(4,173)	(4,173)	Non Domestic Rates	0	(4,030)	(4,030)
0	(8,111)	(8,111)	Non Ring-fenced Government Grants	0	(1,807)	(1,807)
0	(2,326)	(2,326)	Capital grants and contribs (note 11)	0	(4,437)	(4,437)
<b>0</b>	<b>(21,623)</b>	<b>(21,623)</b>		<b>0</b>	<b>(17,577)</b>	<b>(17,577)</b>
<b>54,073</b>	<b>(52,400)</b>	<b>1,673</b>	<b>(Surpl)/Def on Provision of Services</b>	<b>50,643</b>	<b>(48,208)</b>	<b>2,435</b>
		(256)	(Surplus)/Deficit on reval'n of non current assets (PPE)			(423)
		16,743	Actuarial re-measurements on Pension assets and liabilities			(12,405)
		16,487	<b>Other Comprehensive Income and Expenditure</b>			<b>(12,828)</b>
		<b>18,160</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(10,393)</b>



## ANNUAL STATEMENT OF ACCOUNTS 2021/22

### MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement (MiRS) shows the movement, from the start of the year to the end, on the different reserves held by the authority, analysed into "usable reserves" (ie. those that can be applied to fund expenditure or reduce local taxation), and other "unusable reserves". The Statement shows how the in-year movements of the authority's reserves are broken down between gains and losses incurred in accordance with Generally Accepted Accounting Practices, and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/(Decrease) line shows the statutory General Fund Balance movement in the year, following those adjustments. The General Fund balance at 31 March 2022 is £4.601m.

#### 2021/22 Statement

##### **Balance at 1 April 2021 per Balance Sheet**

Total Comprehensive Income and Expenditure  
Adj between Acc'g and Funding basis under regs. (note 9)

##### **Net Increase/(Decrease) before transfers to Earmarked Reserves**

Transfers (to)/from Earmarked Reserves (note 10)

##### **Increase or (Decrease) in the year 2021/22**

##### **Balance at 31 March 2022 per Balance Sheet**

Unallocated Reserves	Earmarked Reserves	Total General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	TOTAL RESERVES
£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
7,923	8,031	15,954	0	3,341	19,295	(51,235)	(31,940)
(2,435)	0	(2,435)	0	0	(2,435)	12,828	10,393
(2,796)	0	(2,796)	0	3,429	633	(633)	0
<b>(5,231)</b>	<b>0</b>	<b>(5,231)</b>	<b>0</b>	<b>3,429</b>	<b>(1,802)</b>	<b>12,195</b>	<b>10,393</b>
1,909	(1,909)	0	0	0	0	0	0
<b>(3,322)</b>	<b>(1,909)</b>	<b>(5,231)</b>	<b>0</b>	<b>3,429</b>	<b>(1,802)</b>	<b>12,195</b>	<b>10,393</b>
<b>4,601</b>	<b>6,122</b>	<b>10,723</b>	<b>0</b>	<b>6,770</b>	<b>17,493</b>	<b>(39,040)</b>	<b>(21,547)</b>

#### 2020/21 Comparatives

##### **Balance at 1 April 2020 per Balance Sheet (Restated)**

Total Comprehensive Income and Expenditure  
Adj between Acc'g and Funding basis under regs. (note 9)

##### **Net Increase/(Decrease) before transfers to Earmarked Reserves**

Transfers (to)/from Earmarked Reserves (note 10)

##### **Increase or (Decrease) in the year 2020/21**

##### **Balance at 31 March 2021 per Balance Sheet**

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

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## 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 2021			31 March 2022	
£000s	£000s		£000s	£000s
		<b>Property, Plant &amp; Equipment (note 13)</b>		
22,043		Land and Buildings	22,530	
3,301		Vehicles, Plant and Equipment	3,292	
705		Infrastructure	722	
2,340		Community Assets	2,235	
267		Assets Under Construction	2,667	
	28,656			31,446
	3,958	<b>Investment Property (note 14)</b>		4,283
	87	<b>Intangible Assets (note 15)</b>		96
	930	<b>Long Term Investments</b>		1,093
	1,277	<b>Long Term Debtors (note 18)</b>		808
	34,908	<b>LONG TERM ASSETS</b>		37,726
8,306		Short Term Investments	16,451	
149		Inventories	166	
15,328		Short Term Debtors (note 19)	10,282	
9,184		Cash and Cash Equivalents (note 20)	8,958	
	32,967	<b>CURRENT ASSETS</b>		35,857
(1)		Short Term Borrowing (under 1 year)	(2)	
(16,679)		Short Term Creditors (note 21)	(18,538)	
	(16,680)	<b>CURRENT LIABILITIES</b>		(18,540)
(1,421)		Provisions over 1 year (note 22)	(1,749)	
(9,812)		Long term Borrowing (PWLB)	(10,812)	
(69,456)		Net Pensions Liability (note 32)	(60,740)	
(2,382)		Capital Grants & Contributions Received in Advance (note 11)	(3,150)	
(64)		Revenue Grants & Contributions Received in Advance (note 11)	(139)	
	(83,135)	<b>LONG TERM LIABILITIES</b>		(76,590)
	(31,940)	<b>NET ASSETS / (LIABILITIES)</b>		(21,547)

**ANNUAL STATEMENT OF ACCOUNTS 2021/22**

**BALANCE SHEET**

31 March 2021			31 March 2022	
£000s	£000s		£000s	£000s
	<b>(31,940)</b>	<b>NET ASSETS / (LIABILITIES) AS ABOVE</b>		<b>(21,547)</b>
		<b>Usable Reserves</b> (MiRS p39)		
		General Fund	<b>4,601</b>	
7,923		Earmarked Reserves (note 10)	<b>6,122</b>	
8,031		Capital Grants and Contributions Unapplied	<b>6,770</b>	
3,341				
	<b>19,295</b>			<b>17,493</b>
		<b>Unusable Reserves</b> (note 24)		
		Deferred Capital Receipts	<b>1,085</b>	
1,610		Revaluation Reserve	<b>6,093</b>	
5,833		Pooled Investment Funds Adjustment Account	<b>93</b>	
(70)		Pensions Reserve	<b>(61,156)</b>	
(69,456)		Capital Adjustment Account	<b>18,073</b>	
16,855		Collection Fund Adjustment Account - CTax	<b>(23)</b>	
(104)		Collection Fund Adjustment Account - NDR	<b>(2,816)</b>	
(5,269)		Short-term Accumulating Compensated Absences Account	<b>(389)</b>	
(634)				
	<b>(51,235)</b>			<b>(39,040)</b>
	<b>(31,940)</b>	<b>TOTAL RESERVES</b>		<b>(21,547)</b>

## ANNUAL STATEMENT OF ACCOUNTS 2021/22

### 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.

2020/21		2021/22
<b>£000s</b>		<b>£000s</b>
(1,673)	<b>Net Surplus / (Deficit) on the Provision of Services per the Comprehensive Income and Expenditure Statement</b>	<b>(2,435)</b>
9,874	Total of adjustments to net Surplus/(Deficit) on Provision of Services for non-cash movements	<b>6,695</b>
(2,540)	Total of adjustments to the net Surplus/(Deficit) on Provision of Services for items that are investing and financing activities	<b>(4,717)</b>
<b>5,661</b>	<b>Net cash flow from operating activities</b> (see note 25)	<b>(457)</b>
(1,182)	Investing activities (see note 26)	<b>(7,833)</b>
(2,140)	Financing activities (see note 27)	<b>8,064</b>
<b>2,339</b>	<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>	<b>(226)</b>
6,845	Cash and Cash Equivalents at the beginning of the reporting period	<b>9,184</b>
<b>9,184</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	<b>8,958</b>

#### Analysis of Cash and Cash Equivalents at Balance Sheet dates:

	31 March 2021	31 March 2022
	<b>£000s</b>	<b>£000s</b>
Bank Account balances and cash in transit	587	<b>(1,208)</b>
Imprest accounts	7	<b>6</b>
Cash equivalents	8,590	<b>10,160</b>
<b>Total Cash and Cash Equivalents per Balance Sheet</b>	<b>9,184</b>	<b>8,958</b>

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

Please refer to the full Statement of Accounting Policies which can be found on pages 19 to 35.

### 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)** - Following an emergency consultation, CIPFA LASAAC has further deferred the implementation of IFRS16 until 1 April 2024, ie. for the 2024/25 Accounts. Authorities may implement the standard prior to this if they so wish. Gedling has not, as yet, decided to do so.

In addition reference is made to regular annual improvements to the IFRS Standards and references to the Conceptual Framework in IFRS Standards. These are not anticipated to have any material impact on the Council's financial statements.

### 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the Accounting Policies set out on pages 19 to 35, the authority may have to make certain judgements about complex transactions or those involving uncertainty about future events.

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

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

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

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

The estimated items in the Authority's Balance Sheet at 31 March 2022 for which there is a significant risk of causing a material adjustment in the forthcoming financial year are set out below. This list does not include assets and liabilities carried at fair value based on a recently observed market price.

The coronavirus pandemic has impacted on global financial markets, with market activity affected in many sectors. The property market is recovering well, and market evidence for comparison purposes is now becoming more available to inform opinions of value. Most valuations in 2021/22 were carried out by the Council's in-house valuer E. Wimble MRICS, a chartered surveyor. However valuations were also commissioned from external valuers as necessary. The Council's valuer is responsible for reporting on all values. In line with the RICS Material Valuation Uncertainty Leaders' Forum (UK), material valuation uncertainty (MVU) declarations are no longer required unless an individual valuer believes there is a reason for such a declaration. It is the Council valuer's professional judgement that none of the valuations for the 2021/22 Accounts are subject to MVU.

An impairment review of property values at the balance sheet date was completed at 31 March 2022. Any material differences have been reflected in value compared to the carrying amount.

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements in relation to the discount rate used, the rate at which salaries are projected to increase, changes in the retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For example, a one year increase in the mortality assumption (life expectancy) would result in an increase of £7.78m in the pension liability and a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £3.09m. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. See note 32 on pages 81 to 88 for further details.
Pensions Assets	The Council participates in the Nottinghamshire Local Government Pension Fund. In line with the RICS Material Valuation Uncertainty Leaders' Forum (UK), material valuation uncertainty declarations are no longer required unless the individual valuer believes that there is reason for such a declaration. The Actuary has confirmed that no MVU declaration has been made in respect of Pension Fund property assets in 2021/22.	As the Actuary has confirmed that no MVU declarations have been made in 2021/22, there is no impact on Gedling's share of the property assets held within the Pension Fund.
Property Plant and Equipment	Depreciation and amortisation is provided to write down the assets to their residual values over their estimated useful lives. The selection of these residual values and useful lives requires the exercise of management judgements considering anticipated usage levels in service provision and levels of repairs and maintenance. A review of balance sheet values is undertaken each year end to assess if any of the assets have not been used at the estimated rates and if any impairment charges are required.	If the useful lives of assets are reduced, depreciation increases and the carrying amount of the asset falls. If assets lives were 10% lower than estimated the annual depreciation charge would be increased by approximately £209,100. However, as the asset values are reviewed on an annual basis this level of incorrect estimation is unlikely. See note 13 on pages 59 to 61 for further details.

## ANNUAL STATEMENT OF ACCOUNTS 2021/22

### NOTES TO THE FINANCIAL STATEMENTS

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

Provisions	<p>The Authority has made provisions of £50,000 each for Transferred Housing Stock Repairs and Transferred Housing Stock Environmental Warranty Excesses. These provide amounts to cover for an estimated number of future claims. It is possible the actual number may exceed the estimate. The Business Rate Retention scheme introduced a requirement to maintain a provision for rating appeals. The system is complex and neither the number of successful appeals nor the percentage reduction in rateable value (RV) achieved can be pre-determined. The current provision totals £4,121,300 of which the Council's share as billing authority is £1,648,500.</p>	<p>A change of 5% in the assumed RV reduction achieved for each NDR appeal could increase or decrease the provision requirement by around £206,100. Of this, the Council's share as billing authority would be £82,400. See note 22 on page 70 for further details on Provisions.</p>
Arrears	<p>An estimate of the impairment allowance for doubtful debts is based upon the age and type of each debt. A collective assessment matrix is used, including the value of items with shared characteristics, eg. the type of debtor and the period overdue, together with a weighting factor for the probability of default. The loss allowance for impairment at 31 March 2022 is £2,414,200. Whilst the full impact of the coronavirus pandemic remains uncertain, it has been addressed when assessing the expected credit loss provisions and the use of a collective provision matrix ensures that where arrears rise there is a corresponding increase in the expected credit loss provision.</p>	<p>If collection rates were to deteriorate, a 10% increase on the impairment percentage would require an additional £174,200 to be set aside as an allowance.</p>

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 5. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with Generally Accepted Accounting Practices. It also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under Generally Accepted Accounting Practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES) on page 38.

2020/21			2021/22			
Net Exp chg'ble to General Fund Balance £000s	Adjs between Funding & Acc'g Basis £000s	Net Exp in CIES (page 36) £000s		Net Exp chg'ble to General Fund Balance £000s	Adjs between Funding & Acc'g Basis £000s	Net Exp in CIES (page 36) £000s
			<b>Net Cost of Services:</b>			
1,382	102	1,484	Community Development	1,394	97	1,491
3,621	585	4,206	Housing, Health & Well-being	2,463	460	2,923
1,271	258	1,529	Public Protection	1,881	263	2,144
5,160	718	5,878	Environment	5,718	730	6,448
1,000	271	1,271	Growth and Regeneration	531	252	783
4,698	2,171	6,869	Resources and Reputation	2,980	1,451	4,431
17,132	4,105	21,237	<b>Cost of Services</b>	14,967	3,253	18,220
			<b>Other Operating Expenditure:</b>			
740	0	740	Payment of Precepts to Parishes	751	0	751
19	0	19	Drainage Board Levy	20	0	20
0	36	36	Pensions Administration Cost	0	47	47
(13)	(30)	(43)	(Gain)/Loss on disposal of PPE	0	(61)	(61)
746	6	752		771	(14)	757
			<b>Financing and Investment I&amp;E:</b>			
351	0	351	Interest Payable on Debt	365	0	365
0	1,192	1,192	Net Pensions Interest Cost	0	1,404	1,404
(100)	(48)	(148)	Interest Receivable & similar income Inc & Exp re. Investment properties & changes in their fair value	(80)	(36)	(116)
(136)	(130)	(266)	(Gain)/Loss on disposal of Inv't Assets	(184)	(268)	(452)
0	0	0	(Gain)/Loss on Pooled Investm't Funds	0	0	0
0	6	6	Mvt on Impairment Loss Allowances	0	(163)	(163)
172	0	172		(3)	0	(3)
287	1,020	1,307		98	937	1,035
			<b>Taxation and Non Specific Grants:</b>			
(7,089)	76	(7,013)	Council Tax Income	(7,222)	(81)	(7,303)
(9,028)	4,855	(4,173)	Non Domestic Rates	(1,576)	(2,454)	(4,030)
(8,111)	0	(8,111)	Non Ring-fenced Government Grants	(1,807)	0	(1,807)
0	(2,326)	(2,326)	Capital grants and contribs (note 11)	0	(4,437)	(4,437)
(24,228)	2,605	(21,623)		(10,605)	(6,972)	(17,577)
(6,063)	7,736	1,673	<b>(Surpl)/Def on Prov'n of Services</b>	5,231	(2,796)	2,435
£000s			<b>Opening General Fund Balance</b>	£000s		
(9,891)			(Surplus)/Deficit on General Fund	(15,954)		
(6,063)			<b>Closing General Fund Balance</b>	5,231		
(15,954)				(10,723)		



# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 6. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

The Code requires a reconciliation of the main adjustments to net expenditure chargeable to the General Fund to arrive at the amounts shown in the Comprehensive Income and Expenditure Statement (CIES) on page 38. The relevant transfers between reserves are shown in the Movement in Reserves Statement (MiRS) on page 39.

#### 2021/22

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	(7)	97
Housing, Health & Well-being	0	(86)	460
Public Protection	0	(15)	263
Environment	0	(58)	730
Growth and Regeneration	0	(5)	252
Resources and Reputation	843	(73)	1,451
<b>Cost of Services</b>	<b>843</b>	<b>(244)</b>	<b>3,253</b>
Other income and expenditure from the Expenditure and Funding Analysis	(4,966)	1,451	(6,049)
<b>Difference between the General Fund (surplus)/deficit and the CIES (surplus)/deficit on the Provision of Services</b>	<b>(4,123)</b>	<b>4,105</b>	<b>(2,796)</b>

#### 2020/21

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

#### Adjustments for Capital purposes

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

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

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

#### **Net Change for Pensions adjustments**

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

Other operating expenditure is adjusted for pensions administration.

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

#### **Other Differences**

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

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

### 7. SEGMENTAL ANALYSIS

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

#### **Depreciation, Amortisation & Revaluation Losses**

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

	2020/21	2021/22
	£000s	£000s
Community Development	60	51
Housing, Health & Well-being	351	309
Public Protection	4	6
Environment	1,211	1,225
Growth and Regeneration	1	0
Resources and Reputation	302	996
	1,929	2,587

#### **External Income from Customers**

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

	2020/21	2021/22
	£000s	£000s
Community Development	(42)	(86)
Housing, Health & Well-being	(930)	(2,963)
Public Protection	(746)	(759)
Environment	(2,478)	(2,749)
Growth and Regeneration	(837)	(904)
Resources and Reputation	(758)	(799)
	(5,791)	(8,260)

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 8. EXPENDITURE AND INCOME ANALYSED BY NATURE

	2020/21	2021/22
	£000s	£000s
Employee benefits expenses	18,079	<b>18,462</b>
Other service expenses	32,732	<b>28,474</b>
Depreciation, amortisation & revaluation losses	1,929	<b>2,548</b>
Interest payments	351	<b>365</b>
Precepts and levies	759	<b>772</b>
Costs associated with the disposal of fixed assets	0	<b>1</b>
Expenditure on investment properties and reductions in fair value	45	<b>21</b>
Losses on pooled investment funds	6	<b>0</b>
Increases on Impairment Loss Allowances	172	<b>0</b>
<b>Total Expenditure per CIES</b>	<b>54,073</b>	<b>50,643</b>
Fees, charges and other service income	(5,791)	<b>(8,260)</b>
Interest and investment income	(148)	<b>(116)</b>
Income from council tax and NDR	(11,186)	<b>(11,333)</b>
Government grants and other contributions	(34,921)	<b>(27,798)</b>
Income from the disposal of assets	(43)	<b>(62)</b>
Income from investment properties and increases in fair value	(311)	<b>(473)</b>
Income from gains on pooled investment funds	0	<b>(163)</b>
Decreases on Impairment Loss Allowances	0	<b>(3)</b>
<b>Total Income per CIES</b>	<b>(52,400)</b>	<b>(48,208)</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>1,673</b>	<b>2,435</b>

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 9. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

<u>2021/22</u>	Usable Reserves			Total Mov't on Usable Reserves	Mov't on Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		
	£000s	£000s	£000s	£000s	£000s
<b><u>Adjustments primarily involving the Capital Adjustment Account (note 24)</u></b>					
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement (CIES):</b>					
Charges for depreciation & impairment of non-current assets	1,788	0	0	1,788	(1,788)
Revaluation losses/(reversals) on Property Plant and Equipment	716	0	0	716	(716)
Movement in fair value of investment properties	(268)	0	0	(268)	268
Amortisation of intangible assets	83	0	0	83	(83)
Capital grants & contributions applied	(214)	0	0	(214)	214
Revenue Expenditure Funded from Capital Under Statute	409	0	0	409	(409)
Carrying Amounts debited as part of the gain or loss on disposals of non-current assets	0	0	0	0	0
<b>Insertion of items NOT debited or credited to the CIES:</b>					
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	(573)	0	0	(573)	573
Capital expenditure charged against General Fund Balance	(1,570)	0	0	(1,570)	1,570
<b><u>Adjustments primarily involving the Capital Grants Unapplied Account</u></b>					
Capital grants and contributions unapplied, credited to the CIES	(4,223)	0	4,223	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(794)	(794)	794
<b><u>Adjustments primarily involving the Pooled Investment Funds Adjustment Account</u></b>					
Transfer of the gain/loss on pooled investments	(163)	0	0	(163)	163
<b>Sub-total of items adjusted</b>	<b>(4,015)</b>	<b>0</b>	<b>3,429</b>	<b>(586)</b>	<b>586</b>

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 9. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

<u>2021/22 (Continued)</u>	Usable Reserves			Total Mov't on Usable Reserves	Mov't on Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		
	£000s	£000s	£000s	£000s	£000s
<b>Sub-total of adjustments from prev. page</b>	(4,015)	0	3,429	(586)	586
<b><u>Adjustments primarily involving the Capital Receipts Reserve</u></b>					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES (PPE)	(61)	61	0	0	0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES (Investment Assets)	0	561	0	561	(561)
Use of Capital Receipts Reserve to finance new capital expenditure	0	(631)	0	(631)	631
<b><u>Adjustments primarily involving the Deferred Capital Receipts Reserve</u></b>					
Transfer of interest on deferred capital receipt	(36)	0	0	(36)	36
<b><u>Adjustments primarily involving the Pensions Reserve</u></b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	6,574	0	0	6,574	(6,574)
Employers pension contributions and direct payments to pensioners payable in the year	(2,469)	0	0	(2,469)	2,469
<b><u>Adjustments primarily involving the Collection Fund Adjustment A/C</u></b>					
Amount by which Council Tax & NDR income credited to the CIES differs to that income calculated for the year in accordance with statutory requirements	(2,535)	0	0	(2,535)	2,535
<b><u>Adjustments primarily involving the Accumulated Absences Account</u></b>					
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	(245)	0	0	(245)	245
<b>Total Net adjs between Accounting basis and Funding basis under regulation (per Movement in Reserves Statement on p39)</b>	<b>(2,787)</b>	<b>(9)</b>	<b>3,429</b>	<b>633</b>	<b>(633)</b>

The adjustments primarily involving the Collection Fund include the impact of exceptional business rates deficits created in 2020/21 and 2021/22 as a result of the Covid-19 pandemic. The General Fund balance of £4.601m at 31 March 2022 includes grant receipts of £1.983m to compensate for the loss of business rates income as a result of the continuation of extended retail relief to support businesses during the Covid-19 pandemic. These grants will be used to fund the 2021/22 business rates deficit, which will not be charged to the General Fund until 2022/23.

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 9. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

#### 2020/21 Comparatives

#### Adjustments primarily involving the Capital Adjustment Account (note 24)

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

Charges for depreciation & impairment of non-current assets

General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Mov't on Usable Reserves	Mov't on Unusable Reserves
£000s	£000s	£000s	£000s	£000s
1,774	0	0	1,774	(1,774)
35	0	0	35	(35)
(130)	0	0	(130)	130
120	0	0	120	(120)
(417)	0	0	(417)	417
171	0	0	171	(171)
0	0	0	0	0
(569)	0	0	(569)	569
(121)	0	0	(121)	121
(1,909)	0	1,909	0	0
0	0	(223)	(223)	223
6	0	0	6	(6)
(1,040)	0	1,686	646	(646)

Revaluation losses/(reversals) on Property Plant and Equipment

Movement in fair value of investment properties

Amortisation of intangible assets

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

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

#### Insertion of items NOT debited or credited to the CIES:

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

Capital expenditure charged against General Fund Balance

#### Adjustments primarily involving the Capital Grants Unapplied Account

Capital grants and contributions unapplied, credited to the CIES

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

#### Adjustments primarily involving the Pooled Investment Funds Adjustment Account

Transfer of the gain/loss on pooled investments

**Sub-total of items adjusted**

**ANNUAL STATEMENT OF ACCOUNTS 2021/22**

**NOTES TO THE FINANCIAL STATEMENTS**

**9. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

<u>2020/21 Comparatives (Continued)</u>	Usable Reserves			Total Mov't on Usable Reserves	Mov't on Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		
	£000s	£000s	£000s	£000s	£000s
<b>Sub-total of adjustments from prev. page</b>	(1,040)	0	1,686	646	(646)
<b><u>Adjustments primarily involving the Capital Receipts Reserve</u></b>					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES (PPE)	(30)	30	0	0	0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES (Investment Assets)	0	561	0	561	(561)
Use of Capital Receipts Reserve to finance new capital expenditure	0	(591)	0	(591)	591
<b><u>Adjustments primarily involving the Deferred Capital Receipts Reserve</u></b>					
Transfer of interest on deferred capital receipt	(48)	0	0	(48)	48
<b><u>Adjustments primarily involving the Pensions Reserve</u></b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	5,966	0	0	5,966	(5,966)
Employers pension contributions and direct payments to pensioners payable in the year	(2,430)	0	0	(2,430)	2,430
<b><u>Adjustments primarily involving the Collection Fund Adjustment A/C</u></b>					
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	4,931	0	0	4,931	(4,931)
<b><u>Adjustments primarily involving the Accumulated Absences Account</u></b>					
Amount by which officer remuneration credited to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	387	0	0	387	(387)
<b>Total Net adjs between Accounting basis and Funding basis under regulation (per Movement in Reserves Statement on p39)</b>	<b>7,736</b>	<b>0</b>	<b>1,686</b>	<b>9,422</b>	<b>(9,422)</b>

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 10. TRANSFERS TO/FROM EARMARKED RESERVES

Contributions to Earmarked Reserves provide financing for future expenditure plans, and contributions posted back from such reserves helped to meet General Fund expenditure during 2020/21 and 2021/22.

	Balance 31 Mar 2020	Transfers out during 2020/21	Transfers in during 2020/21	Balance 31 Mar 2021	Transfers out during 2021/22	Transfers in during 2021/22	Balance 31 Mar 2022
<b>Reserve:</b>	£000s	£000s	£000s	£000s	£000s	£000s	£000s
IT Equip't Replacement & Investment	503	(48)	126	581	(54)	110	637
Community and Crime	69	(10)	234	293	(97)	4	200
Risk Mgt & Budget Red'n	52	(26)	7	33	(13)	50	70
Housing and Housing Benefits	254	(15)	69	308	(59)	0	249
Insurance	294	(20)	63	337	(34)	37	340
Efficiency & Innovation	309	(37)	71	343	(16)	0	327
Asset Management	445	(55)	171	561	(212)	172	521
Local Plan Reserve	131	(11)	0	120	(19)	168	269
S106 Revenue	163	(30)	31	164	(30)	0	134
Earmarked Grants	616	(63)	840	1,393	(630)	258	1,021
Joint Use Maintenance	113	(39)	28	102	0	49	151
CCTV	204	(30)	25	199	(73)	26	152
Local Authority Mortgage Scheme	111	0	0	111	0	0	111
Apprentices	76	(15)	0	61	(18)	0	43
NDR Pool	1,243	(42)	313	1,514	(1,174)	233	573
Transformation	636	(98)	104	642	(347)	150	445
Economic Development	268	(94)	0	174	(113)	57	118
Leisure Strategy	237	0	41	278	(23)	0	255
Property Management	75	(11)	0	64	0	0	64
Selective Licencing	183	0	30	213	(20)	0	193
Additional Restrictions Grant (ARG)	0	0	540	540	(540)	0	0
Inflationary Pressures Contingency Reserve	0	0	0	0	0	250	250
<b>Total Earmarked Reserves per Balance Sheet p40-41</b>	<b>5,982</b>	<b>(644)</b>	<b>2,693</b>	<b>8,031</b>	<b>(3,473)</b>	<b>1,564</b>	<b>6,122</b>
<b>Net Movement in Year per MiRS p39</b>		<b>2,049</b>			<b>(1,909)</b>		

**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.

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



# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 10. TRANSFERS TO/FROM EARMARKED RESERVES (Continued)

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

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

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

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

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

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

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

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

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

**Local Authority Mortgage Scheme Reserve** - to provide for potential defaults in connection with two LAMS schemes launched in April 2012 and June 2013, under which the Council indemnified Lloyds for 20% of individual loans for 5 years from the date of each completion.

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

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

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

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

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

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

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

**ARG Reserve** - Additional Restrictions Grant was paid to the Council to fund Covid-19 related discretionary grants to local businesses in 2020/21, based on the authority's specific local knowledge.

**Inflationary Pressures Contingency Reserve** - to provide for pressures in coming years for cost of living increases, including but not restricted to utilities, pay etc.

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

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

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

	2020/21	2021/22
	£000s	£000s
<b><u>Credited to Taxation and Non-Specific Grant Income:</u></b>		
New Homes Bonus	(383)	(106)
Local CTRS Support Grant	0	(118)
Lower Tier Services Grant	0	(131)
Covid-19 related non-ringfenced grants (see below)	(7,728)	(1,452)
<b>Non Ring-fenced Grants</b>	<b>(8,111)</b>	<b>(1,807)</b>
FCC Communities Foundation / WREN - Play Areas	(192)	0
MHCLG - Disabled Facilities Grant	(410)	(321)
Green Homes Grant Scheme	0	(494)
Community Infrastructure Levy (CIL)	(1,158)	(3,408)
Rural Development Programme for England / Rural Payments Agency	(43)	0
Section 106 Developer Contributions	(98)	(14)
D2N2 - Carlton Square	(350)	0
Office for Low Emission Vehicles (OLEV) - Electric Charging Points	(75)	(25)
Onchan Drive MUGA	0	(58)
Killisick Recreation Area	0	(97)
Bestwood Lodge	0	(20)
<b>Capital Grants and Contributions</b>	<b>(2,326)</b>	<b>(4,437)</b>
<b>S31 Grants included in Non Domestic Rates income</b>	<b>(6,341)</b>	<b>(3,377)</b>
<b>Local Tax Income Guarantee included in Non Domestic Rates Income</b>	<b>(254)</b>	<b>105</b>
<b>Local Tax Income Guarantee included in Council Tax Income</b>	<b>(65)</b>	<b>0</b>
<b>Total Non Ring-fenced Grants included in CIES on page 38</b>	<b>(17,097)</b>	<b>(9,516)</b>
<b><u>Credited to Services:</u></b>		
Housing Benefits	(20,300)	(18,523)
Grants for Revenue Expenditure funded from Capital	(700)	(899)
Covid-19 related Grants credited to Services (see below)	(2,162)	(458)
Other Grants & Contributions	(844)	(1,480)
<b>Total grants &amp; contributions credited to Services</b>	<b>(24,006)</b>	<b>(21,360)</b>
<b>Total Grants, Contributions and Donated Assets</b>	<b>(41,103)</b>	<b>(30,876)</b>

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

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

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

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

#### **Credited to Taxation and Non-Specific Grant Income:**

	2020/21	2021/22
	£000s	£000s
Additional Restrictions Grant (discretionary grants based on local knowledge)	(3,405)	(775)
Sales, Fees & Charges compensation (to mitigate irrecoverable losses of service income)	(1,585)	0
Emergency Covid-19 Delivery (to mitigate local authority funding pressures)	(1,570)	(534)
Discretionary Grants (Retail, Hospitality & Leisure sectors)	(896)	(5)
Local Restrictions Grant - Open (discretionary grants for businesses not mandated to close)	(231)	0
Track and Trace (discretionary grants)	0	(138)
Non ringfenced Business Grants Administration	(41)	0
<b>Total</b>	<b>(7,728)</b>	<b>(1,452)</b>

#### **Credited to Services:**

	2020/21	2021/22
	£000s	£000s
Council Tax Hardship (to support economically vulnerable households)	(873)	0
New Burdens & Covid Delivery Grants	(375)	(240)
Furlough Scheme	(363)	(51)
Contain Outbreak and Enforcement (to support costs associated with public health)	(249)	0
Track & Trace Discretionary (grants to eligible residents required to self isolate)	(150)	(24)
Compliance and Enforcement	(48)	0
Winter Assistance	(41)	0
Reopening High Streets Safely (to create a safe trading environment)	(39)	(66)
Welcome Back Fund	0	(77)
Additional HB Admin Subsidy	(24)	0
<b>Total</b>	<b>(2,162)</b>	<b>(458)</b>

#### **Grants and Contributions Received in Advance**

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

	2020/21	2021/22
	£000s	£000s
<b><u>Capital</u></b>		
Developers' Section 106 Contributions	(2,382)	(3,150)
	<b>(2,382)</b>	<b>(3,150)</b>
<b><u>Revenue</u></b>		
Developers' Section 106 Contributions	(64)	(139)
	<b>(64)</b>	<b>(139)</b>

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 12. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2020/21	2021/22
	£000s	£000s
<b>Opening Capital Financing Requirement (CFR)</b>	10,313	<b>10,013</b>
<b><u>Additions:</u></b>		
Property, Plant & Equipment (note 13)	1,359	<b>4,927</b>
Intangible Assets	91	<b>92</b>
Revenue expenditure funded from capital under statute (REFCUS)	872	<b>1,308</b>
<b>Total Capital Investment</b>	2,322	<b>6,327</b>
<b><u>Financing:</u></b>		
Capital receipts	(591)	<b>(632)</b>
Government Grants	(871)	<b>(1,195)</b>
Other Grants and Contributions	(591)	<b>(2,281)</b>
Minimum Revenue Provision (MRP)	(569)	<b>(573)</b>
<b>Total Sources of Finance</b>	(2,622)	<b>(4,681)</b>
<b>Closing Capital Financing Requirement (CFR)</b>	10,013	<b>11,659</b>
<b><u>Explanation of movements in the year:</u></b>		
Increase/(Decrease) in underlying need to borrow - supported by Government financial assistance	0	<b>0</b>
Increase/(Decrease) in underlying need to borrow - not supported by Government financial assistance	(300)	<b>1,646</b>
<b>Increase/(Decrease) in Capital Financing Requirement (CFR)</b>	(300)	<b>1,646</b>

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 13. PROPERTY, PLANT & EQUIPMENT

#### Movements in 2021/22

#### Cost or Valuation:

	Land & Bldgs. £000s	Vehicles Plant & Equipm't £000s	Infra- Struct. Assets £000s	Comm'y Assets £000s	Assets Under Constrn. £000s	Total £000s
As at 1 April 2021	22,532	9,477	1,390	8,174	267	41,840
Additions	1,353	829	127	207	2,411	4,927
Revaln incr/(decr) recognised in the Revaluation Reserve	23	0	0	0	0	23
Revaln incr/(decr) recognised in the Surplus/Deficit on Provision of Services	(239)					(239)
Derecognition-Disposals	0	(161)	0	0	0	(161)
Derecognition-Decommissioned	0	0	0	0	0	0
Other movements in cost or valuation	(475)	1	(47)	(1)	(11)	(533)
<b>As at 31 March 2022</b>	<b>23,194</b>	<b>10,146</b>	<b>1,470</b>	<b>8,380</b>	<b>2,667</b>	<b>45,857</b>

#### Accumulated Depreciation and Impairment:

As at 1 April 2021	(489)	(6,176)	(685)	(5,834)	0	(13,184)
Depreciation Charge	(575)	(839)	(63)	(311)	0	(1,788)
Depreciation written out to the Revaluation Reserve	400	0	0	0	0	400
Depreciation written out to the Surplus/Deficit on Provision of Services	0	0	0	0	0	0
Derecognition-Disposals	0	161	0	0	0	161
Derecognition-Decommissioned	0	0	0	0	0	0
<b>As at 31 March 2022</b>	<b>(664)</b>	<b>(6,854)</b>	<b>(748)</b>	<b>(6,145)</b>	<b>0</b>	<b>(14,411)</b>

<b>Net Book Value 31/3/21</b>	<b>22,043</b>	<b>3,301</b>	<b>705</b>	<b>2,340</b>	<b>267</b>	<b>28,656</b>
<b>Net Book Value 31/3/22</b>	<b>22,530</b>	<b>3,292</b>	<b>722</b>	<b>2,235</b>	<b>2,667</b>	<b>31,446</b>

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 13. PROPERTY, PLANT & EQUIPMENT (Continued)

**Comparative Movements in 2020/21**

**Cost or Valuation:**

	Other Land & Bldgs. £000s	Vehicles Plant & Equipm't £000s	Infra- Struct. Assets £000s	Comm'y Assets £000s	Assets Under Constrn. £000s	Total £000s
As at 1 April 2020	22,201	9,291	1,387	7,891	125	40,895
Additions	718	213	3	283	142	1,359
Revaln incr/(decr) recognised in the Revaluation Reserve	(352)	0	0	0	0	(352)
Revaln incr/(decr) recognised in the Surplus/Deficit on Provision of Services	(35)	0	0	0	0	(35)
Derecognition-Disposals	0	(27)	0	0	0	(27)
Derecognition-Decommissioned	0	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0	0
<b>As at 31 March 2021</b>	<b>22,532</b>	<b>9,477</b>	<b>1,390</b>	<b>8,174</b>	<b>267</b>	<b>41,840</b>

**Accumulated Depreciation and Impairment:**

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

**Net Book Value 31/3/20**

21,728	3,903	758	2,336	125	28,850
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**Net Book Value 31/3/21**

22,043	3,301	705	2,340	267	28,656
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**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

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 13. PROPERTY, PLANT & EQUIPMENT (Continued)

#### Revaluation

The authority carries out a rolling programme which ensures that all Property, Plant and Equipment required to be measured at Current Value is revalued at least every two years. Items within a class of Property, Plant and Equipment are revalued simultaneously within that rolling programme. Most valuations in 2021/22 were completed by the Council's in-house valuer, E. Wimble MRICS, a chartered surveyor. However valuations were also commissioned from external valuers as deemed necessary. Bruton Knowles carried out the valuations of Mapperley Golf Course and Bestwood Lodge Hotel whilst Lambert Smith Hampton valued land at Killisick Lane.

Valuations of land and buildings are carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. An impairment review is carried out annually on the Land and Buildings Portfolio. Due to Covid-19 there was previously a risk of material valuation uncertainty (MVU). However, as per the RICS Material Valuation Uncertainty Leaders' Forum (UK), MVU declarations are no longer required unless the individual valuer believes that there is reason for such a declaration. It is the Council valuer's professional judgement that none of the valuations for the 2021/22 Accounts are subject to MVU. Vehicles, Plant and Equipment are valued on a depreciated historic cost basis as a proxy for Current Value.

#### Capital Commitments

At 31 March 2022 there were two significant capital contracts that had been entered into but not fully completed. The total was £561,900 for construction costs relating to the development of The Arnold Market Place and the Green Homes Grants scheme. This represents the sums remaining to be paid in 2022/23 and not the value of the contracts.

### 14. INVESTMENT PROPERTY

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

	2020/21	2021/22
	£000s	£000s
Rental from Investment Property	(143)	(196)
Direct operating expenses arising from Investment Property	7	12
<b>Net (Gain)/Loss</b>	<b>(136)</b>	<b>(184)</b>

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

Investment property is valued on an annual basis, and an impairment review is also completed at the balance sheet date. Most valuations in 2021/22 were completed by the Council's in-house valuer, E. Wimble MRICS, a chartered surveyor. However valuations were also commissioned from external valuers as deemed necessary. The Council's valuer is however responsible for reporting on all values. Due to Covid-19 there was previously some risk of material valuation uncertainty (MVU). However as per the RICS Material Valuation Uncertainty Leaders' Forum (UK), MVU declarations are no longer required unless the individual valuer believes that there is reason for such a declaration. It is the Council valuer's professional judgement that none of the valuations for the 2021/22 Accounts are subject to MVU.

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

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 14. INVESTMENT PROPERTY (Continued)

#### Long Term Investment Property:

#### Balance at the start of the year

Additions (purchase, construction & subsequent expenditure)

Transfers

Net gain/(loss) from fair value adjustments

#### Balance at the end of the year per Balance Sheet

2020/21	2021/22
£000s	£000s
3,828	3,958
0	0
0	57
130	268
<b>3,958</b>	<b>4,283</b>

### 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. The full amortisation of £83,095 charged to revenue in 2021/22 was charged to IT and then absorbed as an overhead across all relevant service headings in Cost of Services.

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

Gross carrying amount

Accumulated amortisation

#### Net carrying amount at start of year

#### Additions

#### Derecognition of decommissioned assets:

Gross carrying amount

Accumulated amortisation

Amortisation for the year

#### Net carrying amount at end of year per Balance Sheet

#### Represented by:

Gross carrying amount

Accumulated amortisation

#### Total

2020/21	2021/22
£000s	£000s
810	901
(694)	(814)
116	87
91	92
0	0
0	0
(120)	(83)
<b>87</b>	<b>96</b>
901	993
(814)	(897)
<b>87</b>	<b>96</b>



# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 16. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset in one entity, and a financial liability on another. Most straightforward financial assets (debtors, bank deposits, investments etc.) and liabilities (creditors, borrowings etc.) are covered, together with more complex ones not used by this authority (eg. debt instruments with embedded swaps, and options).

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

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

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

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

#### **Initial Recognition**

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

#### **Initial Measurement**

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

#### **Soft Loans**

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

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 16. FINANCIAL INSTRUMENTS (Continued)

Subsequent accounting would require the loan's "effective rate of interest" to be used, which will be higher than the contractual rate since the initial carrying amount of the loan is less than the principal sum required to repay the loan. This rate will be the same as the rate used to discount the loan to its initial fair value. Interest in excess of the contractual rate is then credited to the Comprehensive Income and Expenditure Statement over the term of the loan.

The only "soft loans" identified by the Council in 2021/22 were car loans to employees. It is the Council's view that the outstanding sum of £259k is not material and accordingly, no calculation for fair value has been undertaken. Car loans are therefore recognised in the balance sheet at the value of the sums loaned, less repayments made.

#### **Subsequent Measurement**

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

#### **Financial liabilities:**

\* Amortised cost

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

#### **Financial assets:**

\* Amortised cost

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

\* Fair value through profit and loss (FVPL)

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

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

#### **Premiums and Discounts**

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

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

No premiums or discounts were paid or received by the Council during 2021/22.

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 16. FINANCIAL INSTRUMENTS (Continued)

#### The Council's Financial Instruments at 31 March 2022

##### (a) Financial Liabilities at Amortised Cost:

- (i) **Long and Short Term Borrowing** - Total long term debt outstanding on the balance sheet on 31 March 2022 is £10.812m, all held with the Public Works Loan Board (PWLB). The short term borrowing balance of £2k shown on the Balance Sheet is represented by accrued interest only. PWLB loans have special characteristics in that the interest rates are based on the Government's cost of borrowing rather than on market rates, and a penalty charge is payable on early redemption that is over and above the cost to the lender.

The Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, and these are termed the PWLB certainty interest rates. As a result of its PWLB commitments for fixed rate loans, a comparison of the terms of these loans with the new borrowing rates available from PWLB has been used to calculate the fair value. If a value is calculated on this basis the carrying amount of the Council's outstanding loans of £10.812m would be valued at £12.359m (excluding accrued interest). However, if the Council was to seek to avoid the projected loss by repaying the loans to PWLB, the PWLB would raise a penalty charge based on the premature redemption interest rates, totalling £4.358m. The exit price for the outstanding PWLB loans including the penalty charge would therefore be £15.170m (excluding accrued interest).

This redemption charge is a supplementary measure of the fair value of the outstanding PWLB loans of £10.812m. 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 £4.358m to £1.360m and the exit price from £15.170m to £12.172m (excluding accrued interest). These amounts would be reversed if the discount rate was to fall, ie. the penalty and the exit price would rise.

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

- (ii) **Long and Short Term Creditors** - Operational creditors are financial instruments of short duration, with no formal effective interest rate, and are required to be valued at their original amounts, ie. the carrying amount is a reasonable approximation of fair value. Long term creditors are represented by grants received in advance of £3.289m. Short-term creditors outstanding at 31 March 2022, which are classed as financial instruments, totalled £3.948m.

##### (b) Financial Assets at Amortised Cost

- (i) **Short Term Investment** - Investments held at 31 March 2022 amounted to £16.451m, including accrued interest, and consisted of fixed term deposits with approved counterparties. Term deposit rates were fixed at inception, with interest paid on maturity. No formal calculation of EIR is deemed necessary, and the carrying amount is a reasonable approximation of the fair value.
- (ii) **Long Term Debtors** - As discussed above, the only soft loans identified by Gedling Borough Council are car loans to employees. The sum outstanding at 31 March 2022 is £259k, which is not deemed material. The long term debtors figure also includes deferred capital receipts of £0.549m 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 2022, which are classed as financial instruments, totalled £5.373m net of impairment provisions for doubtful debts (see note 19). This figure includes deferred capital receipts of £537k due in 2022/23 for a land sale at Teal Close.

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 16. FINANCIAL INSTRUMENTS (Continued)

(iv) **Cash and Cash Equivalents** - The fair value of cash balances in hand (or overdrawn) is deemed to be the carrying value. The Council's overdrawn cash balances at 31 March 2022 totalled £1.241m as a result of daily cashflow management. This balance is combined on the Balance Sheet as part of the overall Cash and Cash Equivalents balance of £8.958m in hand, including a total of £10.160m held in Money Market Funds. Whilst the value of these funds can technically fluctuate, suggesting treatment as fair value through profit and loss, the Council invests with Low Volatility Net Asset Value (LVNAV) products, which have an exceptionally low level of fluctuation. The Money Market Funds are AAA rated, and this would not be the case if the Funds were not deemed stable.

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

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

The certificated value of the property fund investment rose from £929,709 at 31 March 2021 to £1,092,898 at 31 March 2022. The gain of £163,189 was credited to CIES and reversed out in accordance with the statutory override. The current balance on the Pooled Investment Funds Adjustment Account is a gain of £92,898.

Dividends received in respect of the property fund investment totalled £35,520 in 2021/22. These have been credited to the CIES and are included in the deficit on the provision of services.

**A summary of the Council's exposure to financial instruments at 31 March 2022 is shown below:**

#### Summary of Financial Instruments

##### Financial liabilities at amortised cost

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

##### **Total Financial Liabilities**

##### Financial assets at amortised cost

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

##### Financial assets at fair value through profit and loss

Pooled Investment Funds

##### **Total Financial Assets**

	31/3/21	31/3/22
	£000s	£000s
Long Term Borrowing	(9,812)	<b>(10,812)</b>
Short Term Borrowing	(1)	<b>(2)</b>
Long Term Creditors	(2,445)	<b>(3,289)</b>
Short Term Creditors	(2,862)	<b>(3,947)</b>
<b>Total Financial Liabilities</b>	<b>(15,120)</b>	<b>(18,050)</b>
<u>Financial assets at amortised cost</u>		
Short Term Investments	8,306	<b>16,451</b>
Long Term Debtors	1,277	<b>808</b>
Short Term Debtors	5,884	<b>5,373</b>
Cash & Cash Equivalents	9,184	<b>8,958</b>
<u>Financial assets at fair value through profit and loss</u>		
Pooled Investment Funds	930	<b>1,093</b>
<b>Total Financial Assets</b>	<b>25,581</b>	<b>32,683</b>

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

#### **Credit Risk**

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

The Council also operates maximum investment limits with individual counterparties and Money Market Funds. Any investment in excess of these limits is subject to the specific approval of the Chief Financial Officer. The Council did not experience any non-performance from any of its counterparties in respect of its temporary investments or cash equivalents during 2021/22.

#### **Impairment of Financial Assets - the Expected Credit Loss Model**

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

Impairment losses must be calculated to reflect the expectation that future cashflows might not take place because the borrower could default on their obligations. Provision for trade receivables (debtors) is made on a lifetime expected loss basis using a collective provision matrix, and credit risk plays a crucial role in assessments. The Council has historically used such a matrix, and this has been reviewed to ensure that it is sufficiently "forward looking" and not simply based on past experience. The overall decrease of £4k in the Council's impairment loss allowances for financial instruments during 2021/22 has been credited to the financing and investment section of the CIES, in accordance with the requirement of IFRS9.

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

No provision for impairment has been made for short term investments on the basis that these are fixed term deposits with high quality counterparties and the risk is assessed as negligible. The Council's treasury advisers have calculated that the historic risk of default on the entire short term investment portfolio at 31 March 2022 is 0.01%, and would amount to an expected credit loss provision of less than £1,500. This is not deemed to be material.

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

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Liquidity and Refinancing Risk

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

#### PWLB Maturity Analysis

#### Short Term Borrowing (repayable within 1 year)

Principal

Interest accruals

#### **Short Term Borrowing per Balance Sheet**

#### Long Term Borrowing

Repayable in 1 to 2 years

Repayable in 2 to 5 years

Repayable in 5 to 10 years

Repayable in over 10 years

#### **Long Term Borrowing per Balance Sheet**

	31/3/21	31/3/22
	£000s	£000s
Principal	0	0
Interest accruals	(1)	(2)
<b>Short Term Borrowing per Balance Sheet</b>	<b>(1)</b>	<b>(2)</b>
Repayable in 1 to 2 years	0	0
Repayable in 2 to 5 years	0	0
Repayable in 5 to 10 years	0	(681)
Repayable in over 10 years	(9,812)	(10,131)
<b>Long Term Borrowing per Balance Sheet</b>	<b>(9,812)</b>	<b>(10,812)</b>

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

#### Market Risk:

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

#### Price Risk:

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

#### Foreign Exchange Risk:

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

### 18. LONG TERM DEBTORS

Car Loans

Other - Cycle Scheme

Land Sale Deferred Settlement

#### **Total Long Term Debtors per Balance Sheet**

	2020/21	2021/22
	£000s	£000s
Car Loans	190	259
Other - Cycle Scheme	2	1
Land Sale Deferred Settlement	1,085	548
<b>Total Long Term Debtors per Balance Sheet</b>	<b>1,277</b>	<b>808</b>

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 18. LONG TERM DEBTORS (Continued)

The sale of land at Teal Close was completed on 30 April 2018. However the sale proceeds are being phased over a contractually agreed period. The sum of £537k is to be received in the forthcoming year and is included with short term debtors below. However the sum of £548k to be received in periods beyond 31 March 2022 is included as a long term debtor. The total deferred capital receipt is £1.085m as detailed in note 24, Unusable Reserves.

### 19. SHORT TERM DEBTORS

	2020/21			2021/22		
	Financial Instrum'ts	Statutory Debts	Total	Financial Instrum'ts	Statutory Debts	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Central Government Departments	1,222	5,178	6,400	606	1,718	2,324
Other Local Authorities	336	2,942	3,278	250	1,898	2,148
Land Sale Deferred Settlement	525	0	525	537	0	537
Other Entities and Individuals	6,219	1,768	7,987	6,394	1,750	8,144
<b>Total Short Term Debtors</b>	<b>8,302</b>	<b>9,888</b>	<b>18,190</b>	<b>7,787</b>	<b>5,366</b>	<b>13,153</b>
Less Impairment Loss Allowance	(2,418)	(444)	(2,862)	(2,414)	(457)	(2,871)
<b>Net Short Term Debtors per Balance Sheet</b>	<b>5,884</b>	<b>9,444</b>	<b>15,328</b>	<b>5,373</b>	<b>4,909</b>	<b>10,282</b>

Amounts in respect of council tax and business rates are outside the scope of financial instruments, being "statutory debtors". The balance of statutory debtors was particularly significant at 31 March 2021 due to the central government share of the exceptional business rates deficit - resulting from additional reliefs granted due to the pandemic. The balance has reduced considerably at 31 March 2022.

In accordance with IFRS9, the reduction on the impairment loss allowance for financial instruments between 2020/21 and 2021/22 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.

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

	31/03/21	31/03/22
	£000s	£000s
Cash balance at bank and cash in transit	587	(1,208)
Imprest Accounts	7	6
	594	(1,202)
Call Accounts	8,590	10,160
<b>Total Cash and Cash Equivalents per Balance Sheet</b>	<b>9,184</b>	<b>8,958</b>

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 21. SHORT TERM CREDITORS AND RECEIPTS IN ADVANCE

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

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

	2020/21			2021/22		
	Financial Instrum'ts	Statutory Creditors	Total	Financial Instrum'ts	Statutory Creditors	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Central Government Departments	0	(12,999)	(12,999)	(3)	(13,714)	(13,717)
Other Local Authorities	(760)	(459)	(1,219)	(1,739)	(455)	(2,194)
Other Entities and Individuals	(2,102)	(359)	(2,461)	(2,205)	(422)	(2,627)
<b>Total Short Term Creditors per Balance Sheet</b>	<b>(2,862)</b>	<b>(13,817)</b>	<b>(16,679)</b>	<b>(3,947)</b>	<b>(14,591)</b>	<b>(18,538)</b>

Amounts due in respect of council tax, business rates and HMRC taxes are outside the scope of financial instruments, being "statutory creditors". The balance of statutory creditors at 31 March 2022 remains significant due to S31 grant initially paid to Gedling as the billing authority being repayable to DLUHC for onward allocation to other preceptors; sums repayable as a result of the Council's agency arrangements for the issue of business grants during the pandemic, and Energy Rebate grant received for distribution in 2022/23.

### 22. PROVISIONS

#### Over one year:

#### **Balance at 1 April 2021**

Additional Provisions made in 2021/22

Used in 2021/22

Reversed in 2021/22

#### **Balance at 31 March 2022**

Transf'd Stock Env. Warranties	Transf'd Stock Repairs	NDR Appeals	Total Provisions
£000s	£000s	£000s	£000s
(50)	(50)	(1,321)	(1,421)
0	0	(328)	(328)
0	0	0	0
0	0	0	0
<b>(50)</b>	<b>(50)</b>	<b>(1,649)</b>	<b>(1,749)</b>

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

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

**NDR Appeals** - The Business Rate Retention regime places a liability on the Council to refund ratepayers who successfully appeal against the rateable value of their properties on the rating list. A provision of £1,648,500 has been made, representing the Council's estimated share of such liabilities at 31 March 2022.



# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 23. USABLE RESERVES

Movements in the authority's Usable Reserves are detailed in the Movement in Reserves Statement on page 39, and in note 9 on pages 50 to 53.

### 24. UNUSABLE RESERVES

Deferred Capital Receipts	1,610	1,085
Revaluation Reserve	5,833	6,093
Pooled Investment Funds Adjustment Account	(70)	93
Capital Adjustment Account	16,855	18,073
Pensions Reserve	(69,456)	(61,156)
Collection Fund Adjustment Account - Council Tax	(104)	(23)
Collection Fund Adjustment Account - Non Domestic Rates	(5,269)	(2,816)
Accumulated Absences Account	(634)	(389)

	31/03/21	31/03/22
	£000s	£000s
Deferred Capital Receipts	1,610	1,085
Revaluation Reserve	5,833	6,093
Pooled Investment Funds Adjustment Account	(70)	93
Capital Adjustment Account	16,855	18,073
Pensions Reserve	(69,456)	(61,156)
Collection Fund Adjustment Account - Council Tax	(104)	(23)
Collection Fund Adjustment Account - Non Domestic Rates	(5,269)	(2,816)
Accumulated Absences Account	(634)	(389)
<b>Total Unusable Reserves</b>	<b>(51,235)</b>	<b>(39,040)</b>

#### **Total Unusable Reserves**

#### **Deferred Capital Receipts Reserve**

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

#### **Revaluation Reserve**

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

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

#### **Balance at 1 April**

Upward revaluation of assets	530	726
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(274)	(303)
Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services	256	423
Difference between fair value depreciation and historic cost depr'n	(170)	(163)
Accumulated gains on assets sold or scrapped	0	0
Amount written off to the Capital Adjustment Account	(170)	(163)

	2020/21	2021/22
	£000s	£000s
<b>Balance at 1 April</b>	<b>5,747</b>	<b>5,833</b>
Upward revaluation of assets	530	726
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(274)	(303)
Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services	256	423
Difference between fair value depreciation and historic cost depr'n	(170)	(163)
Accumulated gains on assets sold or scrapped	0	0
Amount written off to the Capital Adjustment Account	(170)	(163)
<b>Balance at 31 March</b>	<b>5,833</b>	<b>6,093</b>

#### **Balance at 31 March**

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 24. UNUSABLE RESERVES (Continued)

#### Pooled Investment Funds Adjustment Account

The introduction of IFRS9 requires pooled investment funds to be classified at Fair Value through Profit and Loss (FVPL), whereby all gains and losses are immediately charged to the Surplus and Deficit on the Provision of Services. However, in the case of certain property funds, including the CCLA LAPF in which the Council has an investment of £1m, a statutory override initially in place until 31 March 2023 requires these gains and losses to be neutralised via the Movement on Reserves Statement to the Pooled Investment Funds Adjustment Account (PIFAA). The increase in value of the Council's property fund investment in 2021/22 represents a gain, which has been reversed out to the PIFAA in accordance with the regulations.

#### **Balance at 1 April**

Gain/(Loss) on CCLA Property Fund in year

#### **Balance at 31 March**

2020/21	2021/22
£000s	£000s
(64)	(70)
(6)	163
(70)	93

#### Capital Adjustment Account

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

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

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 9 on pages 50 to 53 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 24. UNUSABLE RESERVES (Continued)

#### Capital Adjustment Account (continued)

**Balance at 1 April**

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

Charges for depreciation and impairment of non-current assets  
 Revaluation (losses)/reversals on Property, Plant and Equipment  
 Amortisation of Intangible Assets  
 Revenue Expenditure funded from Capital under Statute (REFCUS)  
 Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement

Adjusting amount written out of the Revaluation Reserve

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

#### Capital financing applied in the year:

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

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

**Balance at 31 March**

	2020/21	2021/22
	£000s	£000s
<b>Balance at 1 April</b>	16,734	<b>16,855</b>
<b><u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>		
Charges for depreciation and impairment of non-current assets	(1,774)	(1,788)
Revaluation (losses)/reversals on Property, Plant and Equipment	(35)	(716)
Amortisation of Intangible Assets	(120)	(83)
Revenue Expenditure funded from Capital under Statute (REFCUS)	(171)	(409)
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	0	0
	<b>(2,100)</b>	<b>(2,996)</b>
Adjusting amount written out of the Revaluation Reserve	170	163
	<b>(1,930)</b>	<b>(2,833)</b>
<b><u>Capital financing applied in the year:</u></b>		
Use of Capital Receipts Reserve to finance new capital expenditure	591	632
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	417	214
Applications of grants to capital financing from the Capital Grants Unapplied Account	223	794
Statutory provision for the financing of capital investment charged against the General Fund	569	573
Capital expenditure charged against the General Fund	121	1,570
	<b>1,921</b>	<b>3,783</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	130	268
<b>Balance at 31 March</b>	<b>16,855</b>	<b>18,073</b>

#### 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.

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 24. UNUSABLE RESERVES (Continued)

#### Pensions Reserve (Continued)

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

	2020/21	2021/22
	£000s	£000s
<b>Balance at 1 April</b>	(49,177)	<b>(69,456)</b>
Actuarial gains or (losses) on pensions assets and liabilities	(16,743)	<b>12,405</b>
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	(5,966)	<b>(6,574)</b>
Employer's pension contributions and direct payments to pensioners payable in the year	2,430	<b>2,469</b>
<b>Balance at 31 March</b>	<b>(69,456)</b>	<b>(61,156)</b>

#### 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:

	2020/21	2021/22
	£000s	£000s
<b>Balance at 1 April</b>	(28)	<b>(104)</b>
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	(76)	<b>81</b>
<b>Balance at 31 March</b>	<b>(104)</b>	<b>(23)</b>

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 24. UNUSABLE RESERVES (Continued)

#### Collection Fund Adjustment Accounts (continued)

##### Non Domestic Rates:

##### **Balance at 1 April**

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

##### **Balance at 31 March**

2020/21	2021/22
£000s	£000s
(414)	(5,269)
(4,855)	2,453
(5,269)	(2,816)

##### Accumulated Absences Account

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

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

##### **Balance at 1 April**

Settlement or cancellation of accrual made at the end of the preceding year

Amounts accrued at the end of the current year

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

##### **Balance at 31 March**

2020/21	2021/22
£000s	£000s
(247)	(634)
247	634
(634)	(389)
(387)	245
(634)	(389)

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 25. CASH FLOW STATEMENT - OPERATING ACTIVITIES

**Net Surplus / (Deficit) on the Provision of Services per CIES on p33**

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

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

	2020/21	2021/22
	£000s	£000s
	(1,673)	(2,435)
	1,774	1,788
	35	716
	120	83
	5,793	(2,105)
	(1,406)	1,813
	21	(16)
	3,536	4,520
	0	0
	1	(104)
	9,874	6,695
	(2,540)	(4,717)
	5,661	(457)

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

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

**Net cash flow from Operating Activities per Cash Flow Statement on p42**

**Cash flows for operating activities include the following items:**

Interest Received  
 Interest Paid

	2020/21	2021/22
	£000s	£000s
	(117)	(116)
	351	365

## ANNUAL STATEMENT OF ACCOUNTS 2021/22

### NOTES TO THE FINANCIAL STATEMENTS

#### 26. CASH FLOW STATEMENT - INVESTING ACTIVITIES

Purchase of property, plant and equipment, investment property and intangible assets  
 Purchase of short term and long term investments  
 Other payments for investing activities  
 Proceeds from sale of property, plant and equipment, investment property and intangible assets  
 Proceeds from short-term and long term investments  
 Capital grants & contributions  
 Other receipts from investing activities

2020/21	2021/22
£000s	£000s
(1,463)	<b>(4,719)</b>
(2,295)	<b>(8,135)</b>
(7)	<b>(12)</b>
591	<b>597</b>
0	<b>0</b>
1,849	<b>4,241</b>
143	<b>195</b>
<b>(1,182)</b>	<b>(7,833)</b>

**Net cash flows from Investing Activities per Cash Flow Statement on p42**

#### 27. CASH FLOW STATEMENT - FINANCING ACTIVITIES

Receipt of short-term and long-term borrowing  
 Other receipts from financing activities  
 Movement on NDR debtor with preceptors and CLG  
 Movement on Council Tax debtors with Preceptors  
 Community Infrastructure Levy held for Parishes  
 Grants & contributions held for other principal parties  
 Other payments for financing activities

2020/21	2021/22
£000s	£000s
0	<b>1,000</b>
28	<b>25</b>
(7,461)	<b>4,367</b>
(931)	<b>408</b>
74	<b>(637)</b>
6,253	<b>2,996</b>
(103)	<b>(95)</b>
<b>(2,140)</b>	<b>8,064</b>

**Net cash flows from Financing Activities per Cash Flow Statement on p42**

#### 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.

## ANNUAL STATEMENT OF ACCOUNTS 2021/22

### NOTES TO THE FINANCIAL STATEMENTS

#### 28. MEMBERS' ALLOWANCES (Continued)

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

	2020/21	2021/22
	£000s	£000s
<b>Allowances:</b>		
Basic	179	179
Special Responsibility	119	120
<b>Expenses:</b>		
Conferences and subsistence	0	4
	<b>298</b>	<b>303</b>

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 2021/22, Mazars are the appointed auditors for accounts and inspection work, however KPMG are the appointed auditors for grant certification work. Amounts paid to the appointed auditor for work carried out in providing additional services such as tax advice must also be disclosed, the purpose being to demonstrate that the objectivity of the auditor is not compromised by fees for other work being significant in relation to audit costs.

	2020/21	2021/22
	£	£
Audit services carried out by the appointed auditor (Mazars)	39,790	<b>32,779</b>
Additional fees to be paid to the appointed auditors in respect of previous years	7,902	<b>15,489</b>
Grant certification	12,695	<b>12,695</b>
<b>Total fees for statutory audit services in the year</b>	<b>60,387</b>	<b>60,963</b>
<b>Fees for tax advisory services</b>	<b>0</b>	<b>0</b>
<b>Total fees paid to the appointed auditor</b>	<b>60,387</b>	<b>60,963</b>

Final agreement of fee variations in respect of audit fees for the 2019/20 and 2020/21 audits have still not been received from PSAA.



# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 30. OFFICERS' REMUNERATION

The Accounts and Audit Regulations 2015 require certain disclosures in respect of the remuneration of senior employees in Local Authorities, in order to provide greater transparency and accountability to local taxpayers in respect of the total remuneration package for the senior team charged with the stewardship of the Council. For the purpose of this disclosure note, senior officers are defined as those collectively representing the Council's Senior Leadership Team.

There is a requirement to disclose by job title the individual remuneration for senior employees whose annualised basic salary is £50,000 or more, but less than £150,000. Any employee in receipt of an annualised salary of £150,000 or more is required to be identified by name, however this does not apply at Gedling Borough Council as no employee is paid a salary at this level.

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

The remuneration paid to the Authority's senior employees in 2021/22, and in 2020/21 for comparison, is detailed in the table below.

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

##### 2021/22

Chief Executive  
 Director of Corporate Resources & S151 Officer  
 Director of Environment, Communities & Leisure (part year)  
 Director of Environment, Communities & Leisure (part year)

	Salary, Fees & All'wces	Exps All'wces	Benefits in Kind	Comp'n for loss of Office	Total exc Pension Contribs	Employer Pension Contribs	Total
	£	£	£	£	£	£	£
Chief Executive	129,360	68	11	0	129,439	21,756	151,195
Director of Corporate Resources & S151 Officer	82,231	0	0	0	82,231	14,966	97,197
Director of Environment, Communities & Leisure (part year)	44,332	0	0	0	44,332	8,069	52,401
Director of Environment, Communities & Leisure (part year)	6,586	0	0	0	6,586	1,198	7,784

The Director of Environment, Communities & Leisure left the Council on 28 November 2021. The replacement postholder commenced employment on 1 March 2022. For completeness, part year remuneration details for each postholder are included in the table above, as both were full members of SLT in the year.

##### 2020/21

Chief Executive  
 Director of Environment, Communities & Leisure  
 Director of Corporate Resources & S151 Officer  
 Director of Org'l Devel. & Democratic Services (part year as post deleted)

Chief Executive	115,753	4	1	0	115,758	21,044	136,802
Director of Environment, Communities & Leisure	83,424	314	50	0	83,788	15,183	98,971
Director of Corporate Resources & S151 Officer	76,266	0	0	0	76,266	13,880	90,146
Director of Org'l Devel. & Democratic Services (part year as post deleted)	60,161	0	0	0	60,161	10,367	70,528

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 30. OFFICERS' REMUNERATION (Continued)

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

#### Number of Employees in each Remuneration Band:

(excluding employer pension contributions)

£50,000 to £54,999

£55,000 to £59,999

£60,000 to £64,999

£65,000 to £69,999

£70,000 to £74,999

£75,000 to £79,999

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

2020/21 Number	2021/22 Number
5	1
4	3
1	1
0	2
2	2
0	1
12	10

### 31. EXIT PACKAGES (TERMINATION BENEFITS)

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

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

Ten compulsory redundancy was made during 2021/22, incurring liabilities of £360,634. There were no terminations agreed for reasons other than redundancy. The sum of £360,634 has 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 £	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
0 to 20,000	0	4	2	0	2	4	3,954	32,877
20,001 to 40,000	1	2	0	0	1	2	32,066	51,025
40,001 to 60,000	0	2	0	0	0	2	0	99,137
60,001 to 80,000	0	1	0	0	0	1	0	70,212
100,001 to 150,000	0	1	1	0	1	1	130,192	107,383
	1	10	3	0	4	10	166,212	360,634

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 32. POST-EMPLOYMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME

#### (i) Participation in the Pension Scheme:

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

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

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

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

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

#### (ii) Explanation of terms:

**Liabilities (obligations)** - the post employment benefits that have been promised under the formal terms of the pension scheme, plus any constructive obligation for further benefits where the authority has given employees valid expectations that such benefits will be granted. Liabilities are measured on an actuarial basis, estimating the future cashflows that will arise from them based on such things as mortality rates, employee turnover, salary growth and expected early retirements under the scheme rules, discounted to present values.

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

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

##### **Service cost - comprising:**

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

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

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

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

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

An amendment to IAS19 requires that when determining any past service cost, or gain or loss on settlement, the net defined benefit liability is to be remeasured using current assumptions, and the fair value of plan assets at the time of the event. The amendment does however note that this extra remeasurement does not need to be applied where the application of that remeasurement is not material. The Actuary has treated four events which occurred during 2021/22 as "material special events".

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

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

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

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

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

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

**Benefits paid** - payments to discharge liabilities directly to pensioners.

#### (iii) **Transactions relating to post-employment benefits:**

Pensions are accounted for in accordance with IAS19. The cost of retirement benefits are recognised in the Cost of Services in the Comprehensive Income and Expenditure Statement (page 36) when they are earned by employees, rather than when they are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, therefore the real cost of post employment (retirement) benefits is reversed out of the General Fund via the Movement in Reserves Statement (page 37). Transactions affecting the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement are shown below.

In 2018 the Court of Appeal ruled that changes made to the pension schemes for judges and firefighters were unlawful on the grounds of age discrimination, a decision known as the "McCloud and Sargeant" judgement, and this was upheld by the Supreme Court. There is still uncertainty regarding LGPS benefits due to both the McCloud and Sargeant judgement, and the 2016 "cost cap" process. The Government has published its consultation on a remedy for the McCloud and Sargeant judgement, and at the same time announced the unpausing of the 2016 cost cap process which will take into account the remedy for the McCloud and Sargeant judgement. These issues are yet to be finalised, and therefore it remains uncertain what changes may be made to LGPS benefits as a result. The Council previously included an allowance to reflect the potential impact of the McCloud case, and this has been rolled by the Actuary in obtaining the accounting results for 2021/22.

Consultation on the McCloud issue closed on 8 October 2020 and the remedial regulations are expected to be published during 2022. The Actuary does not believe that there are any material differences between the approach underlying the allowance already made and the proposed remedy, and therefore no further adjustment is deemed necessary.

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

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

As a result of a High Court ruling on the equalisation of guaranteed minimum pensions (GMPs) between genders, a number of pension schemes have made an adjustment to accounting disclosures to reflect the effect of this ruling on the value of pension liabilities. The Government published the outcome of its consultation on GMP Indexation on 23 March 2021. Barnett Waddingham have indicated that their assumptions are consistent with the consultation outcome and does not therefore believe that any adjustment to the value placed on liabilities is required.

Following a case involving the Teachers Pension scheme (the Goodwin Case) the Government has confirmed that a remedy is required in all public sector schemes, including the LGPS. A review is ongoing but Barnett Waddingham expect the impact to be minimal.

	2020/21	2021/22
	£000s	£000s
<b><u>Comprehensive Income and Expenditure Statement (CIES):</u></b>		
<b><u>Cost of Services:</u></b>		
<b>a) Service cost comprising:</b>		
Current service cost	4,427	4,862
Past service cost	311	261
<b>b) Other Operating Expenditure:</b>		
Administration Cost	36	47
<b>c) Financing &amp; Investment Income &amp; Expenditure:</b>		
Net Interest Cost	1,192	1,404
<b>Total Post Employment benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>5,966</b>	<b>6,574</b>
<b><u>Re-measurement of the net defined liability comprising:</u></b>		
Return on plan assets less interest (gain) / loss	(14,523)	(5,333)
Other actuarial (gains) / losses	0	0
Actuarial (gains) and losses on changes in financial assumptions	34,231	(7,382)
Actuarial (gains) and losses on changes in demographic assumptions	(1,390)	0
Experience (gains) and losses on the defined benefit obligation	(1,575)	310
<b>Total Re-measurements (See Comprehensive Income and Expenditure Statement on page 38)</b>	<b>16,743</b>	<b>(12,405)</b>
<b>Total Post Employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>22,709</b>	<b>(5,831)</b>
<b><u>Movement in Reserves Statement:</u></b>		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code (see note 9)	(5,966)	(6,574)

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

	2020/21	2021/22
	£000s	£000s
Employer's contributions payable to the scheme	2,173	2,153
Discretionary payments (added years, pension strain etc)	257	316
<b>Total</b>	<b>2,430</b>	<b>2,469</b>

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

	2017/18	2018/19	2019/20	2020/21	2021/22
	£000s	£000s	£000s	£000s	£000s
Present value of the funded defined benefit obligation	121,554	125,402	121,473	156,086	<b>153,702</b>
Fair value of assets	(74,855)	(80,196)	(73,829)	(88,191)	<b>(94,414)</b>
<b>Net liability arising from the funded defined benefit obligation (LGPS)</b>	46,699	45,206	47,644	67,895	<b>59,288</b>
Present value of the unfunded obligation (Discretionary Benefits)	1,909	1,777	1,533	1,561	<b>1,452</b>
<b>Net Pension Liability on the Balance Sheet</b>	<b>48,608</b>	<b>46,983</b>	<b>49,177</b>	<b>69,456</b>	<b>60,740</b>

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits. These total £155.154m, including funded and unfunded obligations.

The net pension liability of £60.740m has a substantial impact on the net worth of the authority, as recorded in the Balance Sheet, reducing it by 155%. 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 took up the option to pay a lump sum of £831,000 to the Pension Fund in April 2021, representing its full monetary pension deficit contributions for the two years 2021/22 and 2022/23. This immediately reduced the pension liability, but will be charged to revenue over the two-year period.

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

	2020/21	2021/22
	£000s	£000s
<b>Opening defined benefit obligation</b>	123,006	<b>157,647</b>
Current service cost	4,427	<b>4,862</b>
Interest Cost	2,469	<b>3,163</b>
Change in financial assumptions	34,231	<b>(7,382)</b>
Change in demographic assumptions	(1,390)	<b>0</b>
Experience loss/(gain) on defined benefit obligation	(1,575)	<b>310</b>
Estimated Benefits Paid (net of transfers in)	(4,343)	<b>(4,212)</b>
Past Service Cost including curtailments	311	<b>261</b>
Contributions by Scheme Participants	622	<b>617</b>
Unfunded Pension Payments	(115)	<b>(112)</b>
Adjustment for rounding (see offsetting adjustment on assets)	4	<b>0</b>
<b>Closing defined benefit obligation</b>	<b>157,647</b>	<b>155,154</b>

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

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

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

	2020/21	2021/22
	£000s	£000s
<b>Opening fair value of scheme assets</b>	73,829	88,191
Interest on assets	1,277	1,759
Return on plan assets in excess of interest	14,523	5,333
Other actuarial gains/(losses)	0	0
Administration expenses	(36)	(47)
Contributions by Employer including Unfunded Benefits	2,430	2,885
Contributions by Scheme Participants	622	617
Estimated Benefits paid including Unfunded Benefits	(4,458)	(4,324)
Adjustment for rounding (see offsetting adjustment on liabilities)	4	0
<b>Closing fair value of scheme assets</b>	<b>88,191</b>	<b>94,414</b>

**LGPS assets allocated to Gedling Borough Council by asset class:**

	2019/20	2020/21	2021/22	
	£000s	£000s	£000s	%
Equities	42,609	57,126	57,199	60
Gilts	3,068	2,963	2,781	3
Other Bonds	6,784	6,045	6,439	7
Property	11,008	9,010	12,131	13
Cash	3,009	4,010	5,285	6
Inflation-linked Pooled Fund	2,758	4,267	4,975	5
Infrastructure	4,593	4,770	5,610	6
<b>Total assets allocated to Gedling Borough Council</b>	<b>73,829</b>	<b>88,191</b>	<b>94,420</b>	<b>100</b>

It is estimated that Gedling Borough Council's share of the total assets in the Fund is approximately 1.44%. Information regarding the detail of the total assets held in the Fund at 31 March 2022 is summarised in the table below. This represents the percentages of the total Fund held in each asset class, split by those that have a quoted market price in an active market, and those that do not. Further information regarding the Fund's precise asset allocations is available from Nottinghamshire County Council Pension Fund as administering authority.

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

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

Asset Class		Quoted	Unquoted	Total
		%	%	%
Fixed Interest Gov't Securities	UK	3.0	0.0	3.0
Corporate Bonds	UK	2.0	0.0	2.0
	Overseas	5.0	0.0	5.0
Equities	UK	21.0	0.0	21.0
	Overseas	35.0	0.0	35.0
Property	All	0.0	13.0	13.0
Others:	Private equities	0.0	4.0	4.0
	Infrastructure	0.0	6.0	6.0
	Unit Trust	0.0	1.0	1.0
	Inflation-linked Unit Trust	0.0	5.0	5.0
	Credit	0.0	3.0	3.0
	Cash/temporary investments	0.0	2.0	2.0
<b>Total</b>		<b>66.0</b>	<b>34.0</b>	<b>100.0</b>

(v) **Basis for estimating Liabilities and Assets:**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the LGPS and the Discretionary Benefit liabilities have been assessed by Barnett Waddingham Ltd. Actuaries, an independent firm of actuaries. No differentiation has been made between the two schemes in terms of assumptions. Estimates for the Nottinghamshire County Council Pension Fund are based on the latest full valuation of the scheme at 31 March 2019 (the next triennial valuation of the Fund will be carried out as at 31 March 2022, and will set contributions for the period from 1 April 2023 to 31 March 2026). The actuary's estimate for the duration of Gedling Borough Council's liabilities is 21 years.

Significant assumptions used by the actuary as at 31 March 2022 are as follows:

**Expected return on assets:**

The discount rate is the annualised yield at the 21-year point on the Merrill Lynch AA rated corporate bond yield curve which has been chosen to meet the requirements of IAS19 and with the consideration of the Council's liabilities. This is consistent with the approach used at the last accounting date.

**Mortality assumptions:**

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

		31 Mar 20	31 Mar 21	31 Mar 22
		Years	Years	Years
Retiring today-	Male	21.8	21.6	21.6
	Female	24.4	24.3	24.3
Retiring in 20 years-	Male	23.2	22.9	23.0
	Female	25.8	25.7	25.8



# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Financial Assumptions

The financial assumptions used for IAS19 purposes are as follows, and were set with reference to market conditions at 31 March 2022.

	31 Mar 20	31 Mar 21	31 Mar 22
	%	%	%
Consumer Price Index increase	1.90	2.85	<b>3.25</b>
Salary Increase	2.90	3.85	<b>4.25</b>
Pension Increase	1.90	2.85	<b>3.25</b>
Discount rate for liabilities	2.35	2.00	<b>2.60</b>

IAS19 suggests that in assessing the future levels of long-term inflation, assumptions should be used that result in a best estimate of the ultimate cost of providing pension benefits whilst also giving consideration to the gilt market (in line with general price levels), to give an indication of market expectations. Pension benefits in the LGPS are expected to be based on the Consumer Prices Index (CPI), but as there is limited market information on CPI linked assets, the actuary first makes an assumption on the Retail Price Index (RPI), and then makes an adjustment. A Single Equivalent Inflation Rate (SEIR) approach is used to derive an appropriate RPI assumption, rounded to the nearest 0.05%, for the duration of the Council's pension liabilities, ie 21 years. An adjustment is then made by the actuary to reflect the expectation that CPI will be lower than RPI. This is consistent with the approach used at the previous accounting date. The actuary's estimate of CPI for Gedling Borough Council is 3.25%.

Salaries are assumed to increase at 1% above CPI, ie. 4.85%. This is consistent with the approach at the previous accounting date.

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.

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Sensitivity analysis:

##### Adjustment to discount rate:

Present value of total obligation

Projected service cost

##### Adjustment to long term salary increase:

Present value of total obligation

Projected service cost

##### Adjustment to pension increase and deferred revaluation

Present value of total obligation

Projected service cost

##### Adjustment to mortality age rating assumption

Present value of total obligation

Projected service cost

	£000s	£000s	£000s
	+0.1%	0%	-0.1%
Present value of total obligation	152,066	<b>155,154</b>	158,308
Projected service cost	4,248	<b>4,376</b>	4,508
	+0.1%	0%	-0.1%
Present value of total obligation	155,475	<b>155,154</b>	154,835
Projected service cost	4,378	<b>4,376</b>	4,373
	+0.1%	0%	-0.1%
Present value of total obligation	157,963	<b>155,154</b>	152,400
Projected service cost	4,507	<b>4,376</b>	4,249
	+ 1 Year	<b>None</b>	- 1 Year
Present value of total obligation	162,931	<b>155,154</b>	147,778
Projected service cost	4,571	<b>4,376</b>	4,188

#### 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](http://www.nottspf.org.uk).

#### Impact on the Council's cash flows

The objectives of the pension scheme are to keep employers' contributions at as constant a rate as possible. Contributions are set every three years as a result of the actuarial valuation of the fund, as required by the regulations. The next triennial valuation will be carried out as at 31 March 2022 and will set contribution rates for the period from 1 April 2023 to 31 March 2026 (financial years 2023/24, 2024/25 and 2025/26). 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 2022/23

The actuary's estimate of the total pension expense for the year to 31 March 2023 is £5,977,000. Service cost is estimated to be £4,376,000, net interest on the defined liability £1,555,000, and administration expenses £46,000. Expected employer contributions are £1,738,000, and contributions for discretionary benefits are £117,600, as per the Council's own budget for 2022/23.

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 33. RELATED PARTIES

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

#### **Central Government**

The UK Central Government has significant influence over the Council's general operations, being responsible for providing the statutory framework within which the Council operates, providing the majority of its funding in the form of grants, and prescribing the terms of many of the transactions that the Council has with other parties (eg. council tax bills, housing benefits etc). Grants received from government departments are included in note 11 on pages 56 to 57.

#### **Members**

Elected Members of the Council, and potentially close members of their families, exert direct control over the Council's financial and operating policies and as such must be identified as related parties. The statutory disclosure requirements in respect of Members' Allowances are satisfied by note 28 on pages 77-78. The aggregation option for individual transactions has been taken on the basis that the Council is satisfied that all the transactions entered into have been concluded in accordance with its procedures for preventing undue influence.

#### **Officers**

Officers on the Council's Senior Leadership Team (SLT), Service Managers, and the closest members of their families, have the potential to significantly influence the policies of the Council, however this is limited by the Scheme of Delegation. During 2021/22 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 79 to 80.

#### **Other Public Bodies**

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

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

Requests for information were sent to all Elected Members, members of the Senior Leadership Team, Heads of Service/Service Managers, and the Procurement Officers, explaining the requirements of IAS24, and seeking declarations to assist the demonstration of compliance with the standard. The information provided has been used in the preparation of the disclosures below. Details of outstanding debtors and creditors in respect of related parties are included within notes 19 and 21 on pages 69 and 70 respectively. The Council also maintains a register of Members' interests, together with a record of interests declared at Cabinet and Council meetings.

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

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 33. RELATED PARTIES (Continued)

<u>Organisation/Body</u>	<u>Nature of relationship</u>	Receipts £000s	Payments £000s
Citizens' Advice Bureau	Elected Member has a management interest	0	40
Gedling/Jigsaw Homes	Elected Member is a board member and/or representative	(111)	13
Mapperley Golf Club	Elected Members are representatives and/or	(77)	0
Netherfield Forum	Elected member are representatives	(1)	20
NHS Trust	Elected Member is a trust member	(268)	0
Nottinghamshire Police & Crime Commissioner's Office	Elected Member is a member of the Crime Panel	(53)	0
Nottinghamshire Fire & Rescue	Elected Members are members	(20)	0
Redhill Academy Trust	Elected Member is a board member	(30)	0
We R Here	Elected Members have significant contact	(7)	16
Other Local Authorities	Material employee relationships	(662)	673
Parish Councils	GBC Elected Members on parish councils	(50)	154

### 34. CONTINGENT LIABILITIES

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

### 35. CONTINGENT ASSETS

#### **VAT - Sporting and Leisure Services - Non-Business claim**

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

On 17 October 2020 the VAT First Tier Tribunal ('FTT') found in favour of an appeal by Chelmsford City Council that leisure services provided by local authorities were supplied pursuant to a "special legal regime", and were therefore capable of being a non-business activity, provided it could be established that treating such services as non-business would not be likely to give rise to significant distortions of competition. HMRC appealed the FTT's decision on "special legal regime" to the Upper Tier Tribunal ('UTT'). On 15 June 2022, the UTT found in favour of Chelmsford City Council.

At this stage, HMRC has not confirmed if it will seek to appeal the UTT decision on special legal regime to a higher tribunal. If it does not appeal, the significant distortion of competition point is still to be resolved and the timeframe for this is not certain.

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.

## ANNUAL STATEMENT OF ACCOUNTS 2021/22

### NOTES TO THE FINANCIAL STATEMENTS

#### 35. CONTINGENT ASSETS (Continued)

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

##### **Truck Cartel Legal Claim**

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

#### 36. EVENTS AFTER THE BALANCE SHEET DATE

The final Audited Statement of Accounts will be authorised for issue by Alison Ball CPFA, Chief Financial Officer, following approval by the Audit Committee. Events taking place after Audit Committee approval will not be reflected in the financial statements or notes. Where events taking place before Audit Committee approval provide information about conditions existing at 31 March 2022, the figures in the financial statements and notes will be adjusted in all material respects to reflect the impact of this information.

#### 37. LEASES

In anticipation of the introduction of IFRS16 from the 2024/25 financial year, the Council has been working to identify all its operating leases, both where it is the Lessor and where it is the Lessee, to ensure that these are documented and classified as required. The most significant items for Gedling are operating leases where the Council is the Lessor, and include business units. It is estimated that at 31 March 2022 the total "non-cancellable" lease rental income due in future years in respect of these leases is approximately £4.0m. Of this sum, £0.6m is due within one year, £1.3m is due between years 2 to 5, and £2.1m is due beyond year 5.

The Statement of Accounts for 2021/22 will include more detailed analysis and this will form the basis of comparator information for the introduction of IFRS16 in the following year (2022/23).

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## 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).

2020/21			2021/22		
Council Tax £000s	NDR £000s	Total £000s	Council Tax £000s	NDR £000s	Total £000s
(75,139)	0	(75,139)	<b>(79,209)</b>	<b>0</b>	<b>(79,209)</b>
(786)	0	(786)	<b>(160)</b>	<b>0</b>	<b>(160)</b>
0	(10,128)	(10,128)	<b>0</b>	<b>(18,822)</b>	<b>(18,822)</b>
<b>(75,925)</b>	<b>(10,128)</b>	<b>(86,053)</b>	<b>(79,369)</b>	<b>(18,822)</b>	<b>(98,191)</b>
0	(394)	(394)	<b>0</b>	<b>(6,068)</b>	<b>(6,068)</b>
0	(71)	(71)	<b>(389)</b>	<b>(1,092)</b>	<b>(1,481)</b>
0	0	0	<b>(58)</b>	<b>0</b>	<b>(58)</b>
0	(8)	(8)	<b>(21)</b>	<b>(121)</b>	<b>(142)</b>
0	(316)	(316)	<b>(47)</b>	<b>(4,854)</b>	<b>(4,901)</b>
<b>0</b>	<b>(789)</b>	<b>(789)</b>	<b>(515)</b>	<b>(12,135)</b>	<b>(12,650)</b>
0	0	0	<b>0</b>	<b>(22)</b>	<b>(22)</b>
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(22)</b>	<b>(22)</b>
0	11,252	11,252	<b>0</b>	<b>11,745</b>	<b>11,745</b>
57,388	2,025	59,413	<b>59,108</b>	<b>2,114</b>	<b>61,222</b>
8,574	0	8,574	<b>9,133</b>	<b>0</b>	<b>9,133</b>
3,042	225	3,267	<b>3,101</b>	<b>235</b>	<b>3,336</b>
6,284	9,001	15,285	<b>6,471</b>	<b>9,396</b>	<b>15,867</b>
739	0	739	<b>751</b>	<b>0</b>	<b>751</b>
<b>76,027</b>	<b>22,503</b>	<b>98,530</b>	<b>78,564</b>	<b>23,490</b>	<b>102,054</b>

**INCOME:**

Council Tax receivable from Taxpayers  
Transfers from General Fund  
Business Rates Receivable

**Apportionment of previous year deficits**

Central Government  
Nottinghamshire County Council  
Notts. Police and Crime Commissioner  
Combined Fire Authority  
Gedling Borough Council

**Other Income to Collection Fund**

Transitional Protection Pyts recv'ble

**EXPENDITURE:**

**Precepts, Demands and Shares**

Central Government  
Nottinghamshire County Council  
Notts. Police and Crime Commissioner  
Combined Fire Authority  
Gedling Borough Council  
Parish Councils

## ANNUAL STATEMENT OF ACCOUNTS 2021/22

### COLLECTION FUND STATEMENT (Continued)

2020/21			2021/22			
Council Tax £000s	NDR £000s	Total £000s		Council Tax £000s	NDR £000s	Total £000s
			<b><u>Other Charges to Collection Fund</u></b>			
133	51	184	Sums written off	140	87	227
584	167	751	Incr/(Decr) in Impairment Allowance	301	(31)	270
0	313	313	Incr/(Decr) in Provision for Appeals	0	819	819
0	84	84	Transitional Protection Pyts payable	0	0	0
0	204	204	Renewables	0	383	383
0	97	97	Costs of Collection	0	97	97
717	916	1,633		441	1,355	1,796
819	12,502	13,321	<b>Net Deficit/(Surplus) for Current Yr.</b>	<b>(879)</b>	<b>(6,134)</b>	<b>(7,013)</b>
308	671	979	Add Balance BFwd from Previous Yr.	1,127	13,173	14,300
1,127	13,173	14,300	<b>Balance CFwd (Surplus) / Deficit (notes 2 and 4 to the Collection Fund Accounts)</b>	<b>248</b>	<b>7,039</b>	<b>7,287</b>

**ANNUAL STATEMENT OF ACCOUNTS 2021/22**  
**NOTES TO THE COLLECTION FUND ACCOUNTS**

**1. COUNCIL TAX BASE**

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

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

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

	2020/21	2021/22
	Number	Number
	12	10
	6,342	6,312
	9,399	9,324
	7,704	7,710
	6,054	6,111
	4,515	4,547
	1,885	1,895
	1,335	1,343
	141	138
<b>Council Tax Base</b>	<b>37,387</b>	<b>37,390</b>

**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 £1.127m. By 31 March 2022, this deficit had decreased to £0.248m.

**Balance Sheet Deficit/(Surplus) Allocation:**

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

**Council Tax Deficit attributable to Gedling BC**

**TOTAL**

	2020/21	2021/22
	£000s	£000s
	849	187
	129	28
	45	10
	1,023	225
	104	23
<b>TOTAL</b>	<b>1,127</b>	<b>248</b>

**3. NON DOMESTIC RATES (NDR)**

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

	2020/21	2021/22
	£58,820,435	£61,126,248
	51.2p	51.2p
	49.9p	49.9p



## ANNUAL STATEMENT OF ACCOUNTS 2021/22

### NOTES TO THE COLLECTION FUND ACCOUNTS (Continued)

#### 4. ACCOUNTING FOR THE COLLECTION FUND BALANCE - NDR

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

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

The opening balance on the NDR Collection Fund was a deficit of £13.173m. By 31 March 2022, this had reduced to a deficit of £7.039m. The continuing impact of the Covid-19 pandemic led the Government to extend the expanded reliefs available to businesses, and accordingly reduced the Council's NDR income in 2021/22, again creating a significant deficit. The Council was reimbursed for this loss by the payment of additional S31 grants, however due to specific accounting arrangements these were received by the General Fund in 2021/22, whilst the impact of the deficit will fall in the following year.

#### Balance Sheet Deficit/(Surplus) Allocation:

Central Government

Nottinghamshire County Council

Combined Fire Authority

#### NDR (Surplus) / Deficit attributable to Gedling BC

#### TOTAL

	2020/21	2021/22
	£000s	£000s
Central Government	6,586	3,519
Nottinghamshire County Council	1,186	634
Combined Fire Authority	132	70
	7,904	4,223
NDR (Surplus) / Deficit attributable to Gedling BC	5,269	2,816
<b>TOTAL</b>	<b>13,173</b>	<b>7,039</b>

#### 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 2022 is £3,256,600, of which £208,000 and £249,300 represent Gedling's shares of NDR and Council Tax respectively. The continuing impact of the Covid-19 pandemic is uncertain, however it has been addressed when assessing the expected credit loss provisions, and the use of a collective provision matrix ensures that when arrears rise there is a corresponding increase in the expected credit loss provision.

## ANNUAL STATEMENT OF ACCOUNTS 2021/22

### NOTES TO THE COLLECTION FUND ACCOUNTS (Continued)

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

##### **Effect if actual results differ from assumptions**

If collection rates were to deteriorate, a 10% increase on the impairment percentage would require an additional total of £671,400 to be set aside as an allowance, of which Gedling's share as billing authority would be approximately £49,800 for NDR and £49,800 for Council Tax. The collection rate for Council Tax in 2021/22 was 98.06%, and the rate has not varied by more than +/- 0.25% in any of the past five years. The collection rate for NDR in 2021/22 was 97.36% which represents an improvement of 2.28% on that for 2020/21, which was lower due largely to the Covid-19 pandemic.

##### **(ii) Appeals:**

##### **Uncertainties**

The Business Rates Retention scheme introduced a requirement to maintain a provision for rating appeals. The system is complex and neither the number of successful appeals nor the percentage reduction in rateable value (RV) achieved can be pre-determined. The current provision totals £4,121,300 of which the Council's share as billing authority is 40%, ie £1,648,500.

##### **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 £206,100. Of this, the Council's share as billing authority would be 40%, ie. £82,400.

# **Audit Statements**

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# **Accompanying Statements**

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## 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 local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2016)*. A copy of the authority's local code is on our website at <https://www.gedling.gov.uk/council/aboutus/financeandaccounts/> or can be obtained from the Director of Corporate Resources, Gedling Borough Council, Arnot Hill Park, Arnold, Nottingham. NG5 6LU. This statement explains how Gedling Borough Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

### 2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives led to the delivery of appropriate cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Gedling Borough Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the Council for the year ended 31 March 2022 and up to the date of approval of the statement of accounts.

### 3. The Governance Framework

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

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

(B) Ensuring openness and comprehensive stakeholder engagement.

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

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## ANNUAL GOVERNANCE STATEMENT

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

3.2 Good governance is a dynamic process and the Council is committed to improving governance on a continuing basis through a process of evaluation and review. The Audit Committee on 16 March 2021 received the report on Gedling's "*Local Code of Corporate Governance 2021/22*" which set out in detail how the Council demonstrates that its governance structures comply with these seven core principles. An end of year review considered by Audit Committee in March 2022 has confirmed that these were in place for the whole of the financial year.

### **4. Governance Arrangements**

- 4.1 There is a governance assurance framework through which the Council satisfies itself as to the effectiveness of its system of internal control. This takes as its starting point the Council's principal statutory objectives and our organisational objectives as set out in the Council's Corporate Plan. From this are identified the key risks to the achievement of the Council's objectives as set out within the Council's corporate, directorate and service risk registers.
- 4.2 The framework identifies the main sources of assurance on the controls in place to manage those risks, and it is the evaluation of those assurances that is the basis of this Annual Governance Statement.
- 4.3 The following documents establish these policies, aims and objectives at a strategic level:
- The Corporate Plan (The Gedling Plan);
  - The Community Safety Partnership Strategy;
  - The Local Plan;
  - The Annual Budget and Performance Management Framework;
  - The Financial Strategy;
  - The Treasury Management Strategy;
  - The Internal Audit Strategy;
  - The Risk Management Strategy;
  - The Equality and Diversity Policy;
  - The Counter Fraud and Corruption Strategy.
- 4.4 These high level plans are further supported by Service Plans. The Constitution provides clear guidance on how the Council operates, how decisions are made and the procedures and protocols to ensure that decisions and activities are efficient, transparent and accountable to local citizens. Some of these processes are required by law, whilst others are determined by the Council for itself. All of these documents are within the Council's Publication Scheme and available on the Council's website at [www.gedling.gov.uk](http://www.gedling.gov.uk) or can be inspected at the Council's Civic Centre, Arnot Hill Park, Arnold, Nottinghamshire.

## ANNUAL STATEMENT OF ACCOUNTS 2021/22

### ANNUAL GOVERNANCE STATEMENT

- 4.5 Gedling's corporate governance framework defines the roles and responsibilities of the full Council, Cabinet, Scrutiny and officer functions as detailed in the Constitution, and demonstrates how the Council meets defined standards of governance in relation to its policies, aims and objectives.
- 4.6 The Council acknowledges its responsibility to ensure that it operates an effective system of internal control to maintain and operate controls over its resources. This system of internal control can only provide reasonable (not absolute) assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are prevented or would be detected within a reasonable period.
- 4.7 The internal control system includes:
- Annual review of the effectiveness of the Council's Corporate Governance Framework, including signed Assurance Statements from Directors and Heads of Service;
  - An established Counter Fraud and Corruption Strategy, including whistleblowing procedures, communicated to Members, officers and the public, and are available on the Council's website;
  - An established Audit Committee that undertakes the core functions as identified in CIPFA guidance;
  - The Terms of Reference for the Audit Committee which include specific responsibility for reviewing risk management procedures, including the reporting arrangements on strategic risks via a corporate risk scorecard;
  - A Risk Management Strategy that is led by Senior Management for the identification and evaluation of strategic and operational risks, and integrated with the work of Internal Audit to provide a holistic source of assurance aligned to corporate objectives;
  - A comprehensive risk management process that includes the identification of both strategic and operational risks which are held and maintained on corporate and directorate Risk Registers, and subject to regular review;
  - Internal audit reviews are carried out using a risk-based audit approach with the emphasis on key financial systems. This work is undertaken in co-operation with the Council's External Auditor ensuring maximum use of Audit resources, and ensures that professional standards are maintained;
  - Performance Plan monitoring, review and reporting;
  - Facilitation of policy and decision making through the Constitution, Codes of Conduct and the decision-making process, Forward Plan and role of the Scrutiny Committee;
  - The statutory roles of the Council's Head of Paid Service, Monitoring Officer and Chief Financial Officer place a duty on these post-holders to provide robust assurance on governance and ensure compliance with established policies, procedures, laws and regulations;
  - Compliance with established policies, procedures, laws and regulations are monitored through the work of the Finance and Legal staff that are adequately trained and experienced;

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## ANNUAL GOVERNANCE STATEMENT

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

### 5. **Financial Management**

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

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## ANNUAL GOVERNANCE STATEMENT

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

### 6. Review of Effectiveness

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

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

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

### 6.3 Assurance From Executive Managers

In preparing this statement each Head of Service and Director has signed an assurance checklist. The checklist requires assurance that services are operating in compliance with the Council's policies, procedures and practices and with the internal control and governance assurance framework. The checklist asked each Head of Service to draw attention to any matters in respect of which internal controls were not working well and required a positive assurance that apart from those areas which were identified for improvement that the controls within the service had been, and are, working well. Each Head of Service gave a positive assurance with no material risk issues raised. An emerging issue relating to a challenge received of possible non-compliance with legal responsibilities in the area of Public Protection income was noted and is under review and assessment.

### 6.4 Assurance from Internal and External Audit

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

External Auditor (Mazars) Value for Money arrangements:

The Code of Audit Practice issued by the National Audit Office requires External Audit to consider if the Council has proper arrangements for securing economy, efficiency and effectiveness in its use of resources, reporting by exception where they have identified significant weakness in those arrangements.

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## ANNUAL GOVERNANCE STATEMENT

The external auditor is required to report under three specified criteria:

- Financial Sustainability – How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance – How the Council ensures that it makes informed decisions and properly manages its risks;
- Improving economy efficiency and effectiveness – How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

For the year ended 31 March 2021 the External Auditor's commentary on Value for Money arrangements was positive, concluding that there were no identified risks of significant weakness, or any actual significant weakness, in the Council's arrangements.

The Head of Internal Audit (BDO) Annual Report for 2021/22, concluded:

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

- Two of the reviews undertaken this year were advisory (Risk Management and IT Architecture). These reviews do not produce audit opinions however, both were broadly positive with no material concerns identified;
- Design of controls: Substantial assurance was provided on two of five assurance audits and moderate assurance opinions were provided in three areas;
- Operational effectiveness of controls: Substantial assurance was provided on two of five assurance audits. A moderate opinion was provided for three reviews;
- Substantial assurance was reported in respect of both the design and operational effectiveness of the controls in the key areas of Main Financial Systems (MFS) and Housing Benefits which are both areas of significant importance and activity for the Council;
- Management has responded, in the majority of occasions, positively to reports issued and plans have been developed to address the recommendations raised. We have noted however that there is frequently a delay in management response to audit reports but this is not Council wide and more specific to certain departments;
- Three of the audits (Environmental Health Enforcement, Procurement and Contract Management, and Sustainable Environment) are still in draft and have not yet been finalised. These will be reported to the September Audit Committee, and the opinions given in these areas does not alter our overall audit opinion;
- The Council expect to receive external audit approval of their annual accounts for 2021/22 in November 2022 and therefore these are not yet finalised. In our discussions with external audit and management, we do not have concerns about the financial position of the Council. The Council's General Fund balance as of April 2022, as reported within the Medium Term Financial Strategy to Cabinet in February 2022, was estimated at £4,761,000 which includes S31 Grant for the funding of the 2021/22 business rates reliefs;
- Overall, an opinion of **moderate assurance**, which is our second highest level of assurance, is a positive achievement in another challenging year for local government

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

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- It should be noted however that our audits are identifying some common themes that do raise concerns. Particularly governance and performance monitoring. In addition, in some service areas we are experiencing instances of long waits for management responses to draft reports which is impacting on our ability to deliver the internal audit plan in a timely manner. This has partly been due to staffing issues and it is hoped this will now be resolved now that key posts have been filled. If these issues are not managed, there is potential for the overall assurance level internal audit opinion to weaken next year”.

The Head of Internal Audit’s Annual Report also details evidence of BDO’s own compliance with the Public Sector Internal Audit Standards against which they are externally assessed every five years. This provides assurance that the internal audit provision is effective.

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

### 7. **Significant Governance Issues**

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

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

### 7.2 Significant Issues Arising 2021/22

#### 7.2.1 Covid-19 Pandemic

The first impact of Covid-19 on our governance arrangements emerged in March 2020, had a significant impact throughout 2020/21 and continued into 2021/22 with the emergence of the Omicron variant. Whilst the direct impact of Covid-19 is currently lessening in 2022/23 it continues to impact on service delivery with a backlog of work to deliver the Gedling Plan still outstanding.

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

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

#### Council Decision Making and Meetings

During 2020/21 when setting up the Incident Management Team structure in response to the Covid-19 pandemic, it was clear at an early stage that rapid decisions would need to be made to close facilities and suspend services in response to changes in government policy or staffing issues. In order to ensure established governance arrangements were maintained and Constitutional and legislative requirements complied with, an emergency decision making process was adopted.



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Whilst the Constitution contains a delegation to the Chief Executive to make urgent decisions, given the magnitude of the potential impact of those decisions both in relation to the community and the Council's finances and to ensure transparency in decision-making, it was agreed that the Leader would make all Covid-19 response related decisions after consideration of a written report. Decisions were published on the Council's website in the usual way. These arrangements continued in 2021/22 proportionate to the ongoing Covid-related impacts.

Previously the Council had not had the power to hold meetings remotely and therefore when Covid-19 restrictions were imposed in March 2020, Council, Cabinet and Committee meetings had to be cancelled until further notice. The Procedural Rules included in the Constitution apply to remote meetings in the same way as they do for other meetings of the council; however additional Rules for holding remote meetings, were agreed by the Chief Executive in consultation with the Mayor on 10 May 2020. Virtual meetings recommenced in June 2020 and continued until the High Court ruled that virtual council meetings could not lawfully take place after 6 May 2021 and suitable arrangements were put in place to ensure a safe return in accordance with social distancing requirements with appropriate attendance levels to ensure effective decision making continues.

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

### Impact on Service Delivery

At the onset of the pandemic it was quickly recognised that effective Business Continuity Planning was vital to ensuring the continued operation of key services. A new Business Continuity Policy and Business Continuity Impact Assessment guidance was formally approved by Cabinet and a full suite of Business Continuity Plans covering all business continuity risks was completed for the whole organisation during 2020/21. This represented an improvement in the governance arrangements. Covid specific risk registers were completed and reviewed throughout 2020/21, continuing in 2021/22.

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

Enabling home working involved a rapid deployment of agile working guidance and equipment and ensured there was no compromise to IT security or the safety of staff. Investment in IT continued in 2021/22 to ensure all office staff were able to work in fully flexible way and be responsive to emerging risks as they arise.

Formal emergency planning arrangements including command structures and communication arrangements were in place throughout 2020/21 and 2021/22 providing sound controls to support the effective response to the rapidly changing circumstances through the various stages of lockdown. The command structures were finally stood down in March 2022 following the success of the vaccine programme in reducing the impact of the virus in the community. A review of Covid-19 response will be completed in 2022/23 by the Strategic Resilience Group to ensure lessons learned feed into future emergency planning arrangements.

### Financial Impact

The Covid-19 pandemic had a material impact on the finances of the Council during 2020/21 which continued in 2021/22 with the total direct cost to the Council not funded by Government being in the region of £1.1m. Some of the direct costs are expected to continue in the medium term.

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A revised Medium Term Financial Plan incorporating the ongoing impact of Covid-19 related risks and assumptions was presented to Council in March 2022 together with the revised Gedling Plan ensuring available resources are effectively aligned to priorities and the delivery of sustainable outcomes. This included a review of the current efficiency programme and the approval of a new efficiency programme for delivery over 2022/23 to 2024/25 to secure a sustainable financial position and value for money. The successful delivery of the efficiency programme is a key challenge for the Council and is closely monitored to identify any emerging risks at the earliest opportunity.

### Future Service Impacts

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

The Gedling Plan is a key aspect of the Council's governance framework and essential in defining sustainable outcomes in terms of economic, social and environmental benefits and has now been fully reviewed and approved by Council both in March 2021 and March 2022 ensuring actions to address the ongoing impacts of Covid-19 are embedded within it, including actions that have been deferred due to reduced capacity arising from the required Covid response work.

The planned review of the Risk Management Strategy was deferred due to the impact of the Covid-19 response work and will now be completed in 2022/23. Risk Management processes continued to be effective throughout 2021/22 with regular updates of the Risk Management Scorecard being considered by Audit Committee and Overview and Scrutiny Committee. Other deferred actions related specifically to governance arrangements are noted in the Action Plan below.

### 7.2.2 Management Arrangements and Workforce Capacity

The Council approved a review of the senior management structure as part of its efficiency programme with a phased implementation timescale recognising the need to balance the requirements of delivering efficiencies with appropriate management capacity to ensure effective governance and the continued delivery of strategic objectives. Phases 1 and 2 were delivered by the end 2020/21 and phase 3 commenced in 2021/22, with the remaining services to be reviewed early in 2022/23.

It was recognised at the outset that new ways of working will be required to ensure successful delivery and there is potential for some capacity reductions to arise during this period of change which may impact on governance compliance and service planning which will require appropriate prioritisation to ensure Gedling Plan delivery is aligned to resources and to maintain staff morale.

As detailed in paragraph 7.2.1 and 7.2.3, the risk to workforce capacity is further exacerbated by the impact of Covid-19 pandemic and resulting backlogs and the emerging cost of living of living crisis.

The Head of Internal Audit's opinion detailed at paragraph 6.4 identifies a concern about the timeliness of management responses to draft reports and the implementation of agreed audit actions. Staff capacity issues are acknowledged as a potential reason for this arising which need to be addressed.

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### 7.2.3 Economic Downturn and Cost of Living Crisis

The aftermath of the Covid-19 pandemic and post-Brexit supply side shortages and labour shortages, together with Russia's invasion of Ukraine and subsequent Western sanctions, have created a 'perfect storm' culminating in an adverse impact on the economy, dampening growth with inflation rising significantly above the Bank of England target levels which is now expected to remain elevated well into 2023.

The impact of economic downturn and resulting so called 'cost of living crisis' emerged towards the end of 2021/22. The Annual Governance Statement assesses governance in place during 2021/22 so for the majority of the year our governance was unaffected by the impact of cost of living crisis. Whilst the impact at the end of the 2021/22 financial year was not material, its ongoing impact will be significant and raises issues that will need to be addressed in 2022/23.

Key potential risk issues will be monitored via the established Risk Management process and include:

- a direct impact on service delivery and workforce capacity arising from increased service demand pressures and new initiatives to support vulnerable households, for example, implementation of the government's Energy Bills Rebate Scheme and the Council's own Council Tax Hardship Relief Scheme;
- Interrupted supply chains directly affecting service delivery;
- Budget pressures due to rising inflation for example pay pressures, fuel and utilities, reduced fees and charges income.

A mid-year review of the Medium Term Financial Plan will be required to consider the impact of the economic downturn on the financial sustainability of the Council. Key risk issues will be considered, including the impact of rising prices e.g. pay pressures, fuel and utilities, the potential adverse supply impacts on service delivery, and increasing service demand pressure from vulnerable households. The review will form an important aspect of financial management to inform the 2022/23 budget process to secure a sustainable financial position and ensure the successful delivery of the Gedling Plan continues to be supported.

### 7.2.4 The CIPFA Financial Management Code

CIPFA has introduced the Financial Management Code (FM Code) 2019, which sets out for the first time, the standards of financial management for local authorities. Adoption of the Code was required from 1 April 2021 and was included the Annual Governance Statement (AGS) Action Plan for 2021/22. A self-assessment providing assurance that the standards of the FM Code are being met was considered by Audit Committee in September 2021 and some improvement actions were noted.

The implementation of actions is progressing well with the majority being implemented and outstanding actions are carried forward in the AGS Action Plan for delivery in 2022/23 as detailed in the paragraphs below, including for example, implementation of the Officer Declarations of Interest process.

It should be noted that compliance with the FM Code is an ongoing requirement and new actions to both maintain and improve standards will be a normal feature of securing effective financial management and continuous improvement.

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### 7.3 Action Plans

#### 7.3.1 Review of Progress in 2021/22

The 2020/21 Annual Governance Statement (AGS) identified the following control or risk issues and some issues deferred from the previous year which whilst not significant were included, through its proactive and holistic approach to Governance. The progress is detailed below:

2021/22 AGS Actions:

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

*The training programme commenced in 2019/20, covering Local Government Governance Basics; Reporting and Decision Making; Contract Standing Orders and Procurement; Contracts Risk Management; Members Code of Conduct. Further training was delivered during 2021/22 including Fraud Awareness Training. Due to the ongoing impact of Covid-19 response work, the adoption of the Constitution was completed in March 2022 and associated training will now take place in 2022/23 to include Financial Regulations, Contracts and Procurement Rules and the development of Fees and Charges.*

**Updated Action: Chief Financial Officer and Monitoring Officer – March 2023.**

- Officer Declaration of Interests – *The review of the Counter Fraud and Corruption Strategy identified improvements to the process for officer declaration of interests that was due to be implemented in 2021/22 but has been deferred due to the impact of the Covid-19 response work.*

**Updated Action: Chief Financial Officer and Monitoring Officer – March 2023**

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

**Watching brief: Senior Leadership Management Team. Actions to ensure compliance with the changes in legislation have been implemented. Monitoring throughout 2021/22 was completed and will be ongoing in 2022/23.**

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

**Action: Chief Financial Officer/Senior Leadership Team – Completed September 2021**

- Sustainable Medium Term Financial Plan (MTFP) – *Review and monitoring of MTFP risks and assumptions to determine if further action is required to secure value for money and a sustainable position: the delivery of the efficiency programme and performance of commercial operations; review of financial settlement and funding streams; the ongoing impact of Covid-19 including the emerging risks of an economic downturn.*

**Action: Chief Financial Officer/Senior Leadership Team – Completed February 2022**

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

#### **Watching brief: Senior Leadership Management Team completed**

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

#### **Action: Senior Leadership Team/Monitoring Officer – Completed March 2022**

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

#### **Action: Director of Corporate Resources – Completed October 2021**

- Risk Management Strategy and Training – A review of the Risk Management Strategy and training to be delivered to officers and key Members was planned for 2021/22 but has been delayed due to capacity issues arising from the ongoing impact of covid and implementation of the senior management restructure will now be completed in 2022/23.

#### **Updated Action: Director of Corporate Resources – March 2023**

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

#### **Watching brief: Senior Leadership Management Team completed; ongoing in 2022/23**

#### 7.3.2 Actions 2022/23

Based on our review of the Governance Framework, the following control and risk issues will be addressed in 2022/23. Whilst not all actions represent significant issues, all planned governance actions are included to provide a proactive and holistic approach to Governance:

- Sustainable Medium Term Financial Plan – A mid-year review of the Medium Term Financial Plan will be presented to Cabinet to consider the emerging risk of the economic downturn, increasing inflationary pressures and supply chain issues arising from the aftermath of the Covid-19 pandemic and Brexit, and the war in Ukraine. To consider the impact of rising prices, including pay pressures, fuel and utilities, the potential adverse supply impacts on service delivery, and increasing service demand pressures from vulnerable households. A budget consultation will be completed during the summer to inform the development of the future Gedling Plan 2023-27 to ensure service priorities are aligned to the resources available.

#### **Action: Chief Financial Officer/Senior Leadership Team – Autumn**

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- Workforce Capacity – To monitor the emerging risk of restrictions on workforce capacity to the delivery of the Gedling Plan and to governance compliance. Prioritise Gedling Plan actions to ensure alignment with resources available and to maintain staff morale. Workforce capacity is being impacted by: Covid-19 service impacts and the resulting backlog of service plan actions; implementation of the management restructure to deliver required efficiency savings requiring new ways of working to ensure success resulting in capacity reductions during this period of change; and the cost of living crisis increasing demands to support for vulnerable households.

**Action: Senior Leadership Management Team - Ongoing**

- Emergency Planning Arrangements and Business Continuity Plans – A review of emergency planning arrangements to incorporate lessons learned from the Covid-19 pandemic response and an update of all Business Continuity Plans to ensure they are fit for purpose for all business continuity risks. To include emergency planning training, in particular related to cyber risk.

**Action: Head of Governance and Customer Services - March 2023**

- Audit Committees in Local Authorities – To review and adopt: the principles of CIPFA's Position Statement: Audit Committees in Local Authorities, which was published early in 2022/23 and aims to ensure that effective audit committee arrangements are in place in order to meet statutory responsibilities; the latest recommendations regarding independent audit committee members being proposed by Government following the Redmond Review and the introduction of the new Audit Reporting and Governance Authority. To determine and deliver appropriate training for committee members.

**Action: Chief Financial Officer – March 2023**

- Financial Management Code Compliance Update – Ongoing monitoring of compliance with the Financial Management Code and implementation of planned actions.

**Action: Chief Financial Officer – March 2023**

- Internal Audit Actions Implementation – to implement system improvements to support the monitoring and timely implementation of internal audit actions by management.

**Action: Head of Finance and ICT - September 2022**

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

Mike Hill  
Chief Executive

Date:

John Clarke  
Council Leader

Date:

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