Ashfield

DISTRICT COUNCIL

Statement of Accounts

2017/2018

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Narrative Report

1. Introduction to the Council

We are very pleased to present Ashfield District Council's Statement of Accounts for 2017/18. Whilst by their very nature the accounts are backward looking, they do provide the context of the challenging financial position of the Council.

Budgeted Central Government formula funding in respect of Revenue Support Grant, New Homes Bonus and Retained Business Rates has fallen by 12.7% (£1.2m) between 2016/17 and 2018/19. There is greater reliance than ever before on the revenue raised from Business Rates (37% of funding in 2018/19 compared to 34% in 2017/18) however, there is uncertainty from 2020/21 regarding amounts to be retained by the Council and distributed to others under the Government's Fair Funding Review and Business Rate Retention proposals.

Despite these financial challenges, the new Administration at the Council is committed to seeking more efficient ways of providing services to residents whilst also being a more enterprising and commercial organisation. Our commitment is demonstrated through our achievements in 2017/18.

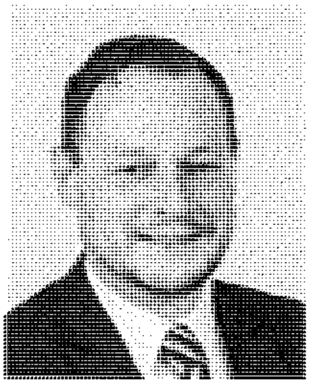
During 2017/18 Ashfield has:-

- **Co-located the Department of Works & Pensions** within its new shared reception area at the Urban Road offices which has allowed for a more streamlined customer experience as well as generating around £80k annual rental income for the Council.
- **Developed Ada Lovelace House**, a building within Kirkby-in-Ashfield, which now provides spaces for local start-up businesses and small to medium sized enterprises.
- **Added Solar Panels to buildings at the Northern Depot** to reduce energy costs and protect the environment.
- Invested £1.8m into the **development of the Idlewells Market** providing a modern more accessible facility encouraging new businesses into the area.
- Enabled **more convenient and cost efficient methods for paying the Council** through the closure of Cash desks.
- **Progressed its commercial strategy, purchasing four properties** providing net annual revenue of £592k for 2018/19. A further two properties were purchased at the end of the financial year increasing net revenue income to £1 million per annum.
- **Undertaken reviews of the services it delivers**, changing systems and processes to provide more streamlined and efficient services at reduced cost. This is projected to provide savings of £442k for 2018/19.
- **Progressed the purchase of nine new family homes** within Hucknall to add to the social housing stock.
- Identified residential properties which were occupied despite being reported as empty resulting in an **increase in New Homes Bonus (£110k better than forecast) for 2018/19.**
- **Successfully prosecuted a health and safety case.** The defendant was required to pay the Council's costs therefore the provision prudently set aside was no longer required resulting in a net reduction to the Council's net expenditure.

- In the run up to Universal Credit **recruited an additional Money Advice worker** to help tenants meet their rent liabilities resulting in a record low in the level of rent arrears for 2017/18.
- Undertaken **a review of its use of IT** to aid its Transformation Programme, which aims to deliver services electronically in a more responsive and convenient way to our residents. This work is on-going.
- Undertaken **a review of assets and investigated alternative delivery models** to enable housing development. This work is on-going.

The saving targets for 2017/18 of £820k for the General Fund and £324k for the Housing Revenue Account have been achieved.

We know that further financial challenges lie ahead and the new Administration are making early plans to address these. The 2017/18 accounts demonstrate the Council's success in delivering quality services within budget and this will put the Council in a good position in respect of addressing future funding gaps.



Jason Zadrozny

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Cllr Jason Zadrozny - Leader of the Council

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Robert Mitchell - Chief Executive

An Introduction to Ashfield

Ashfield is situated within North Nottinghamshire and serves a population of approximately 124,000 consisting of three towns (Kirkby-in-Ashfield, Sutton-in-Ashfield and Hucknall) and a number of rural villages. The area boasts a mix of beautiful countryside, complemented by award winning urban and country parks.

With excellent transport links through the M1 motorway, rail and tram links, Ashfield is an ideal business location. Ashfield generates approximately £34.3m from business rates and retains £5.5m, the remaining amount being distributed to the Government, Nottinghamshire County Council and Nottinghamshire Fire & Rescue Authority.

New properties continue to be built within the District (an average of 480 properties a year) which has assisted the growth in the Council Tax base, however the majority of properties within the District are categorised at the lowest band (Band A) for Council Tax billing purposes. Of the £59.3m of Council Tax raised in 2017/18, the Council received £5.87m (9.9%).

The Council is committed to providing good quality housing and has continued to invest in its housing stock. During 2017/18 £4.9m was spent to maintain Council houses to the Decent Homes Standard. The Council has 6,744 council houses as at 31st March 2018.

Ashfield has traditionally relied on the manufacturing sector but recognises the need to move to a more diverse local economy offering 'high value added' services and manufacturing. Whilst average unemployment in the District fell by 0.4% between June 2016 and 2017, the unemployment rate remains higher than the national average. Those in employment on average earn less than the average weekly pay in England. There is therefore a need for financial support; the Council made housing benefit payments of £31.5m supporting 8,422 claimants at 31st March 2018.

The Council is working with its partners to address the skills gap and promote the area as a place to invest, particularly for Creative, Business Professional Financial Services, Advanced Manufacturing and Knowledge Based Industries.

Organisational Delivery.

The Council consists of 35 Councillors. Within Ashfield, there are two parishes, Selston Parish Council and Annesley & Felley Parish Council who provide additional services to residents within their respective areas. Selston Parish Council adopted a Neighbourhood Plan for the Parish following a Referendum in October 2017. The Teversal, Stanton Hill and Skegby Neighbourhood Forum's Neighbourhood Plan was also approved in October 2017.

Ashfield also has key relationships with the following organisations:

- Mansfield District Council and Newark & Sherwood District Council for owning and operating the Mansfield Crematorium.
- Mansfield District Council for delivering shared services to both authorities (Human Resources & Payroll, Homelessness Services, Regeneration and Legal Services).

- Broxtowe Borough Council sharing an Estates Manager, whilst Ashfield provides Business Rates processing support.
- J. Tomlinson Ltd, our delivery partner for completing capital improvements in the council housing stock.
- Sports & Leisure Management Ltd for operating the Council's leisure centres.
- Nottingham City Council for Procurement, previously Bassetlaw District Council until 31st March 2018.

Since October 2016, the Council has provided housing services directly to its tenants further to closure of its Housing Company, Ashfield Homes Ltd.

In terms of our workforce, Ashfield has 600 employees. This is a reduction of 36 posts compared to the previous year as a result of efficiency reviews.

2. Financial Overview for 2017/18

a. The General Fund Revenue Budget Statement

The Directorate Structure is the basis used for the management and delivery of services and for accounting purposes. The Council has five Directorates. The statement below shows the revised revenue budget compared with actual net expenditure by Directorate and by subjective analysis.

	Revised Budget £'000	Actual £'000	Variance £'000
Subjective Analysis:			
Employee Expenses	17,565	17,294	(271)
Premises Expenses	1,441	1,472	31
Transport Related Expenses	2,396	2,085	(311)
Supplies and Services	6,353	6,062	(291)
Transfer Payments	32,063	31,797	(267)
Central & Dept Recharges	9,284	8,702	(582)
Income	(40,497)	(40,461)	36
Recharges	(14,530)	(13,520)	1,010
Total	**14,076**	**13,430**	**(645)**
By Directorate			
Chief Executive Officer	702	806	104
Resources & Business Transformation	2,018	1,695	(323)
Legal & Governance	1,059	922	(136)
Place & Communities	9,298	9,098	(200)
Housing & Assets	998	908	(90)
Divisional Expenditure	**14,076**	**13,430**	**(645)**
Financing and Investment Income and Expenditure			
Net Interest	(198)	(187)	11
Minimum Revenue Payment	1,593	1,593	(0)
Capital Expenditure Financed from Revenue	429	478	49
	1,824	**1,884**	**60**

Funding			
Government Grants	(3,726)	(3,734)	(8)
Business Rates	(4,736)	(5,492)	(756)
Council Tax	(5,902)	(5,902)	(0)
Total Funding	**(14,363)**	**(15,128)**	**(765)**
Net General Fund Deficit / (Surplus) for the year before transfers to/from Earmarked Reserves	**1,537**	**186**	**(1,351)**
Net Contribution to / (from) Earmarked Reserves	(1,380)	(371)	1,009
Net General Fund Deficit / (Surplus) for the year after transfer to/ (from) Earmarked Reserves	**157**	**(185)**	**(342)**

Employee Costs (£271k underspent)

Direct pay (including Employer's National Insurance and Superannuation contributions) was £627k underspent to budget due to vacancies throughout the Authority. This was partially offset by £421k additional agency costs. Training and Members' Allowances were also underspent to budget by £28k and £11k respectively. The corporate severance budget was underspent by £42k. Additional costs (£28k) were incurred above budget for recruitment advertising. Other employee cost related savings amounted to £12k.

Premises Costs (£31k overspent)

Utilities costs (gas, electricity, water) were £20k overspent to budget and Markets service charges were £13k overspent. These were partially mitigated by Insurance savings (£2k).

Transport costs (£311k underspent)

The transport related expenditure budgets were predominantly underspent by within Contract Hire (£259k). This was mainly due to not purchasing new vehicles as planned during the year and therefore avoiding additional depreciation charges. As this budget was significantly underspent, there is a corresponding budget pressure against the recharges budget. Other transport budget related underspends were fuel (£53k), tyres (£11k), Mileage and lump sum payments (£20k) and other transport related savings of £10k. These underspends were partially offset by overspends on parts and maintenance (£32k) and vehicle hire (£10k).

Supplies & Services (£291k underspent)

Shared services were underspent to budget by £135k. This was predominantly due to reduced costs for the following shared service arrangements: Regeneration (£41k), Homelessness (£49k), HR (£30k) and the Community Safety Partnership (£10k). The Internal Expenses budget was also underspent by £150k mainly due to the write back of an insurance provision (£122k) relating to a Health & Safety case and a reduction to the insurance provision (£20k). Other supplies and services budget underspends included:

- Professional & Consultancy Service (£87k) – mainly due to the slippage in regeneration projects funded by the Nottinghamshire pre-development fund (£32k) and delays in completing the Local Plan (£54k) for which a carry-forward request for this earmarked funding is made.
- Equipment hire, purchase and maintenance (£30k)
- Other minor supplies and services underspend across all Council budgets.

The above underspends were partially offset by the settlement of insurance claims (£94k) and increased printing and stationery costs (£28k). £18k of this latter overspend relates to the Police elections for which income was received and £10k relates to the Selston Planning referendum.

Transfer Payments (£267k underspent)

This underspend relates mainly to the payment of Housing Benefits which are reimbursed by the Government through subsidy payments. The net underspend taking into account these payments is £192k. The underspend includes a saving of £173k for not incurring penalties for benefit overpayments following a favourable audit. The net variance to budget for Housing Benefits (of a gross value of £32m) is 0.5%.

Income (£36k under-recovery)

This net income under-recovery is mainly due to the following:

- Reduced Pest Control income (£42k)
- Reduced rent income from buildings (£24k)
- Reduced Benefits income for Discretionary Housing Payments (DHP) (£74k) – as less DHP payments were required to be made than budgeted and were recoverable by central government.
- These income shortfalls were partially mitigated by additional income from Bulk Waste collection (£13k), additional net income from glass recycling (£40k), licensing and permit income (£29k) and other additional income across all Council budgets (£22k).

Recharges (£428k net under-recovery)

The net recharges budget under-recovery is due to being unable to recover budgeted levels of recharges due to the reduced spend on contract hire (non-purchase and non-charge-out of additional vehicle costs in the year) and reduced costs of services to the Capital Programme (due to slippage on a number of schemes) and external customers.

In summary, the Divisional Net Service Expenditure is £0.645m lower than budgeted.

Financing and Investment Income and Expenditure

The variance relating to these costs was £60k higher than anticipated.

Net interest earned was £11k lower than budgeted. Direct Revenue Financing to fund the Capital Programme was £49k greater than budget due to use of de-minimis capital receipts.

Funding

Funding was £765k better than budgeted mainly due to higher Business Rates (+£756k). This £756k included £251k of additional Business Rates from the Nottinghamshire Pool. £564k of the £756k was transferred to the NNDR Equalisation Reserve (see below).

In summary, the Net Surplus before Movement to Reserves is £0.186m, £1.351m better than budgeted.

Transfer to /from Reserves

The Council made a net withdrawal from reserves of £371k as opposed to a planned withdrawal from reserves of £1.380m. The movements in reserves are recorded in the note 24 within the Statement. The key reasons for the £1.009m net reduced call on reserves are due to:-

- A contribution of £564k from in year Business Rates surpluses generated in excess of budget to the NNDR Equalisation Reserve. This is to recognise the financial impact of timing differences, which, all things being equal will result in a pressure of this value arising in 2019/20.

- An additional contribution of £255k to the Revenue Grant Reserve in respect of additional S106 income being received (£132k) and a reduced call on the planned withdrawal of S106 funding during the year (£54k). It also includes a further net contribution of additional grant income of £69k received during the year to meet future year commitments.

- A reduced call on the Corporate Change Reserve of £215k due to slippage on projects and vacancies within services, which enabled costs to be contained within revenue budget allocations for 2017/18.

The Net General Fund Surplus after Movement in Reserves is £0.185m, £0.342m better than budgeted.

b. Housing Revenue Account

Income	Revised Budget £'000	Actual £'000	Variance £'000
Rents, Charges and Contributions	(24,087)	(24,259)	(172)
Other Grants	0	(5)	(5)
Interest and Investment Income	(59)	(86)	(27)
Total Income	(24,146)	(24,350)	(204)
Expenditure			
Borrowing and Capital Financing Charges	3,446	3,517	71
Repairs and Maintenance	7,278	6,936	(342)
Supervision and Management	4,686	4,552	(134)
Interest Payable and Appropriations	3,542	3,547	5
Other Expenditure	227	165	(62)
Direct Revenue Financing	964	315	(649)
Transfer to/from Major Repairs Reserve	2,784	187	(2,597)
Total Expenditure	22,927	19,219	(3,708)
Surplus for the year	**(1,219)**	**(5,131)**	**(3,912)**
Net Contribution to / (from) Earmarked Reserves	**591**	**591**	**0**
Net Housing Revenue Account Deficit / (Surplus) for the year after transfer to/ (from) Earmarked Reserves	**(628)**	**(4,540)**	**(3,912)**
Less HRA Capital Programme Adjustment (February 2018)			1,727
Adjusted HRA Surplus			**(2,105)**

The Housing Revenue Account (HRA) outturn shows the income and expenditure arising from the provision of the Council's landlord functions. The HRA is ring fenced and is required to operate with a positive working balance.

The outturn for the HRA shows an in year surplus of £5.131m, before movement in reserves, bringing the total HRA balance at 31 March 2018 to £28.286m

Key reasons for variances to budget are:

<u>Income</u>

Feed-In Tariffs and Renewable Heat Incentives generated additional income of £20k.

Additional income of £63k was raised through invoices to outgoing tenants for property damage/repair works.

Additional income of £15k was raised through invoices to current tenants for property damage/repair works.

Tenant rental income was above budget by £40k from lower turnover of tenancies and the timing of Right to Buy property sales throughout the year.

Vehicles sold in the financial year generated a value of £10k.

Additional homeless properties generated an increase in rent of £13k.

'Other Grants' includes additional income of £5k for carbon saving works completed for non-traditional properties. This has been placed in a HRA Earmarked Reserve to fund future Eco-Friendly projects.

The Interest & Investment Income is greater than budget due to the internal interest received on the higher HRA surplus than initially budgeted.

Expenditure

Borrowing and capital financing charges are £71k higher than budget mainly due to depreciation charges being £74k greater than planned due to an increase in property valuations compared to the when the budget was set for 2017/18.

Repairs and Maintenance is underspent to budget by £342k due mainly to the following:

- Reduced use of subcontractors in delivering the planned maintenance schemes during the year (£130k).
- A reduction in expenditure on the materials used in the housing repairs service and stock adjustments throughout the year of £49k.
- Staff vacancy savings of £40k in the Planned Maintenance and Estate Officer departments.
- Reduced housing repairs vehicle charges of £99k mainly through not replacing vehicles on a fixed replacement programme resulting in reduced depreciation costs.
- Below budget expenditure on waste disposal due to lower levels of void property clearance undertaken in the year of £13k.

Supervision and management budgets underspent by £134k. The principal reasons for this variance are:

- Reduced corporate and service specific training commissioned from the HR shared service (£24k).
- Community centre costs are lower than expected as a result of lower recharges from Asset Management of £21k.
- Less repairs, maintenance and cleaning than the revised budget across the Housing Courts Schemes of £29k.
- Lower costs for utilities across the Housing Courts Schemes of £19k.
- Reduced costs in the running of the Brook Street Office (£46k).
- Reduced spend on the stock condition survey which was partially completed in 2017/18 (£13k). A request to carry-forward the balance of the earmarked funding to meet the costs to be incurred in 2018/19 is proposed.
- Tenancy Services have achieved a saving of £35k through a change in service delivery arrangements, reduced use of waste skips and vacancy savings.

These underspends are partially offset by:

- Costs of £13k incurred in the furnishing of additional homeless properties ready for occupation.
- Asset Management restructure redundancy and pension strain costs of £52k for the HRA Procurement section.

Within 'other expenditure' there were council tax payments made for empty council houses which were £37k lower than the level budgeted and there has been a decrease in the contribution to the bad debt provision of £25k compared to the budget.

Direct Revenue Financing was £649k less than budget due to slippage in Capital Programme schemes.

Use of the Major Repairs Reserves is (£2.597m) lower than forecast as a result of reduced capital expenditure.

c. Capital Expenditure and Financing

The 2017/18 outturn position for Capital Programme is £2.250m below budget and is shown on the following page.

The main reasons for variances are:

- Housing Revenue Account (HRA)

There have been underspends on the majority of the HRA capital schemes:

  - Catch Up and Major Repairs – A significant reason for this underspend is the rejection by some tenants for the works to be completed on their Council properties (£394k).
  - Exceptional Extensive Works to Non Traditional Properties – Delays in obtaining planning approval (£200k).
  - Investment in Additional Council Dwellings – Delays with the building scheme (£163k).
  - Major Repairs to Temporary Accommodation – Project deferred until 2018/19 (£113k).

- General Fund

The majority of General Fund capital schemes are underspent in the year. The main reason for these underspends are as follows:

  - Leisure Transformation Programme – Delays in agreeing the scope of the project (£317k).
  - Glass Recycling Project – The actual cost of glass containers was significantly less than budget (£129k).
  - Garden Waste Scheme – No costs were incurred in 2017/18, this capital scheme has now concluded (£120k).

- Solar PV installations – Completion of this work is now due to start in 2018/19 (£236k).
- Investment Properties – The purchasing costs for these properties (including agent fees and Stamp Duty Land Tax) was less than budget (£119k).

- Funding

The funding requirement for the capital programme has reduced as a direct result of the lower than anticipated capital expenditure in the year as described above.

The Council can borrow for any purpose for which it is legally entitled to incur expenditure. The Council sets its borrowing limits annually based upon tests of affordability and prudence. The current borrowing limit is £130m with an operational boundary of £120m.

Capital Expenditure and Financing

Scheme	**Capital programme**	**Actual Expenditure**	**Variance**
	£000's	**£000's**	**£000's**
Housing Revenue Account			
Management Fee	578	579	1
Catch up and Major Repairs	3,322	2,928	(394)
Service Improvements	377	349	(28)
Contingent Major Repairs	68	25	(43)
Exceptional Extensive Works	819	619	(200)
Disabled Adaptations	500	410	(90)
Major Repairs Temp Accommodation	113	0	(113)
Investment in Additional Council Dwellings	358	195	(163)
HRA - New Year Vehicle Replacements	131	107	(24)
Darlison Court (New Builds)	105	103	(2)
Other Housing Revenue Account Schemes (less than £100k each)	124	84	(40)
Total Housing Revenue Account	**6,495**	**5,399**	**(1,096)**
General Fund			
Acacia Avenue Rec - General Improvements	241	225	(16)
Clegg Hill Drive	1,200	1,148	(52)
Crematorium Capital Additions	0	212	212
DFG grants	869	831	(38)
Garden Waste Bins	120	0	(120)
Glass Recycling Project	750	621	(129)
Idlewells Market Hall	1,177	1,177	0
Investment Properties	15,100	14,981	(119)
Kings Mill Reservoir Desilting	164	143	(21)
Leisure Transformation Programme	340	23	(317)
New Year Vehicle Replacements	1,459	1,401	(58)
Office Accomm Works (DWP) Ground Floor	575	573	(2)
Solar PV Installations Leisure Centres	236	0	(236)
Vehicle Tracking Scheme	135	132	(3)
Other General Fund Schemes (less than £100k each)	897	642	(255)
Total General Fund	**23,263**	**22,109**	**(1,154)**

Total Expenditure	**29,758**	**27,508**	**(2,250)**
Funding			
Major Repairs Reserve	5,418	3,664	(1,754)
Borrowing	19,918	19,134	(784)
Government Grants and Other Contributions	2,842	2,069	(773)
Revenue Contributions	0	315	315
Reserve Contributions	469	690	221
Capital Receipts	1,111	1,636	525
Total Funding	**29,758**	**27,508**	**(2,250)**

d. Valuation of Assets

- Impairment of Council Dwelling Assets

When revaluing Council Dwellings, the Government requires that the East Midland Adjustment Factor be applied. The Adjustment Factor is used to reduce the valuation of social housing from the market level to a level, which reflects the Government's assessment of valuation taking account of right to buy and other factors.

A desktop valuation of all Council Dwellings was undertaken at 31st January 2018, which has resulted in £4.8m being credited to the Revaluation Reserve. The valuation has required that £5.9m of Capital Expenditure be impaired. Additionally, £1.4m of prior year impairments have been reversed this year due to upwards revaluations. This has resulted in a net impairment charge of £4.5m.

- Impairment of General Fund Assets

Capital works £0.8m to accommodate the Department of Work and Pensions (DWP) and the Police at Urban Road Offices have been written off as they have added no extra value to the Office Building. In addition, capital works of £0.3m to the Ada Lovelace building in Kirkby in Ashfield have been written down as they do not increase the value of the building. Other Impairment made during the year has reduced the value of assets by £0.2m. A valuation of the Commercial Properties has reversed £0.1m impairment previously charged. The total General Fund net impairment charge for the year is £1.2m.

- Depreciation

The depreciation charge has increased by £0.7m to £5.6m in 2017/18. The main reason for this increase is due to the upward revaluation in Council Dwellings and Sports Centres following valuations completed in 2016/17.

e. Pension adjustment

The Council is a member of the Nottinghamshire County Council Pension Fund. As at 31st March 2018, the Pension Reserve deficit was £96.697m compared with £104.262m at 31st March 2017. An adjustment of £7.565m is therefore reflected in the accounts. This has arisen as a result of a reduction in the defined benefit obligation. The Pension Reserve shows a deficit of £100.469m, against a Pension Liability of £96.697m, a difference of £3.772m. This is as a result of a prepayment being made for financial years 2018/19 and 2019/20.

f. Trade Union (Facility Time Publication Requirements) Regulations 2017

There were 17 relevant trade union officials during 2017/18, all of whom spent between and 1% – 50% of their working hours on facility time. The cost of this represents 0% (0.00098%) of the total pay bill.

Time spent on paid trade union activities, as a percentage of total paid facility time hours was 0%.

3. Future Developments in Service Delivery and Financial Position.

Changes in Statutory Functions

There were no significant changes in the Council's statutory functions between 2016/17 and 2017/18. None are expected going forward.

Revenue and Capital Investment Plans

As outlined in the 2016/17 financial statements the Council ceased some under-utilised or heavily subsidised services in order to reduce its General Fund budget for 2017/18. The budget reduction of £820k was achieved through a wide-range of initiatives and shortly after budget setting the Council restructured its management team reducing costs by a further £38k per annum (£20k to the Housing Revenue Account).

For 2018/19, there has been an emphasis upon increasing revenue in addition to reducing costs to meet the savings target of £1 million. £990k of savings were identified, with the majority (£592k) being additional income generated from commercial property investment. On 24th May 2018, the Council agreed to invest a further £9.9m into commercial investment bringing the total amount invested to £25 million. The financial return on the current acquisitions will need to be considered for 2019/20 in light of new statutory guidance issued by the Government relating to the determination of capital financing costs. The proposed changes will also be an important factor when considering future acquisitions as outlined in the Annual Governance Statement.

The Council intends to further explore opportunities to transform its leisure centre within Kirkby-in-Ashfield either at its current site or at alternative locations within the town. It is proposed that the investment shall be funded over the longer term from reductions in operator management costs. Other assets reviews will determine those requiring investment or rationalisation to meet strategic objectives, including the requirement to deliver a net reduction in general fund budget over the medium to long term.

In respect of council housing, the stock condition survey is pending completion and the details will be used to update the HRA 30 year business plan. As previously mentioned the Council is also adding to its council housing stock through the acquisition of new-build property within Hucknall funded through HRA reserves.

It is recognised that the use of digital services can bring enormous benefits to customers, the Council, and its staff. Shortly members will be asked to consider the Digital and Service Transformation programme giving outline approval for the progression of the programme, subject to more detailed business cases during the autumn.

Summary of Capital Programme 2017/18 to 2021/22 (General Fund and HRA)

MAJOR INVESTMENT PROJECTS 2017/18 TO 2021/22 (£92m)	£ 000s
Improvement and enhancement of Council housing	41,558
Investment Properties	15,100
Additional Investment Properties	9,900
Kirkby Leisure Centre	6,000
Purchase of vehicles for the Council's fleet	5,666
Disabled Facilities Grants	4,345
Kings Mill Reservoir (The King and Miller to Kingfisher)	1,489
Purchase of Clegg Hill Land	1,200
Idlewells Market Hall Re-roof and refurbish	1,177
New Glass Recycling Bins	750
Investment in new Council dwellings	675
Work to enhance Council offices for DWP co-location	575
Other schemes, each less than £0.5m in total	3,246
	91,681

Summary of the Funding of the Capital Programme 2017/18 to 2021/22 (General Fund and HRA)

FUNDING OF CAPITAL INVESTMENT 2017/18 TO 2021/22 (£92m)	£ 000s
Developer contributions	1,879
Prudential borrowing	40,369
Capital Receipts (Housing Revenue Account)	4,165
Capital Receipts (General Fund)	34
Capital Grants and Contributions	6,528
Direct Revenue Financing (General Fund)	638
Direct Revenue Financing (Housing Revenue Account)	38,068
	91,681

Summary of the Council's General Fund Forecast Financial Position

The Council's General Fund budget is balanced in 2017/18. The table below demonstrates the (hypothetical) forecast annual deficits, which would arise if the MTFS was not in place and no ongoing savings were made.

	Projection 2018/19	Projection 2019/20	Projection 2020/21	Projection 2021/22	Projection 2022/23	Projection 2023/24
MTFS	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s
Total Net Expenditure	15,019	15,304	15,748	16,189	16,696	17,205
Total Funding	(14,900)	(13,946)	(13,800)	(14,202)	(14,511)	(14,459)
Annual Deficit or Surplus	119	1,358	1,948	1,987	2,185	2,746
Balance b/f	(4,235)	(4,116)	(2,758)	(810)	1,177	3,362
Transfer from General Fund	119	1,358	1,948	1,987	2,185	2,746
General Fund Balance	(4,116)	(2,758)	(810)	1,177	3,362	6,108

The above table represents the position as currently reported. This position will need to be revised to reflect the 2017/18 outturn.

The next table demonstrates the forecast position if the Council reduces its net expenditure initially by £500k in 2019/20, and then by an average of £538k in each subsequent year. Generally, smaller deficits ensue and the General Fund balance remains above £1.35m, which is consistent with the Council's policy for this reserve.

In the MTFS, report (February 2018) the Council set out its intention to save £500k in 2019/20. Formal targets for subsequent years have not yet been published.

	Projection 2018/19	Projection 2019/20	Projection 2020/21	Projection 2021/22	Projection 2022/23	Projection 2023/24
MTFS	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s
Total Net Expenditure	15,019	14,804	14,710	14,613	14,582	14,553
Total Funding	(14,900)	(13,946)	(13,800)	(14,202)	(14,511)	(14,459)
Annual Deficit or Surplus	119	858	910	411	71	94
Balance b/f	(4,235)	(4,116)	(3,258)	(2,348)	(1,937)	(1,866)
Transfer from General Fund	119	858	910	411	71	94
General Fund Balance	(4,116)	(3,258)	(2,348)	(1,937)	(1,866)	(1,770)

<u>Summary of the Council's HRA Forecast Financial Position</u>

The next table summarises the forecast for the HRA over the period to 2021/22.

This forecast will be updated when more information is available about:-

- Future Government policy on rents. Beyond 2019/20 the Government has announced that future rent increases to social housing rents will be limited to Consumer Price Index (CPI) plus 1% for 5 years from 2020/21. If legislation is passed to this effect, this will give the Council the security and certainty it needs to formulate a sustainable 30-year business plan for the HRA.
- The outcomes of the current Stock Condition Survey will outline the major capital investment requirement for the Council's housing stock.
- The impact of the further roll out of Universal Credit in November 2018.

Although the HRA Working Balance remains healthy over this period, these risks need to be factored into a longer-term projection, once there is more certainty.

Housing Revenue Account MTFS	**2018/19 (£ 000s)**	**2019/20 (£ 000s)**	**2020/21 (£ 000s)**	**2021/22 (£ 000s)**
Budgeted or forecast net expenditure on services	23,010	23,240	23,420	24,385
Budgeted or forecast funding	(23,375)	(22,984)	(23,277)	(23,572)
Annual deficit or surplus	**(365)**	**256**	**143**	**813**
Resultant Balance in HRA Reserve	**(24,739)**	**(24,483)**	**(24,340)**	**(23,527)**

The above table represents the position as currently reported. This position will need to be revised to reflect the 2017/18 outturn.

The Robustness of the Council's Reserves

The Medium Term Financial Strategy was updated in February 2018 and has taken into account the 2018/19 reduced net budget. No Revenue Support Grant has been assumed from 2020/21. Further to an increase in the annual amount received in respect of New Homes Bonus for 2018/19, it is anticipated that this funding will reduce to £1.2m in 2023/24 instead of 2022/23.

The impact of the 75% Business Rates Retention scheme and results of the Fair Funding Review create uncertainty and therefore represent the most significant risk to future funding. For now Ashfield has continued to prudently forecast based upon the current business rates system.

In terms of Council Tax, the current MTFS assumes a £5 increase at Band D each year until 2021/22 then 2% thereafter. The level of increase is permissible under the current rules but the limits are subject to Government review each year.

To date, the Council has been successful in achieving savings to meet its MTFS however, it recognises the importance of commercialism and innovation as well as good financial management to keep delivering savings for the future.

To assist with future transformation and fund on-going commitments the Council also has Earmarked Reserves of £5.323m (excluding the Joint Crematorium).

The level of all reserves will be closely monitored and the introduction of a Reserves Policy agreed by members on 24th May 2018 shall provide further transparency and rigour to the MTFS process.

The impact of the current economic climate on the Council and the services it provides

In addition to the funding uncertainty, other factors influence the Council:

<u>The introduction of Universal Credit.</u> Awarding Universal Credit to all new claimants of working age is planned for November 2018. No information has been provided about the Government's future plans for claimants of pension age.

The result is that the Council will continue to provide a Housing Benefit service for the foreseeable future, and will be partly dependant on the continuation of Housing Benefit Administration Subsidy in order to fund this service.

The underlying risk remains that when the Government pays benefit (Universal Credit) to claimants instead of paying directly to the local authority landlord (as with Housing Benefit), this could impact in a negative way on rent collection. There is still not enough evidence to predict accurately the potential negative impact on the Council as landlord.

<u>Economic Impact of the United Kingdom Leaving the European Union.</u> The Council receives specialist support on Treasury Management and Resource Forecasting to aid the production of its medium term plans. Treasury Management advice is that despite some recent turbulence in currency exchange rates, unemployment, interest rates and inflation are forecast to remain at consistent levels in the near future.

Performance of the authority in 2017/18 and its position at the end of the year

In December 2015, the Council agreed a new Corporate Plan. The Council's activity is performance managed over five key themes, which are its priorities between now and 2019:

- Health and Well Being
- Housing
- Regeneration
- Place and Communities
- Organisational Improvement

Overall, the outturn for the year 2017/18 also indicates a positive position:-

- 72% of measures indicating an improved position compared to the same period in the previous year, with a further 11% of performance levels only 5% (or less) lower than last year.
- 86% of measures achieving or exceeding target, with a further 8% within 10% variance of target.

Some of the key performance indicators upon which District Councils are typically judged are summarised below.

- Business rate collection levels are 0.5% higher than 2016/17 at 98.39% – a monetary value of around £180,000.
- Rent collection levels are at the highest out-turn levels achieved at 99.85% (99.74% in 2016/17). This figure places Ashfield in the top 25% of all social landlords.
- 91% of minor planning applications (90% in 2016/17) are processed within 8 weeks exceeding the target of 87%. 85% of major planning applications (91% in 2016/17) are processed within 13 weeks compared to a target of 75%.
- Council Tax collection levels are at 97.25%, a reduction of 0.06% on last year's collection rate of 97.31%.
- Year-end average void re-let times are at their lowest level of 19.3 days, 10% lower than 2016/17. Streamlining of services has helped to achieve improved performance and moves ADC into the national upper quartile performance level.
- Service requests (778) regarding litter and dog fouling are in total 19% lower than last year and a third lower than 13/14 levels. A number of campaigns have been delivered across the district in partnership with the Dog's Trust and Keep Britain tidy to raise awareness of dog fouling and littering behaviours.
- Service requests for fly tipping (892) continue to be higher (11.6%) compared to the previous year. It is acknowledged that comparatively there are also increasing trends being experienced by our nearest neighbours and nationally with increases of over 40% from 2015/16 to 2016/17. Actions are in place to improve the outcome of this indicator.
- Recycling levels have been maintained at around 41% at year-end since the roll out of the new bin scheme, with recycling levels hitting or exceeding 50% in the summer months.
- The number of payments made online have doubled (10,185) compared to last year, whilst direct debit payments have also increased by 6%.
- The number of new affordable homes delivered during the year was 30 against a target of 50 properties. Affordable homes which are built on new developments are usually purchased by Registered Providers (Housing Associations) at heavily discounted rates so that they can be let to people on the Council's waiting list. However, in recent years take up from the RPs has been reduced due to financial pressures. Developers can request that their planning obligations are varied so that they can offer different types of 'affordable' homes such as discount for sale or starter homes. Neither of these tenures are recorded in the out-turn affordable figures.

For more information relating to performance, please refer to our website at https://www.ashfield.gov.uk/your-council/about-the-council/councillors-and-meetings/ performance information is reported to the June 2018 Cabinet meeting.

4. Changes to Accounting Policies

- **14. Investment Properties -** The Council does now hold properties for investment purposes.

  The accounting policy for Investment Properties is listed under Statement of Accounting Policies, note number 14.

5. The Statement of Accounts

The accounts are prepared in accordance with the Code of Practice on Local Government Accounting in the United Kingdom 2017/18 based upon International Financial Reporting Standards (IFRS). The accounts are compliant with the Accounts and Audit Regulations (England) 2015.

The purpose of the accounts is to give electors, local taxpayers, Ashfield District Council ("the Council") Members, employees of the Council and other interested parties clear information about the Council's finances.

The Council's accounts for the year 2017/18 consist of the following main statements with supporting notes where applicable. Expanded definitions of each statement accompany each document within the accounts.

a. <u>The Statement of Responsibilities for the Statement of Accounts</u>

This statement sets out the respective responsibilities of the Council and the Chief Financial Officer for the accounts.

b. <u>Audit Certificate and Opinion</u>

The Council's accounts are subject to an external audit annually by the Public Sector Audit Appointments Ltd.'s nominated Auditor.

c. <u>The Statement of Accounting Policies</u>

This section summarises the accounting policies used to prepare the accounts.

d. <u>The Core Financial Statements</u>

- <u>The Expenditure & Funding Analysis</u>
  This statement shows how annual expenditure is used and funded from resources in comparison with those resources consumed or earned by the Council.

- <u>The Comprehensive Income and Expenditure Statement</u>
  This account summarises the amounts the Council has spent on its services and how this spending was paid for in a similar standard reported to Council.

- <u>The Movement in Reserves Statement</u>

This statement shows the movement in the different reserves held by the District Council over the year. The statement is analysed between useable reserves and unusable reserves.

- The Balance Sheet
  The Balance Sheet is a statement of the financial position of the Council as at the Balance Sheet date. It shows the assets and liabilities of the Council; the net assets on the balance sheet are matched by reserves held by the Council.

- The Cash Flow Statement
  This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

e. The Supplementary Financial Statements

- The Housing Revenue Account
  The Housing Revenue Account sets out the income and expenditure arising from the provision, management and maintenance of the Council's housing stock. This is separate from the rest of the Council's accounts and is required to operate with a positive working balance.

- The Collection Fund
  The Collection Fund shows the amounts collected for Council Tax and National Non-Domestic Rates and how this income has been distributed to Nottinghamshire County Council, Nottinghamshire Police Authority, Nottinghamshire Fire Authority and Central Government.

- The Group Accounts
  The Council is not required to produce Group Accounts as Ashfield Homes Limited ceased trading on the 30th September 2016.

f. Annual Governance Statement

The Annual Governance Statement sets out the Council's governance arrangements and highlights any areas where there are significant weaknesses in internal control.

g. Glossary of Terms and Abbreviations

A glossary of terms and abbreviations is included at the end of the document.

The Statement of Responsibilities for the Statement of Accounts

Responsibilities of the Council

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Finance Manager;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the amended audited Financial Statements.

I confirm that the amended Financial Statements were approved by the Audit Committee meeting held on
24th July 2018.
Signed on behalf of Ashfield District Council:

Councillor K.T. Rostance
Chairman of the Audit Committee

Responsibilities of the Corporate Finance Manager

The Corporate Finance Manager is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code of Practice").

In preparing this Statement of Accounts, the Corporate Finance Manager has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

The Corporate Finance Manager has also

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

I confirm that the Statement of Accounts presents a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2018.

P. Hudson, ACMA, CGMA
Corporate Finance Manager & Section 151 Officer
24th July 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASHFIELD DISTRICT COUNCIL

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Ashfield District Council ('the Authority') for the year ended 31 March 2018 which comprise the Authority Comprehensive Income and Expenditure Statement, the Authority Balance Sheet, the Authority Movement in Reserves Statement, the Authority Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes, including the accounting policies on pages 24-41.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of the Authority's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information published with the financial statements

The Corporate Finance Manager is responsible for the other information published with the financial statements, including the Narrative Report and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

Corporate Finance Manager responsibilities

As explained more fully in the statement set out on page 22, the Corporate Finance Manager is responsible for the preparation of the Authority's 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 2017/18. They are also responsible for: 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; assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Ashfield District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether Ashfield District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Ashfield District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Statutory reporting matters

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

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014;
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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

CERTIFICATE OF COMPLETION OF THE AUDIT

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

John Cornett
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

31 July 2018

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the financial year 2017/18 and its position at the year-end 31st March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and International Financial Reporting Standards (IFRS).

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

2. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;

- 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 respectively as income and expenditure 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 have 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than one working day.

Cash Equivalents are short-term investments that are of a highly liquid nature i.e. investments which mature within less than 3 months from the date of acquisition that are readily convertible to known amounts of cash with insignificant risk of change in value. The Council has deemed that deposits held within call accounts are categorised as Cash Equivalents unless they are held as part of the Council's investment strategy in which case they are treated as short term investments.

In the cash flow statement, cash and cash equivalents are shown net of any bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4. Exceptional Items

When items of income and expenditure are material, their nature and amount is 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 an 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, i.e., 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 Council'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

Service revenue accounts, support services and trading accounts are charged with the following amounts to record the real 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 Reserves against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.

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

7. Employee Benefits

a. 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 accumulated flexi time for current employees and are recognised as an expense for the services in the year in which the employees render service to the Council. An accrual is made for the cost of holiday entitlements etc. 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 the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus and Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

b. Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. These are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council can no longer withdraw the offer of those benefits or when the Council 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 Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves 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.

c. Post Employment Benefits

Most employees of the Council contribute to the Nottinghamshire Pension Fund, the Local Government Pension Scheme administered by Nottinghamshire County Council. The scheme provides defined benefits (retirement lump sums and pensions) earned as employees work for the Council.

The Nottinghamshire Pension Fund is accounted for as a defined benefit scheme:

- The liabilities of the Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions including mortality rates, employee turnover rates and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices using a discount rate based on an appropriate rate of return on high quality corporate bonds.

- The assets of the Fund attributable to the Council are included in the Balance Sheet at their fair value.

  a) Quoted securities – current bid price
  b) Unquoted securities – professional estimate
  c) Unitised securities – current bid price
  d) Property – market value

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

- Service Cost comprising

  a) Current Service Cost - the increase in liabilities as result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Account to the services for which the employees worked

  b) Past Service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Account as part of Non-Distributed Costs

  c) Net interest on the net defined liability (asset), i.e. the net interest expense for the Council – 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 of 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 contribution and benefit payments

d) Re-measurement comprising:

- the return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses - changes in the net pension 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.

e) Contributions paid to the 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 Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable to the fund 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 Council 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 Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events,

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

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts. For the purposes of consideration, Post Balance Sheet events can occur up to approval of the Statements by the Audit Committee.

9. Financial Instruments

a. Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council 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 interest rate of interest for each 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 borrowed

For most of the borrowings that the Council has, 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.

<u>Borrowing</u>

Borrowing is classed as either a long-term liability, if it is repayable after 12 months or longer, or a current liability, if it is repayable within 12 months. Borrowing is shown in the Balance Sheet at amortised cost, using the effective interest rate that applies to the individual loans that comprise the total borrowing held by the Council, plus where appropriate, the amount of external interest accrued on loans where an effective interest calculation has not been made. This applies generally to outstanding PWLB loans, where the rate of interest on the loan does not vary over the life of the loan. Generally, the interest that is charged to the Comprehensive Income and Expenditure Statement financing section is the amount due in the year under the loan agreement, except where this is adjusted under effective interest rate calculations to meet the requirements of the 2017/18 Code.

<u>Gains and Losses on Debt Re-structuring</u>

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

b. Financial Assets

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Investments are classed as either long-term assets, if repayable after 12 months or longer, or current assets, if repayable within 12 months. Investments are shown in the Balance Sheet at amortised cost, using the effective interest rate that applies to the individual loans that comprise the total borrowing held by the Council. The amount shown in the Balance Sheet represents the outstanding principal due to be repaid to the Council and the interest that is credited to the Comprehensive Income and Expenditure Statement is the amount receivable in the year under the loan agreement.

10. Government Grants and Contributions

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

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council 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 acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

Non-specific Grants

These are general grants allocated by central government directly to local authorities as additional revenue funding. They are non-ring fenced and are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement. For example, New Homes Bonus funding.

11. Intangible Assets

Expenditure on assets that do not have a physical substance but are identifiable and controlled by the Council are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

During 2017/18, no Council assets met the 'Intangible Assets' definition.

12. Interests in Companies and Other Entities

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts.

(a) Joint Crematorium Committee

The Council is a constituent member of a joint crematorium committee with neighbouring authorities of Mansfield and Newark and Sherwood District Councils. Current activities are split between all the councils based on the number of residents of each district area cremated. The balance sheet is apportioned based on the current years' cremations from each area. The Council's share of running costs and income has been included in the Comprehensive Income and Expenditure Statement and the share of assets included within the Balance Sheet using these apportionments. Due to the nature of the relationship of the Council within the committee, Group Accounts are not required for this entity. Information on the Council's share of the income and expenditure and associated assets and liabilities is shown in note 38 to the Core Financial Statements.

13. Inventories and Long Term Contracts

Inventories are included on the balance sheet at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

14. Investment Properties

The Council does now hold properties for investment purposes.

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

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

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 and 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 building elements 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.

a. Operating Leases

The Council as Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the use of the leased property plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments, (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

The Council does act in the capacity as lessor for the leases of land and properties it owns. Rents due under operating leases are accounted for on a straight-line basis as they become due. Land and property leased under operating leases are held as non-current assets within the Balance Sheet and valued in accordance with appropriate valuation practices.

Initial direct costs in negotiating and arranging the lease represent internal legal charges, which are not material so are not added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

b. Finance Leases

The Council as Lessee

Plant and Equipment held under finance leases are recognised on the Balance Sheet at the lower of the fair value of the asset at the lease inception and the present value of the minimum lease payments. The value of the asset is matched by a liability to pay the finance lessor.

The Council does not have any finance leases where it acts as lessee.

The Council as Lessor

The Council does not have any finance leases where it acts as lessor.

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 provision of services or for administrative purposes on a continuing basis are classed as Property, Plant and Equipment.

<u>Recognition</u>

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 Council and the cost of the item can be measured reliably. Expenditure that maintains but does not extend the previously assessed standard of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Property, Plant and Equipment may also include assets held under finance leases, which have been capitalised and included in the Balance Sheet at a value reflecting the fair value of the asset.

A de-minimis asset value of £10,000 has been set and expenditure on new assets of less than this amount is charged to the service revenue account as a proxy for depreciation, unless the expenditure forms part of a larger scheme.

<u>Measurement</u>

Assets are initially measured at cost, which comprises all expenditure that is directly attributable to bringing an asset into working condition for its intended use. The Council does not capitalise borrowing costs incurred whilst assets are under construction
Assets are then carried in the Balance Sheet using the following measurement bases:

Asset Category	Basis of Valuation
Property, Plant and Equipment	Fair value determined in the existing use of the asset
Dwellings	Fair value in the existing use value for social housing
Investment Properties	Fair value to reflect market conditions at the end of the reporting period

Infrastructure, community assets and assets under construction	Depreciated historic cost once the asset becomes operational

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate for fair value. Where assets have a short useful life then depreciated historical cost is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued where there have been material changes in their value, but as a minimum every 5 years. The Council's housing stock is re-valued annually by applying an appropriate housing price index to a series of beacon values at the start of the financial year.

Increases in valuations are matched by a credit to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

Where decreases in value are identified they are accounted for by a debit to the Revaluation Reserve to the extent that an accumulated gain has been recorded against that asset; where there is no balance or an insufficient balance on the revaluation reserve for that asset the write down of the asset value is charged against the relevant service within the Comprehensive Income and Expenditure Statement.

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

Costs of dismantling assets such as roofs, windows and heating systems in Council Dwellings are included in the costs paid to the main contractor. The main contractor is responsible for the disposal of the dismantled assets. The dismantled assets have been assessed by the valuer as only having a negligible value.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where there is an indication that there is a material impairment in the value of an asset when compared to the carrying value an impairment loss is recognised. The impairment loss is written down to the revaluation reserve to the extent that any balance for that asset is held within the revaluation reserve. Where there is no balance or an insufficient balance then the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement. Where an impair 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.

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 continued service use then it is reclassified as an asset held for sale. The asset is re-valued immediately before classification and then carried at the lower of this amount or fair value less costs of disposal. Where there is a subsequent decrease in the valuation determined on classification to Asset held for sale then a loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in the fair value of assets held for sale are only recognised to the extent that they reverse a previous loss recognised within the Comprehensive Income and Expenditure Statement. Depreciation is not charged on Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying value of the asset in the Balance Sheet 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 are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains relating to the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Capital Receipt Reserve within the Movement in Reserves Statement.

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 appropriated to the Capital Adjustment Account from the General Fund Balance within the Movement in Reserves Statement.

The Council does hold assets which are actively being marketed (as they were in 2016/17) and as such have again been classified as Assets Held For Sale rather than being reclassified back to non-current assets.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment over a period of their estimated useful lives; freehold land is determined to have an infinite economic life and is not depreciated, assets under construction are not depreciated until they become operational in providing services. Depreciation is calculated using the straight-line method. Assets are depreciated over the estimated economic life of the asset, which has been assessed as being the following periods:

Council dwellings	40 years
Other HRA assets	10 - 80 years
Other Buildings	10 - 80 years

Vehicles, plant and equipment	3 - 10 years
Infrastructure	10 - 40 years
Community Assets	20 years

Revaluation gains are also depreciated. The difference between the depreciation on the current value and that, which would have been charged on the historic value, is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

The Council allocates the costs of an individual asset to its various components to calculate depreciation charges where the value of the asset exceeds £500K and more than one individual component exceeds 20% of the asset value. The impact on depreciation charges for assets below the threshold is not considered material. The componentisation is based on the following elements of the asset:-

- Boilers, heating and plant systems
- Lifts
- Roofs
- Windows and doors

In terms of Council Dwellings, these assets are collectively valued in excess of £500K. However, when comparing the value of depreciation charged on a component basis compared to the current 40-year life straight-line methodology, the difference is not considered material. Council Dwellings are therefore not currently subject to componentisation but the policy is to be reviewed on an annual basis.

18. Heritage Assets

The Council's Heritage Assets held are Historical Monuments, Statues and Artwork. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, no depreciation is charged on Heritage Assets as they are deemed to have an indeterminate life and have a high residual value.

Historical Monuments
The Council has seven Cenotaphs that are located at various outside locations throughout the District. These monuments are reported in the Balance Sheet on an average replacement cost basis, which has been agreed following discussions with our internal valuer.

Statues and Artwork Collection
The collection includes Statues, Sculptures and Mosaics situated within the local town and village streets throughout the Council. The collection depicts the Council's mining and engineering history to ensure the knowledge, culture and understanding of our heritage is preserved for future generations. An artwork example would be The Flight of Fancy sculpture that represents the Rolls Royce Flying Bedstead thrust measuring machine that was developed to research the use of direct lift. These

items are reported in the Balance Sheet on an historic cost basis or on an insurance valuation basis and were mainly purchased from grant funding.

Non Balance Sheet Items

The Council also holds a collection of items that are not recognised on the Balance Sheet as cost information is not readily available and the Council believes that the benefits of obtaining the valuation for these items would not justify the cost. These items are believed to have a value of £10k or less. The majority of the collection is street mosaics, murals and sculptures purchased through grant funding or produced by the public art events. The Council has also received a number of donations including a Knitting machine and a Stocking machine dating back to the 18th and 19th century, both of which are believed to be fore runners to the Spinning Jenny. It is difficult to obtain a valuation on these two items as there is no comparable item that provides a market value. Most assets are located on public streets, in parks or on display within public council buildings. A few items are stored securely in the Council's Council Offices and not currently available for public viewing however, ways of making these items more accessible are being developed.

Heritage Assets – General

Heritage Assets are reviewed by the Council for impairments such as where an item has suffered physical deterioration or breakage. Any impairment is measured and recognised within the Revaluation Reserve. The Council works closely with the Ashfield War Memorial Committee to preserve and maintain the local historical monuments. All other Heritage Assets are reviewed and maintained as required. Disposal proceeds are disclosed separately in the notes to the financial statements and accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

19. Provisions, Contingent Liabilities and Contingent Assets

a. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council 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 to the appropriate service revenue account in the year that the Council 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 set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year; where it becomes more likely than not that a transfer of economic benefits will not be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

b. Contingent Liabilities

A Contingent Liability arises where an event has taken place that gives the Council 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 Council. 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.

c. Contingent Assets

A Contingent Asset arises where an event has taken place that gives the Council 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 Council. 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.

20. Reserves

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

The level of reserves and balances is reviewed annually to ensure they are appropriate. The General Fund Balance, Earmarked Reserve and Reserves arising from Capital Receipts together with Capital Grants Unapplied are deemed to be usable reserves in that they may be used to fund future expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments retirement benefits and employee benefits; these are termed unusable reserves and are not available to be used to fund future expenditure.

21. 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 non-current assets has been charged as expenditure to the relevant service in the Comprehensive Statement of Income and Expenditure in the year. Where the Council has decided 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 reverses out the amounts so that there is no impact on the level of council tax.

22. Value Added Tax

Value Added Tax (VAT) is excluded from all income and expenditure received and paid by the Council except where it is classed as irrecoverable by HM Revenue and Customs.

23. The Collection Fund

General

Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NNDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and NNDR collected could be less or more than predicted.

The difference between the income collected in the Comprehensive Income and Expenditure Statement and the amount by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authorities share of the year end balances in respect of Council Tax and NNDR relating to arrears, impairment allowances for doubtful debts, and overpayments and pre-payments and appeals.

i) Council Tax

The Council includes its share of the accrued Council Tax due for the year within its Comprehensive Income and Expenditure Statement. The difference between this sum and the local precept for Council and parish activities is reversed through the General Fund Balance to ensure only the level of Council Tax required to pay for Council activities is credited to the General Fund in the year. The balance is taken to the Collection Fund Adjustment Account, within the Balance Sheet.

Amounts collected on behalf of the other preceptors of Nottinghamshire County Council, Nottinghamshire Police Authority and Nottinghamshire Fire Authority are treated as either debtors or creditors depending upon the respective share of the Collection Fund attributable to these bodies at 31st March.

ii) Business Rates

The Council includes its share of accrued Business Rates due for the year within its Comprehensive Income and Expenditure Statement. The difference between this sum and the forecast amount due to the Council is reversed through the General Fund Balance to ensure only the level of Business Rates required to pay for Council activities is credited to the General Fund in the year. The balance is taken to the Collection Fund Adjustment Account, within the Balance Sheet.

Amounts collected on behalf of the other partners of the pool (Central Government, Nottinghamshire County Council and Nottinghamshire Fire Authority are treated as either debtors or creditors depending upon the respective share of the Collection Fund attributable to these bodies at 31st March.

The Core Financial Statements

Expenditure and Funding Analysis

This statement shows how annual expenditure is used and funded from resources (government grants, rents, 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 directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Expenditure and Funding Analysis (Continued)

2016/17 Net Expenditure Chargeable to the General Fund and HRA Balances	2016/17 Adjustments between the Funding and Accounting Basis	2016/17 Net Expenditure in the Comprehensive Income and Expenditure Statement		2017/18 Net Expenditure Chargeable to the General Fund and HRA Balances	2017/18 Adjustments between the Funding and Accounting Basis	2017/18 Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
115	12	127	Chief Executive Officer	511	176	687
2,011	1,054	3,065	Resources and Business Transformation	3,085	1,092	4,177
1,545	14	1,559	Legal and Governance	1,149	80	1,229
7,832	4,270	12,102	Place & Communities	10,083	3,023	13,106
1,391	661	2,052	Housing and Assets	1,444	884	2,328
(5,762)	(4,234)	(9,996)	HRA - Housing Revenue Account	(11,991)	7,738	(4,253)
0	(7,204)	(7,204)	HRA - Exceptional Item (See HRA Statement)	0	0	0
7,132	(5,427)	1,705	**Net Cost Of Services**	**4,281**	**12,993**	**17,274**
(10,406)	(1,530)	(11,936)	Other Income and Expenditure	(9,124)	(702)	(9,826)
(3,274)	(6,957)	(10,231)	**Surplus in Year**	**(4,843)**	**12,291**	**7,448**
(31,634)			**Opening General Fund, HRA and Earmarked Reserves Balance**	**(34,908)**		
(3,274)			Plus Surplus on General Fund and HRA Balances in Year	(4,843)		
(34,908)			**Closing General Fund, HRA and Earmarked Reserves Balance at 31 March**	**(39,751)**		

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2016/17 Expenditure	2016/17 Income	2016/17 Net Expenditure		2017/18 Expenditure	2017/18 Income	2017/18 Net Expenditure	Note
£'000	£'000	£'000		£'000	£'000	£'000	
221	(94)	127	Chief Executive Officer	693	(6)	687	
39,848	(36,783)	3,065	Resources and Business Transformation	38,615	(34,438)	4,177	
2,324	(764)	1,560	Legal and Governance	2,187	(958)	1,229	
17,295	(5,193)	12,102	Place & Communities	18,190	(5,084)	13,106	
2,555	(504)	2,051	Housing & Assets	3,059	(731)	2,328	
15,151	(25,147)	(9,996)	HRA - Housing Revenue Account	20,012	(24,265)	(4,253)	
0	(7,204)	(7,204)	HRA - Exceptional Item - See HRA Statement)	0	0	0	
77,394	(75,689)	1,705	**Cost Of Services**	**82,756**	**(65,482)**	**17,274**	
			Other Operating Expenditure				
		275	Parish Council Precepts			285	CF Statement
		561	Contribution to Housing Pooled Capital Receipts			555	Note 25b
		(615)	Net Loss or (Gain) on sale of Fixed Assets			(53)	Note 16
		1,926	**Total Operating Expenditure**			**18,061**	

Comprehensive Income and Expenditure Statement (Continued)

Net Expenditure £'000		Net Expenditure £'000	Note
	Financing and Investment Income and Expenditure		
3,260	Interest Payable and Other Charges	3,297	Note 10
(16)	Interest Receivable and Investment Income	(17)	
2,732	Pensions Net Interest Cost	2,714	Note 35b
5,976		5,994	
7,902	Net Operating Expenditure	24,055	
	Taxation and Non-Specific Grant Income		
(4,956)	Government Grants	(3,734)	Note 9
(2,431)	Capital Grants	(1,620)	Note 9
(4,838)	NNDR Receipts	(5,070)	Note 9
(5,908)	Council Tax	(6,183)	
(18,133)		(16,607)	
(10,231)	**(Surplus) or Deficit on Provision of Services**	**7,448**	
(28,892)	Surplus or deficit on revaluation of fixed assets	(6,291)	Note 25a
31,465	Remeasurements on pension assets / liabilities	(8,129)	Note 35c
283	Crematorium Remeasurements on pension assets / liabilities	(5)	Note 25g
2,856	**Other Comprehensive Income and Expenditure**	**(14,425)**	
(7,375)	**Total Comprehensive Income and Expenditure**	**(6,977)**	

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into useable reserves (i.e. those that can be applied to fund expenditure or reduce taxation) and other reserves.

- The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council tax setting and dwellings rent setting purposes.

- The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Movement in Reserves Statement (Continued)

The movement in reserves statement for 2017/18 is set out below.

	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	HRA Earmarked Reserves £'000	Capital Receipts Reserve £'000	**Capital Grants Reserve £'000**	**Total Usable Reserves £'000**	**Total Unusable Reserves £'000**	**Total Authority Reserves £'000**
Balance at 31 March 2017	4,392	6,295	23,746	477	0	**3,501**	**38,411**	**85,382**	**123,793**
Surplus or (deficit) on provision of services (accounting basis)	(8,239)	0	791	0	0	0	(7,448)	0	(7,448)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	14,425	14,425
Total Comprehensive Expenditure and Income	(8,239)	0	791	0	0	**0**	**(7,448)**	**14,425**	**6,977**
Adjustments between accounting basis & funding basis under regulations	7,951	0	4,340	0	130	**(449)**	**11,972**	**(11,972)**	**0**
Net Increase / (Decrease) before Transfers to/from Earmarked Reserves	(288)	0	5,131	0	130	**(449)**	**4,524**	**2,453**	**6,977**
Transfers to / (from) Earmarked Reserves	473	(473)	(591)	591	0	**0**	**0**	**0**	**0**
Increase / (Decrease) in Year	185	(473)	4,540	591	130	**(449)**	**4,524**	**2,453**	**6,977**
Balance at 31 March 2018	**4,577**	**5,822**	**28,286**	**1,068**	**130**	**3,052**	**42,935**	**87,835**	**130,770**
Notes		Note 24a	HRA Statement	HRA Note 7	Note 23c	Note 24b		Note 25	

Movement in Reserves Statement (Continued)

The movement of reserves for 2016/17 for comparison purposes is set out below

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	HRA Earmarked Reserves	Capital Receipts Reserve	Capital Grants Reserve	**Total Usable Reserves**	**Total Unusable Reserves**	**Total Authority Reserves**
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	**£'000**	**£'000**
Balance at 31 March 2016	3,895	5,472	21,967	300	0	4,032	**35,666**	**80,749**	**116,415**
Surplus or (deficit) on provision of services (accounting basis)	(4,168)	0	14,399	0		0	**10,231**	0	10,231
Other Comprehensive Expenditure and Income	0	0	0	0		0	**0**	(2,855)	(2,855)
Total Comprehensive Expenditure and Income	(4,168)	0	14,399	0	0	0	**10,231**	**(2,855)**	7,376
Adjustments between accounting basis & funding basis under regulations	5,421	0	(12,443)	0	0	(466)	**(7,488)**	7,488	0
Net Increase / (Decrease) before Transfers to/from Earmarked Reserves	1,253	0	1,956	0	0	(466)	**2,743**	4,633	7,376
Transfers to / from Earmarked Reserves	(758)	823	(177)	177		(65)	**0**	0	0
Increase / (Decrease) in Year	495	823	1,779	177	0	(531)	**2,743**	4,633	7,376
Balance at 31 March 2017	**4,390**	**6,295**	**23,746**	**477**	**0**	**3,501**	**38,409**	**85,382**	**123,791**
Notes		Note 24a	HRA Statement	HRA Note 7	Note 23c	Note 24b		Note 25	

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date (31/03/18) of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by its reserves. Reserves are reported in two categories.

- Usable reserves, i.e. those reserves that the Council 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 that may only be used to fund capital expenditure or repay debt).
- Those that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

As at 31st March 2017 £'000		Note	**As at 31st March 2018 £'000**
289,182	Property, Plant & Equipment	Note 11	291,564
803	Heritage Assets	Note 12	803
0	Intangible Assets	Note 15	0
0	Investment Properties	Note 14	14,317
1,002	Long Term Debtors	Note 19	4,772
290,987	**Long Term Assets**		311,456
14,525	Short Term Investments	Note 17	4,510
495	Inventories	Note 18	488
6,063	Short Term Debtors	Note 19	6,398
5,429	Cash and Cash Equivalents	Note 20	4,341
121	Assets held for sale	Note 21	59
26,633	**Current Assets**		15,796
(265)	Bank Overdraft	Note 20	(964)
(728)	Short Term Borrowing	Note 17	(12,030)
(8,986)	Short Term Creditors	Note 22	(8,635)
(362)	Provisions	Note 23	(381)
(10,341)	**Current Liabilities**		(22,010)
(500)	Long Term Creditors	Note 22	(4,272)
(104,262)	Pension Liability	Note 35c	(96,697)
(573)	Crematorium Pension Liability	Note 38	(551)
(1,848)	Provisions	Note 23	(1,676)
(76,305)	Long Term Borrowing	Note 17	(71,276)
(183,488)	**Long Term Liabilities**		(174,472)
123,791	**Net Assets**		**130,770**

As at 31st March 2017 £'000		Note	As at 31st March 2018 £'000
	Usable Reserves		
(4,390)	General Fund Balance	MIR	(4,577)
(6,295)	Earmarked Reserves	Note 24a	(5,822)
(23,746)	Housing Revenue Account	HRA SMB	(28,286)
(477)	HRA Earmarked Reserves	HRA Note 7	(1,068)
0	Major Repairs Reserve	HRA Note 4	0
0	Usable Capital Receipts Reserve	Note 24c	(130)
(3,501)	Capital Grants Unapplied Reserve	Note 24b	(3,052)
(38,409)			(42,935)
	Unusable Reserves		
(59,800)	Revaluation Reserve	Note 25a	(64,209)
(131,690)	Capital Adjustments Account	Note 25b	(126,373)
104,262	Pensions Reserve	Note 25c	100,469
573	Crematorium Pensions Reserve	Note 25g	568
350	Accumulated Absences Account	Note 25d	369
(27)	Collection Fund Adj Acc - Council Tax	Note 25f	(24)
214	Collection Fund Adj Acc - NNDR	Note 25f	636
736	Financial Instruments Adjustment Account	Note 25e	729
(85,382)			(87,835)
(123,791)	**Total Reserves**		**(130,770)**

Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or income generated from services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources, which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of borrowing to the Council. Further explanation supporting the Cash Flow can be found at Note 26.

2016/17 £'000		**2017/18 £'000**	**Note**
10,231	Net surplus or (deficit) on the provision of services	(7,448)	
6,104	Adjustment to surplus or deficit on the provision of services for non-cash movements	18,109	Note 26
(3,816)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(3,386)	Note 26
12,519	Net Cash flows from operating activities	7,275	
(14,535)	Net Cash flows from Investing Activities	(15,342)	Note 26
0	Net Cash flows from Financing Activities	6,280	Note 26
(2,016)	Net increase or decrease in cash and cash equivalents	(1,787)	
7,180	Cash and cash equivalents at the beginning of the reporting period	5,164	Note 20
5,164	Cash and cash equivalents at the end of the reporting period	**3,377**	Note 20

Notes to the Core Financial Statements

1. Accounting standards to be adopted

The Code of Practice on Local Authority Accounting requires the Council to disclose the expected impact of new standards that have been issued but not yet adopted by the Code for the financial year. The standards applicable for 2017/18 financial statements, which will apply from 2018/19, are:

- IFRS 9 – Financial Instruments. Based on current practice this will have no implication for the Council.
- IFRS 15 – Revenue from Contracts with Customers. It is not envisaged that this will have a material implication for the Council.

And from 2019/20;

- IFRS 16 – Leases.

2. Critical Judgements in Applying Accounting Policies

In applying the accounting policies as set out in the Statement of Accounting Polices, the Council has had to make critical judgements about complex transactions and those involving uncertainty about future events.

<u>Future Funding</u>

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

3. Assumptions made about the future and sources of uncertainty

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

The items in the Council's Balance Sheet at 31st March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

a. Business Rates Appeals

The Council has provided for £214k of potential repayments from the 2010 Business Rates Rating List, based on local knowledge and expertise. In the event that all appeals are successful the Council would incur additional repayment costs of £953k.

b. Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for Property, Plant and Equipment would increase by £514k for every year that useful lives have to be reduced.

c. Provisions

Housing Benefit Overpayments

The Council has re-assessed the provision for bad debts relating to overpaid Housing Benefits. This provision relates specifically to those cases where adjustment to on-going benefit is not possible and the debt is pursued through the usual recovery methods. Given the current position on the account and the expected rate of recovery, this provision has increased from £0.934m to £0.995m. In terms of overpaid Housing Benefit collected through on-going benefit the provision for bad debt has decreased from £257k to £256k.

d. Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in 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. This is detailed at note 35.

e. Arrears and Doubtful Debts

At 31 March 2018, the Council had a balance for outstanding debtors of £11.2m. The total impairment for doubtful debts is £2.3m, as detailed at note 19.

4. Material Items of Income and Expense

a. Pensions

The Council participates in the Local Government Pension Scheme administered locally by Nottinghamshire County Council. In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, a positive re-measurement of £8.129m (compared to a negative re-measurement of £12.030m in 2016/17) is included in 'Other Comprehensive Income and Expenditure'.

b. Impairment of Council Housing Stock

In year, capital expenditure has been impaired totalling £5.024m. Total net Housing Revenue Account impairment after allowing for impairment reversal of £0.543m is £4.481m.

5. Events after the Balance Sheet Date

The unaudited Statement of Accounts was authorised for issue by the Corporate Finance Manager, whose role includes being the Chief Financial Officer. A new individual will be taking on this role with effect from 9h July 2018 and therefore will be responsible for authorising the issue of the audited version.

For the purposes of consideration, Post Balance Sheet events can occur up to approval of the Statements by the Audit Committee on 24th July 2018.

6. A. Note to the Expenditure and Funding Analysis

The note for 2017/18 is set out below:

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes (Note 1)**	**Net Change for the Pensions Adjustments (Note 2)**	**Other Differences (Note 3)**	**Total Adjustments**
	£000	£000	£000	£000
Chief Executive Officer	0	176	0	176
Resources and Business Transformation	831	294	(33)	1,092
Legal and Governance	0	94	(14)	80
Place & Communities	2,460	611	(48)	3,023
Housing and Assets	763	106	15	884
HRA - Housing Revenue Account	3,399	348	3,991	7,738
HRA - Exceptional Item	0	0	0	0
Net Cost of Services	**7,453**	**1,629**	**3,911**	**12,993**

Other income and expenditure from the Expenditure and Funding Analysis	2,711	2,714	(6,127)	(702)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**10,164**	**4,343**	**(2,216)**	**12,291**

The comparatives for 2016/17 are set out below:

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Chief Executive Officer	2	49	(39)	12
Resources and Business Transformation	971	39	44	1,054
Legal and Governance	0	14	0	14
Place & Communities	4,166	105	(1)	4,270
Housing and Assets	647	14	0	661
HRA - Housing Revenue Account	(4,376)	20	122	(4,234)
HRA - Exceptional Item	(7,204)	0	0	(7,204)
Net Cost of Services	(5,794)	241	126	(5,427)
Other income and expenditure from the Expenditure and Funding Analysis	1,487	2,732	(5,749)	(1,530)

Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(4,307)	2,973	(5,623)	(6,957)

Note 1 – Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 2 – Net Change for the Pensions Adjustments

This column is the net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income.

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure**, the net interest on the defined benefit liability is charged to the CIES.

Note 3 – Other Differences

This column highlights other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute.

- For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference, as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

B. Segmental Income

Income received on a segmental basis is analysed below:

Services	**2017/18** **£000**	2016/17 £000
Chief Executive Officer	(6)	(94)
Resources & Business Transformation	(34,438)	(36,783)
Legal & Governance	(958)	(764)
Place & Communities	(5,084)	(5,193)
Housing & Assets	(731)	(504)
HRA - Housing Revenue Account	(24,265)	(32,351)
Total income analysed on a segmental basis	**(65,482)**	(75,689)

HRA Income in 2016/17 includes £7,204 Exceptional Item

7. Expenditure and Income Analysed by Nature

Expenditure/Income	**2017/18** **£'000**	2016/17 £'000
Expenditure		
Employee benefits expenses	26,698	21,903
Other services expenses	51,402	50,721
Depreciation, amortisation, impairment	7,370	7,516
Interest Payments	3,297	3,260
Precepts and Levies	285	275
Payments to Housing Capital Receipts Pool	555	561
Loss/(Gain) on the disposal of assets	(53)	(615)
Total Expenditure	**89,554**	83,621

Income		
Fees, charges and other service income	(65,482)	(75,689)
Interest and investment income	(17)	(16)
Income from council tax, non-domestic rates, district rate income	(11,253)	(10,760)
Capital grants	(1,620)	(2,431)
Government grants and contributions	(3,734)	(4,956)
Total Income	**(82,106)**	(93,852)
Surplus or Deficit on the Provision of Services	**7,448**	(10,231)

8. Adjustment between accounting basis and funding basis under statute

This note details the adjustments that are made to the financial position as identified within the Comprehensive Income and Expenditure Statement in accordance with proper accounting practice to the resources that are specified by statutory provision as being available to the District Council to meet future capital and revenue expenditure.

General Fund Balance
The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. However, the balance is not available to be applied to funding Housing Revenue Account (HRA) services.

Housing Revenue Account Balance
The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve
The Authority is required to maintain the Major Repairs Reserve (MRR), which controls an element of the capital resources limited to being used on capital expenditure of HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the Major Repairs Allowance (MRA) that has yet to be applied at the year-end.

Capital Receipts Reserve
The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied
The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied or the year in which it can take place.

Statement for Current Financial Period 2017/18

	General Fund Balance £'000	Housing Revenue Account £'000	Housing Major Repair Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Reserve £'000	Movement in Unusable Reserves £'000
Capital Adjustment Account						
Charges for depreciation and impairment of non-current assets	(2,211)	0	187	0	0	(2,024)
Revaluation losses on Property Plant and Equipment	(1,827)	(4,481)	0	0	0	(6,308)
Capital Grants and Contributions	1,620	0	0	0	449	2,069
Revenue Expenditure Funded from Capital under Statute	(2,902)	0	0	0	0	(2,902)
Non-current assets written off on disposal	53	0	0	0	0	53
Statutory Provision for the financing of capital investment	1,593	0	0	0	0	1,593
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(555)	0	0	0	0	(555)
Capital Expenditure charged against Revenue	690	315	0	0	0	1,005
	(3,539)	(4,166)	187	0	449	(7,069)
Capital Receipts Reserve						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	(1,766)	0	(1,766)
Use of the Capital Receipts reserve to finance new expenditure	0	0	0	1,636	0	1,636
	0	0	0	(130)	0	(130)
Pension Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(7,281)	(1,276)	0	0	0	(8,557)
Employers pension contribution payable in the year	3,293	928	0	0	0	4,221
	(3,988)	(348)	0	0	0	(4,336)

	General Fund Balance £'000	Housing Revenue Account £'000	Housing Major Repair Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Reserve £'000	Movement in Unusable Reserves £'000
Collection Fund Adjustment						
Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	(422)	0	0	0	0	(422)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(3)	0	0	0	0	(3)
	(425)	0	0	0	0	(425)
Accumulating Short term Compensated Absences Account						
Amount by which staff remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from that chargeable in the year in accordance with statutory requirements	(6)	(13)	0	0	0	(19)
Major Repairs Reserve						
Reversal of Major Repair Allowance credited to the HRA	0	0	(4,909)	0	0	(4,909)
Use of the Major Repair Reserve to finance new capital expenditure	0	0	4,909	0	0	4,909
Excess of Depreciation Charged to HRA Compared to the Major Repairs Allowance Element of Housing Subsidy	0	187	(187)	0	0	0
	0	187	(187)	0	0	0
Financial Instrument Adjustment Account						
Financial Instruments - Reconciliation to Amortised Costs	7	0	0	0	0	7
	7	0	0	0	0	7
	(7,951)	**(4,340)**	**0**	**(130)**	**449**	**(11,972)**

Statement for Prior Financial Period 2016/17

	General Fund Balance £'000	Housing Revenue Account £'000	Housing Major Repair Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Reserve £'000	Movement in Unusable Reserves £'000
Capital Adjustment Account						
Charges for depreciation and impairment of non-current assets	(2,148)	0	3,798	0	0	1,650
Revaluation losses on Property Plant and Equipment	(2,605)	7,204	0	0	0	4,599
Capital Grants and Contributions	2,431	0	0	0	466	2,897
Revenue Expenditure Funded from Capital under Statute	(1,130)	0	0	0	0	(1,130)
Non-current assets written off on disposal	(31)	646	0	0	0	615
Statutory Provision for the financing of capital investment	1,526	0	0	0	0	1,526
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(561)	0	0	0	0	(561)
Capital Expenditure charged against Revenue	226	869	0	0	0	1,095
	(2,292)	8,719	3,798	0	466	10,691
Capital Receipts Reserve						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	(1,385)	0	(1,385)
Use of the Capital Receipts reserve to finance new expenditure	0	0	0	1,385	0	1,385
	0	0	0	0	0	0
Pension Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(6,059)	0	0	0	0	(6,059)
Employers pension contribution payable in the year	3,086	0	0	0	0	3,086
	(2,973)	0	0	0	0	(2,973)

	General Fund Balance £'000	Housing Revenue Account £'000	Housing Major Repair Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Reserve £'000	Movement in Unusable Reserves £'000
Collection Fund Adjustment						
Amount by which business rate income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	(95)	0	0	0	0	(95)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(71)	0	0	0	0	(71)
	(166)	0	0	0	0	(166)
Accumulating Short term Compensated Absences Account						
Amount by which staff remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from that chargeable in the year in accordance with statutory requirements	3	(74)	0	0	0	(71)
Major Repairs Reserve						
Reversal of Major Repair Allowance credited to the HRA	0	0	(7,827)	0	0	(7,827)
Use of the Major Repair Reserve to finance new capital expenditure	0	0	7,827	0	0	7,827
Excess of Depreciation Charged to HRA Compared to the Major Repairs Allowance Element of Housing Subsidy	0	3,798	(3,798)	0	0	0
	0	3,798	(3,798)	0	0	0
Financial Instrument Adjustment Account						
Amortisation of Premiums and Discounts	0	0	0	0	0	0
Financial Instruments - Reconciliation to Amortised Costs	7	0	0	0	0	7
	7	0	0	0	0	7
	(5,421)	12,443	0	0	466	7,488

9. Grants Income

The Council received the following major government grants and contributions to the Comprehensive Income and Expenditure Statement within 2017/18.

Comparators are shown for 2016/17 for other grants and contributions.

	2017/18 £'000	2016/17 £'000
Government Grants Credited to Services		
Rent Allowances Subsidy	18,123	19,155
Rent Rebates Subsidy	13,000	13,611
Administration Grant	448	488
New Burdens Grant (Property Searches)	0	8
New Burdens Grant (Other)	96	84
NDR Admin Allowance	131	132
IER Grant	26	35
Homelessness Assistance	98	0
Other Revenue Grants	327	378
Sub Total	**32,249**	33,891
Other Grants and Contributions Credited to Services		
Discretionary Housing Payments	231	219
PCC Election Reimbursement	0	148
EU Referendum Reimbursement	0	170
Mansfield Joint Crematorium	324	349
NCC Garden Waste Contribution	732	824
Developer Contributions to Revenue (S106)	130	37
Other Revenue Grants and Contributions	870	370
Sub Total	**2,287**	2,117
Grants and Contributions Credited to Services Total	**34,536**	36,008
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant (*CIES Government Grants)	1,148	1,859
New Homes Bonus Grant (*CIES Government Grants)	2,586	3,097
Capital Grants and Contributions	1,620	2,431
Net Non-Domestic Rates Receipts	5,492	4,947
Total Grants	**10,846**	12,334

9. Grants Income (Continued)

Memorandum Account NDR	2017/18 £'000	2016/17 £'000
Retained Business Rates - transfer from Collection Fund	14,570	13,961
Tariff payable direct to Nottinghamshire County Council	(9,087)	(9,351)
2017/18 Tariff Adjustment	(51)	0
Total Retained Business Rates	5,432	4,610
Small Business & Empty Rate - Sct 31 - Grant	982	527
Business Rates Levy	(909)	(729)
Returned Levy as a result of Nottinghamshire Pooling Agreement) 2017/18	251	266
Returned Levy (remaining 50%) as a result of Nottinghamshire Pooling 2016/17	192	181
Distribution of estimated NDR deficit/surplus	(458)	43
Accrual from Previous Year	2	35
	5,492	4,933
Amount Credited to the Comprehensive Income and Expenditure Statement after adjustment for the Collection Fund Adjustment Account	**5,070**	4,838

10. Interest Payable and Other Charges

	2017/18 £'000	2016/17 £'000
Loan Interest	3,286	3,242
General Fund	11	18
Total Interest Payable and Other Charges	**3,297**	3,260

11. Tangible Non-current Assets

	Housing Revenue Account	Land and Buildings	Community Assets	Vehicles, Plant and Equipment	Infra-structure	Surplus Assets	Assets under Construction	Total
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1st April 2017	224,639	54,415	938	5,809	95	2,021	5,334	293,251
Additions	5,025	2,397	3	1,506	1	0	697	9,629
Disposals	(2,100)	0	0	(1,560)	0	0	0	(3,660)
Reclassifications	0	2,411	0	0	0	0	(2,411)	0
Revaluations / (Impairments) Recognised in the Revaluation Reserve	1,111	1,362	0	0	0	0	0	2,473
Recognised in Provision of Services	(4,481)	(100)	0	(25)	0	0	0	(4,606)
As at 31st March 2018	224,194	60,485	941	5,730	96	2,021	3,620	297,087
Depreciation and Impairments								
As at 1st April 2017	(753)	(1,856)	(122)	(1,352)	(27)	41	0	(4,069)
Charge for the year	(3,477)	(1,451)	(62)	(696)	(2)	0	0	(5,688)
Disposals	0	0	0	1,454	0	0	0	1,454
Reclassifications	0	0	0	0	0	0	0	0
Revaluations / (Impairments) Recognised in the Revaluation Reserve	3,662	156	0	0	0	0	0	3,818
Recognised in Provision of Services	0	(1,058)	0	20	0	0	0	(1,038)
As at 31st March 2018	(568)	(4,209)	(184)	(574)	(29)	41	0	(5,523)
Balance Sheet Net Amount at 31st March 2018	223,626	56,276	757	5,156	67	2,062	3,620	291,564

The tangible non-current assets at 31st March 2017 for comparative purposes are set out below:

	Housing Revenue Account	Land and Buildings	Community Assets	Vehicles, Plant and Equipment	Infra-structure	Surplus Assets	Assets under Construction	Total
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1st April 2016	177,135	53,944	938	5,024	977	2,606	11,310	251,934
Adjustment	0	0	0	0	0	0	0	0
Additions	8,729	706	0	652	0	0	1,872	11,959
Disposals	(1,241)	0	0	(85)	0	0	0	(1,326)
Reclassifications	6,589	1,259	0	0	0	0	(7,848)	0
Revaluations / (Impairments)								
Recognised in the Revaluation Reserve	26,743	108	0	198	0	(276)	0	26,773
Recognised in Provision of Services	6,684	(1,602)	0	20	(882)	(309)	0	3,911
As at 31st March 2017	224,639	54,415	938	5,809	95	2,021	5,334	293,251
Depreciation and Impairments								
As at 1st April 2016	(541)	(655)	(60)	(666)	(39)	0	0	(1,961)
Adjustment	0	0	0	0	0	0	0	0
Charge for the year	(2,827)	(1,323)	(62)	(761)	(3)	0	0	(4,976)
Disposals	12	0	0	75	0	0	0	87
Reclassifications	0	0	0	0	0	0	0	0
Revaluations / (Impairments)								0
Recognised in the Revaluation Reserve	2,083	(8)	0	0	0	19	0	2,094
Recognised in Provision of Services	520	130	0	0	15	22	0	687
As at 31st March 2017	(753)	(1,856)	(122)	(1,352)	(27)	41	0	(4,069)
Balance Sheet Net Amount at 31st March 2017	223,886	52,559	816	4,457	68	2,062	5,334	289,182

Capital Commitments

The Council entered into a contract in 2015/16 for the refurbishment of council dwellings, which will cover the period 2015/16 to 2019/20. The estimated value of this contract is between £25m and £38m.

The Authority entered into a contract in 2016/17 for the refurbishment of the Idlewells Market hall for £1.7m. These works were completed in 2017/18.

Effects of Changes in Estimates

In 2017/18, a desktop valuation of Council Dwelling stock was completed. The majority of these valuations were revised upwards on the 31st March 2018. This is likely to mean that future depreciation charges will increase by approximately £88k.

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The significant assumptions applied in estimating the fair values are:

- It has been assumed for the purpose of these valuations that there are no onerous covenants or conditions, which would be imposed on the disposals of the assets.
- The council housing stock has been valued on the basis of existing use value discounted for social housing, in accordance with the financial framework for Stock Valuation for Resource Accounting Guidance for Valuers 2016 (as supplied by the Department for Communities and Local Government).

12. Heritage Assets

Cenotaphs

The Authority has seven cenotaphs at various locations throughout the authority. The valuation for these cenotaphs is based on the average replacement cost and this has been agreed following discussions with our internal valuer.

Statues and Artwork

Insurance valuations were used to value the Harold Larwood Statue in Kirkby. All other Heritage Assets comprising of Walter Jack Painting Brierley Park, Mosaic Marker Stone at Spring Street Hucknall, Flight of Fancy Statue at Hucknall Market Place and the Miners Statue at Station Road Hucknall are all valued at historic cost.

	Cenotaphs	**Statues and Artwork**	**Total**
	£'000	**£'000**	**£'000**
Cost or Valuation			
1st April 2017	330	473	803
Acquisitions	0	0	0
31st March 2018	**330**	**473**	**803**
Cost or Valuation			
1st April 2016	330	473	803
Acquisitions	0	0	0
31st March 2017	330	473	803

13. Tangible Non Current Asset Valuations

The following table shows the progress of the Council's rolling programme for the revaluation of non-current assets. The purpose of the rolling programme is to ensure that all assets valued at current value are re-valued at least every five years. The table shows the annual movement in asset values arising from the revaluation programme.

	Housing Revenue Account	Land and Buildings	Community Assets	Vehicles, Plant and Equipment	Infra-structure	Surplus Assets	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross book value of assets 31st March 2018	224,194	60,485	941	5,730	96	2,021	3,620	297,087
Valued at historical cost	(470)	(6,387)	(941)	(5,730)	(96)	41	(3,620)	(17,203)
	223,724	54,098	0	0	0	2,062	0	279,884
Crematorium Valuation (2017/18)	0	1,058	0	0	0	0	0	1,058
Valued at current value:								
31st March 2018 by the Estates Manager (MRICS) employed by ADC	221,033	11,901	0	0	0	0	0	232,934
31st January 2017 and 31st March 2017 by the Estates Manager (MRICS) employed by ADC	0	3,033	0	0	0	1,828	0	4,861
31st March 2016 by the Estates Manager (MRICS) employed by ADC	1,266	36,154	0	0	0	0	0	37,420
31st March 2015 by the Estates Manager (MRICS) employed by ADC	85	0	0	0	0	0	0	85
31st March 2014 by the Estates Manager (MRICS) employed by ADC	1,340	1,952	0	0	0	234	0	3,526
	223,724	54,098	0	0	0	2,062	0	279,884

14. Investment Properties

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

	2017/18	2016/17
	£'000	£'000
Rental Income From Investment Properties	161	0
Direct operating expenses arising from investment property	(664)	0
Net gain/(loss)	(503)	0

There are no restrictions on the authority's ability to realise the value inherent in its investment property or on the authority's right to the remittance of income and the proceeds of disposal. The authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

	2017/18	2016/17
	£'000	£'000
Balance at Start of the Year	0	0
Additions:		
- Purchases	14,981	0
- Construction	0	0
- Subsequent expenditure	0	0
Disposals	0	0
Net gains/losses from fair value adjustments	(664)	0
Transfers:		
- to/from inventories	0	0
- to/from property, plant and equipment	0	0
Other Changes	0	0
Balance at end of year	14,317	0

Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2018 and 31 March 2017 are as follows:

2017/18 Fair Value Hierarchy

	Quoted prices in active markets for identical assets (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Fair Value as at 31 March 2018
	£'000	£'000	£'000	£'000
Recurring fair value measurements using:				
Residential (market rental) properties	0	0	0	0
Office units	0	0	0	0
Commercial Units	14,317	0	0	14,317
Total	14,317	0	0	14,317

2016/17 Comparative Figures

	Quoted prices in active markets for identical assets (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Fair Value as at 31 March 2017
	£'000	**£'000**	**£'000**	**£'000**
Recurring fair value measurements using:				
Residential (market rental) properties	0	0	0	0
Office units	0	0	0	0
Commercial Units	0	0	0	0
Total	0	0	0	0

15. Intangible Non Current Assets

The Council 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. The intangible assets include both purchased licenses and internally generated software. There have been no software purchases in 2017/18, which meet the definition of intangible non-current assets.

16. Gains and Losses from the Sale of Assets

The Comprehensive Income and Expenditure Statement includes gains and losses from the sale of Council assets. The value of the gains and losses for 2017/18 is as follows:

	2017/18	2016/17
	£'000	£'000
Council house sales	0	(646)
General fund assets	(53)	31
Total (Gain)/Loss	**(53)**	(615)

17. Financial Instruments

a. Financial liabilities held at amortised cost

	Long Term		Short Term	
	31st March 2018 £'000	31st March 2017 £'000	31st March 2018 £'000	31st March 2017 £'000
Financial Liabilities				
Borrowings at Amortised Cost	71,276	76,305	12,030	728
Finance Leases	0	0	0	0
Trade Creditors	0	0	3,899	4,263
Total Financial Liabilities	**71,276**	76,305	**15,929**	4,991

b. Financial Assets – Loans and receivables held at amortised cost

	Long Term		Short Term	
	31st March 2018 £'000	31st March 2017 £'000	31st March 2018 £'000	31st March 2017 £'000
Loans and Receivables				
Investments	0	0	4,510	14,525
Trade Debtors	0	1,168	6,810	5,157
Total Loans and Receivables	**0**	1,168	**11,320**	19,682

c. Gains and Losses on Financial Instruments

	2017/18 £'000	2016/17 £'000
Interest Expense		
Liabilities measured at 'Amortised Cost'	3,330	3,357
Interest Income		
Loans and Receivables	(68)	(114)
Net Gain / (Loss) for the Year	**3,262**	3,243

d. Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets (represented by loans and receivables) are carried in the Balance Sheet at amortised cost. Capita Asset Services plc provides the fair values to be utilised.

	31st March 2018		31st March 2017	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities				
PWLB	29,557	34,318	29,556	35,338
Money Market	46,746	57,007	46,749	63,715
	76,303	91,325	76,305	99,053
Short Term Borrowing	7,004	7,004	0	0
PWLB maturing in one year	0	0	728	767
	7,004	7,004	728	767
	83,307	98,329	77,033	99,820
Loans and Receivables				
Other Securities	0	0	0	0
Direct Short Term Investments	0	0	0	0
Money Market less than 12 months	4,510	4,510	14,525	14,525
	4,510	4,510	14,525	14,525

e. Investments

Under the Council's accounting policy on Cash Equivalents, instant access accounts are deemed to be classified as cash equivalents within the balance sheet and cash flow statements while short term investments (including 3 months and less) remain classified as investments.

	31st March 2018 £'000	31st March 2017 £'000
Short Term Investments:		
Money Market less than 12 months	4,510	14,525
Investments of Joint Crematorium Committee	0	0
	4,510	14,525
Long Term Investments:		
Other Securities	0	0
	0	0
Total Investments	**4,510**	14,525

18. Inventories

A breakdown of the balance sheet figure is given below

	2017/18 £'000	2016/17 £'000
Balance at 1st April	495	100
Purchases	1,653	1,381
Transferred from Ashfield Homes Ltd	0	323
Recognised as an expense	(1,660)	(1,309)
Balance at 31st March	**488**	495

19. Debtors

An analysis of the balance sheet figure is given below:

	31st March 2018 £'000	31st March 2017 £'000
Central Government Bodies	1,104	1,080
Other Local Authorities	777	972
NHS Bodies	(1)	(1)
Other entities and individuals	6,810	6,325
Provision for Bad Debt	(2,292)	(2,313)
	6,398	6,063

	31st March 2018 £'000	31st March 2017 £'000
Long Term Debtors:		
Car Loans	0	2
NCC Superannuation Backfunding	3,772	0
Local Authority Mortgage Scheme	1,000	1,000
	4,772	1,002

In January 2014, the Council in partnership with Nottinghamshire County Council and Lloyds Bank launched the Local Authority Mortgage Scheme (LAMS). The aim of the scheme was to stimulate the local economy and housing market by supporting first-time buyers. This was achieved by Ashfield District Council providing an indemnity to Lloyds bank to enable the bank to offer suitable applicants a 95% mortgage on terms normally applicable to a 75% loan. The advance of £1m represents housing service based capital expenditure and will be in place for 5 years creating a long-term debtor on the Council's Balance Sheet. £500k of the advance has been provided by Nottinghamshire County Council (see Long Term Creditors Note 22) and will be repaid in 5 years. This is the fourth year of operation for the scheme.

20. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31st March 2018 £'000	31st March 2017 £'000
Bank Current Accounts	(964)	(265)
Short Term Deposits	4,341	5,429
	3,377	5,164

21. Assets Held For Sale

International Reporting Standard 5 requires Non-Current Assets Held for Sale and Discontinued Operations to be reported separately in the balance sheet. The Council only has one asset that meets the definition of Assets Held for Sale i.e. the Butlers Hill site. There are three plots for sale on this site, of which one was disposed of during the year.

	31st March 2018 £'000	31st March 2017 £'000
Opening Balance	121	220
Disposals	(62)	(100)
Revaluations / (Impairments)		
Recognised in the Revaluation Reserve	0	0
Recognised in Provision of Services	0	1
Closing Balance	**59**	121

22. Creditors

An analysis of the balance sheet figure is given below:

	31st March 2018 £'000	31st March 2017 £'000
Central Government Bodies	764	1,139
Other Local Authorities	3,972	3,584
Other entities and individuals	3,899	4,263
	8,635	8,986
Long Term Creditors		
Other Local Authorities	4,272	500
	4,272	500

23. Provisions

The Council has created provisions in respect of a number of issues that may result in a cost to the Council. These are analysed below for 2017/18 with 2016/17 provided for comparative purposes.

	Balance at 31st March 2017 £'000	**Receipts in year £'000**	**Payments in year £'000**	**Balance at 31st March 2018 £'000**
Short Term:				
Accumulated Absences	(350)	(19)	0	(369)
Legal costs (Land Charges)	(12)	0	0	(12)
Long Term:				
Planning Appeal Costs	(19)	(21)	0	(40)
Job Evaluation	0	0	0	0
Legal Costs re H&S Prosecution	(373)	0	218	(155)
NDR Appeals (In Year)	0	0	0	0
NDR Appeals (Backdated)	(1,164)	(2,225)	2,179	(1,210)
Insurance Funds:				
Municipal Mutual Insurance (MMI)	(88)	0	23	(65)
Liability	(194)	0	(3)	(197)
Property	(10)	0	1	(9)
Total	(2,210)	(2,265)	2,418	(2,057)

	Balance at 31st March 2016	Receipts in year	Payments in year	Balance at 31st March 2017
	£'000	£'000	£'000	£'000
Short Term:				
Accumulated Absences	(279)	(71)	0	(350)
Legal costs	(38)	0	26	(12)
Long Term:				
Planning Appeal Costs	(26)	0	7	(19)
Job Evaluation	(39)	0	39	0
Legal Costs re H&S Prosecution	(200)	(200)	27	(373)
NDR Appeals (In Year)	(98)	0	98	0
NDR Appeals (Backdated)	(488)	(2,741)	2,065	(1,164)
Insurance Funds:				
Municipal Mutual Insurance (MMI)	(32)	(56)	0	(88)
Liability	(246)	0	52	(194)
Property	(12)	(14)	16	(10)
Total	(1,458)	(3,082)	2,330	(2,210)

a. Accumulated Absences

The provision represents the value of employee benefits, mainly flexi time and annual holiday entitlement not taken at 1 April 2018. This is a short term liability.

b. Planning Appeal Costs

This arises as a result of reviewing planning appeals and the payment of legal costs should these be successful.

c. Provision for Legal Costs regarding Health & Safety Prosecution

This provision is to cover the costs of a prosecution case relating to a Health and Safety contravention, following a workplace death within the district (£155k).

d. Insurances

At the end of the year, the Council had a £271k insurance provision, which is maintained to meet its outstanding liability (within the policy excess) for claims in line with the reserves calculated by the Council's Insurers. Most claims come to fruition within 1-2 years. The factors affecting these values can change and the Insurance Companies regularly review the reserves. The main risk is that several incurred but not reported claims could affect its adequacy. Over and above this provision, the Council also maintains additional insurance within the Internal Insurance Fund Reserve.

24. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and the following note.

a. Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances to earmarked reserves for future expenditure plans. Further detail on the movement and of reserves can be found within the Narrative Statement.

	Balance at 31st March 2018 £'000	Movements in Year £'000	Balance at 31st March 2017 £'000	Movements in Year £'000	Balance at 31st March 2016 £'000
Corporate Improvement	0	0	0	(807)	807
District Planning Inquiry	56	(16)	72	(79)	151
Elections	82	24	58	58	0
Harold Farr Bequest	8	(2)	10	(1)	11
Joint Use Maintenance Fund	208	16	192	(26)	218
Corporate Change and Renewal Fund	0	0	0	(1,482)	1,482
Asset Repair & Renewal Reserve	461	(343)	804	375	429
LAMS Reserve	61	14	47	15	32
Joint Crematorium Reserve	499	(109)	608	(39)	647
Insurance Related Funds	320	(16)	336	56	280
Revenue Grant Reserve	908	(61)	904	(361)	1,265
NNDR Equalisation Reserve	962	564	398	248	150
Supported Housing Reserve	11	(25)	36	36	0
Corporate Change Reserve	1,057	(643)	1,700	1,700	0
Commercial Property Investment Reserve	400	0	400	400	0
Economic Development and Place Reserve	227	77	150	150	0
Technology Investment Reserve	562	47	515	515	0
	5,822	**(473)**	**6,230**	758	5,472
Reclassification of S106 from Capital to Revenue Grant	0	0	65	65	0
	5,822	**(473)**	**6,295**	823	5,472

b. Capital Grants Unapplied Reserve

This reserve details the amounts received in unspent capital grant and contribution income that does not have material conditions attached and is therefore available for financing future capital expenditure purposes.

	2017/18 £'000	2016/17 £'000
Opening Balance	3,501	4,032
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement	1,620	2,431
Application of Capital Grants and Contributions within the period and adjusted through the Capital Adjustment Account	(2,069)	(2,897)
Reclassification of S106 from Capital to Revenue	0	(65)
Closing balance	**3,052**	3,501

c. Capital Receipts Reserve

	2017/18 £'000	2016/17 £'000
Opening Balance	0	0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	1,766	1,385
Use of the reserve to finance new expenditure	(1,636)	(1,385)
Closing Balance	**130**	0

25. Unusable Reserves

The unusable reserves arise from accounting entries and cannot be used to finance expenditure. The table below contains an analysis of the unusable reserves.

	Balance at 31st March 2018 £'000	Movements in Year £'000	Balance at 31st March 2017 £'000	Movements in Year £'000	Balance at 31st March 2016 £'000
Revaluation Reserve	(64,209)	(4,409)	(59,800)	(28,057)	(31,743)
Capital Adjustment Account	(126,373)	5,317	(131,690)	(11,527)	(120,163)
Pensions Reserve	100,469	(3,793)	104,262	34,438	69,824
Crematorium Pensions Reserve	569	(4)	573	283	290
Accumulated Absences Reserve	369	19	350	71	279
Collection Fund Adjustment Account - Council Tax	(24)	3	(27)	71	(98)
Collection Fund Adjustment Account - NNDR	636	422	214	95	119
Financial Instruments Adjustment Account	729	(7)	736	(7)	743
	(87,834)	**(2,452)**	**(85,382)**	**(4,633)**	**(80,749)**

a. Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downward
- used in the provision of services and the gains are consumed through depreciation
- disposed of and the gains realised.

	2017/18 £'000	2016/17 £'000
Opening Balance	(59,800)	(31,743)
Asset Impairment	0	0
Crematorium Opening Balance IFRS	0	(25)
Revaluation of Assets	(6,291)	(28,867)
Heritage Assets	0	0
Adjustment between current value depreciation and historic cost depreciation	1,448	798
Write out of revaluation on disposal; property, plant and equipment	434	37
Closing Balance	**(64,209)**	(59,800)

The reserve contains revaluation gains accumulated since 1 April 2007, the date that the reserve was created; prior to this date revaluation gains were consolidated into the Capital Adjustment Account.

b. 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 the financing of these assets under statutory provision.

The table below identifies the transactions posted to this account during the period.

	2017/18 £'000	2016/17 £'000
Opening Balance	(131,690)	(120,163)
Charges for depreciation and impairment of non-current assets	2,024	(1,649)
Revaluation losses / (gains) on Property Plant and Equipment	6,308	(4,599)
Capital Grants and Contributions	(2,069)	(2,897)
Revenue Expenditure Funded from Capital under Statute	2,902	1,130
Carrying Value of non-current assets written off on disposal	2,268	1,339
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,191)	(1,954)
Statutory Provision for the financing of capital investment	(1,593)	(1,526)
Capital Expenditure charged against Revenue	(1,005)	(1,094)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	555	561
Reversal of Major Repair Allowance credited to the HRA	4,909	7,827
Use of the Major Repair Reserve to finance new capital expenditure	(4,909)	(7,827)
Deferred Capital Receipts	0	0
Crematorium Adjustment	0	(3)
Other Reserve Movements		
Adjustment between current value depreciation and historic cost depreciation	(1,448)	(798)
Write out of revaluation on disposal; property, plant and equipment	(434)	(37)
Closing Balance	**(126,373)**	(131,690)

c. Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding those benefits in accordance with statutory provision.

The Council 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 Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible

The debit balance on the Pension Reserve shows a substantial shortfall in the resources the Council has set aside to meet the benefits earned by past and current employees. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2017/18 £'000	2016/17 £'000
Opening Balance	104,262	69,824
Actuarial (gains) or losses on pension assets and liabilities	(8,129)	12,030
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	8,557	6,059
Employers pension contribution payable in the year	(7,993)	(3,086)
Additional Liability due to Transfer of Ashfield Homes Ltd	0	19,435
Prepayment of Backfunding	3,772	0
Closing Balance	**100,469**	104,262

d. Accumulated Absences Reserve

The Accumulated Absences Account absorbs the difference that would otherwise arise on the General Fund Balance from providing for compensated absences earned but not taken in year.

	2017/18 £'000	2016/17 £'000
Opening Balance	350	279
Movement in Year	19	71
	369	350

e. Financial Instruments Adjustment Account

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expense relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	2017/18 £'000	2016/17 £'000
Opening Balance	736	743
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(7)	(7)
	729	736

f. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2017/18	2016/17
Council Tax	**£'000**	£'000
Opening Balance	(27)	(98)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	3	71
	(24)	(27)
Business Rates		
Opening Balance	214	119
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	422	95
	636	214

g. Crematorium Pension Reserve

	2017/18 £'000	2016/17 £'000
Opening Balance	573	290
Actuarial (gains) or losses on pension assets and liabilities	(5)	283
Closing Balance	**568**	573

26. Cash Flow Statement Notes

a. Net Cash Flows from Operating Activities

	2017/18 £'000	2016/17 £'000
Net Surplus or (Deficit) on the Provision of Services-	(7,448)	10,231
Adjust net surplus or (deficit) on the provision of services for non-cash movements:		
Depreciation and Impairment	11,983	403
Adjustments for effective interest rates	(7)	(9)
Increase/Decrease in Creditors	3,782	870
Increase/Decrease in Debtors	(4,107)	291
Increase/Decrease in Inventories	7	(395)
Pension Liability	4,336	2,973
Contributions to/(from) Provisions	(153)	632
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	2,268	1,339
	18,109	6,104
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities:		
Capital Grants credited to surplus or deficit on the provision of services	(1,620)	(2,431)
Proceeds from the sale of short and long term investments		
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(1,766)	(1,385)
	(3,386)	(3,816)

b. Net Cash Flows from Operating Activities (Interest)

	2017/18 £'000	2016/17 £'000
Operating activities within the cash flow statement include the following cash flows relating to interest:		
Ordinary interest received	17	16
Interest Received	**17**	16
Interest charge for year	(3,297)	(3,260)
Adjustments for differences between Effective Interest Rates and actual interest payable	(7)	(9)
Other interest:	68	114
Interest Paid	**(3,236)**	(3,155)

c. Net Cash Flows from Investing Activities

	2017/18	2016/17
	£'000	£'000
Purchase of Property, Plant and Equipment, investment property and intangible assets	(9,629)	(11,959)
Purchase of Investment Properties	(14,981)	0
Sale of short and long term investments	10,015	(6,918)
Increase/Decrease in Creditors	(361)	(369)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	1,766	1,385
Other capital cash receipts	(3,772)	0
Capital Grants Received	1,620	2,431
Total Cash Flows from Investing Activities	**(15,342)**	(15,430)

d. Cash Flow - Financing Activities

	2017/18	2016/17
	£'000	£'000
Cash receipts of short and long term borrowing	0	0
Repayment of Short-Term and Long-Term Borrowing	6,280	0
Collection Fund Adjustment Account	0	0
Payments for the reduction of a finance lease liability	0	0
Total Cash Flows from Financing Activities	**6,280**	0

27. Members' Allowances

The total amount paid under the members' allowances scheme during the year was £386,364 (£411,905 in 2016/17).

28. Officers' Remuneration and Exit Packages

a. Officers' Remuneration

The remuneration paid to the Council's senior officers was as follows:

Post	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Compensation for Loss of Office	Total Remuneration Exc. Pension Contributions	Pension Contributions	Total Remuneration
	£	£	£	£	£	£	£
Chief Executive Officer	105,963	0	17	0	105,980	15,259	121,239
Director Housing & Assets (Deputy Chief Executive)	78,146	0	305	0	78,451	11,253	89,704
Director Legal & Governance	75,646	0	50	0	75,696	10,893	86,589
Service Director Resources & Business Transformation	75,063	0	145	0	75,208	10,893	86,101
Director Place & Communities	72,176	0	218	0	72,394	10,393	82,787
Corporate Finance Manager	56,015	0	13	0	56,028	8,066	64,094
Deputy Chief Executive (Left 31.05.17)	41,061	0	32	58,319	99,412	2,071	101,483

The information for 2016/17 on a similar basis for comparative purposes is:

Post	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Compensation for Loss of Office	Total Remuneration Exc. Pension Contributions	Pension Contributions	Total Remuneration
	£	£	£	£	£	£	£
Chief Executive Officer	101,547	0	0	0	101,547	12,490	114,037
Deputy Chief Executive (Resources)	85,425	0	0	0	85,425	10,507	95,932
Assistant Chief Executive (Governance)	73,144	0	0	0	73,144	8,997	82,141
Service Director Corporate Services & Transformation	73,144	0	111	0	73,255	8,997	82,252
Service Director Place & Communities	73,144	0	275	0	73,419	8,997	82,416
Service Director Housing	26,007	0	0	0	26,007	3,199	29,206

Note 1 – Former Interim Service Director Housing in post until 22nd November 2016 via an Agency – total paid to Agency £56,700
Current Service Director Housing in post from 23rd November 2016

During the period, there was also an Interim Service Director Economy post. This post was covered via an agency at a cost of £76,765. The position has been deleted from the establishment in 2017/18. Agency costs are not included in the Officer's Remuneration table.

The number of employees whose remuneration (excluding employers' pension contributions) was £50k or more in bands of £5,000 was as follows. This includes all senior management from the above tables.

Remuneration (£)	2017/18	2016/17
50,000 – 54,999	5	5
55,000 – 59,999	4	1
60,000 – 64,999	0	0
65,000 – 69,999	1	0
70,000 – 74,999	1	3
75,000 – 79,999	4	0
80,000 – 84,999	0	0
85,000 – 89,999	0	1
90,000 – 94,999	0	0
95,000 – 99,999	1	0
100,000 – 104,999	0	1
105,000 – 109,999	1	0

b. Exit Packages

The numbers of exit packages with total cost per band and total cost of compulsory and other redundancies are set out in the table below which shows the costs without pension strain adjustments as per IAS 19.

Exit Package Cost Band (Including Special Payments	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band [(b) + (c)]		Total Cost of Exit Packages in Each Band (£)	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£0 - £20,000	1	2	3	8	4	10	20,311	67,101
£20,001 - £60,000	0	2	2	8	2	10	68,514	310,797
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 +	0	1	0	1	0	2	0	186,729
TOTAL	**1**	**5**	**5**	**17**	**6**	**22**	**88,825**	**564,627**

29. External Audit Costs

The fees payable to KPMG LLP in 2017/18 and 2016/17 with regard to external audit services were:

	2017/18 £'000	2016/17 £'000
External audit services carried out by the appointed auditor	56	56
Certification of Grant Claims	20	15
	76	71

Additional fees totalling £7.3k were paid to KPMG LLP in 2017/18, which relate to Audit work carried out in previous years.

- Fees payable in respect of Pooling of Capital Receipts return 2016/17. £3.5k
- Fees payable in respect of 2016/17 AHL work. £2.1k
- Fees payable in respect of 2016/17 CIES restatement £0.8k
- Additional fees due to delays £0.9k

30. Related Party Transactions

The Council is required to disclose material transactions with related parties bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. The disclosure of these transactions allows readers to assess the extent to which there exists the possibility that the Council might have been constrained in its ability to operate independently or might have secured the ability to influence another party's ability to bargain freely with the Council.

a. Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operate, provides the majority of its funding in the form of grants and prescribes the terms of many transactions that the Council has with other parties (e.g. Council Tax bills, Housing Benefits). Details of major grants received from the Government are set out in Note 9 of the accounts.

b. Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2017/18 is shown in Note 27.

The following is based upon the original declarations made by members upon election, supplemented and updated to capture any changes in circumstances since then. The Council made payments to a range of voluntary organisations totalling £22,590 in 2017/18 under the Members Community Support Scheme.

One payment was made to a community support scheme, of which one member is the chair. This was disclosed at the time and recorded appropriately.

The Council is jointly responsible for the operation of the Mansfield and District Joint Crematorium Committee, along with Mansfield District Council and Newark and Sherwood District Council. Details of the Council's share of transactions are shown at Note 38. There are three elected members of the Council who were also members of the Committee for 2017/18. These are Councillor D Davis and Councillor C Butler for the whole year, and Councillor T Brown from May, replacing Councillor J James who was on the Board for April only.

Payments totalling £291,824 were made to Parish Councils.

- A total of £237,635 was paid to Selston Parish Council, the main payment relating to the precept of £230,748.

- A total of £54,189 was paid to Annesley and Felley Parish Council, the main payment relating to the precept of £54,002.

During 2017/18, there were five elected members of the Council who were also parish councillors. Members of Selston Parish Council were Councillor C.L. Quinn-Wilcox, Councillor C Chapman and Councillor S Wilson. Members of Annesley and Felley Parish Council were Councillor R.E. Madden and Councillor J.B. Zadrozny.

Related party transaction forms were returned by all councillors. From the records held by the Council, there is no evidence of third party relationships, which require inclusion here.

In all instances where payments are involved, proper consideration of declarations of interest has been given. The relevant members did not take part in any discussion or decision relating to payments. Details of all transactions are recorded in Register of Members' Interests, which is available for public inspection.

The disclosure note has been prepared using the Council's Register of Members Declarations of Interest and appointments made by the Council in addition to a specific declaration obtained in respect of related party transactions as part of the closure of accounts process.

c. Officers

Senior Officers of the Council have control over the day-to-day management of the Council and all senior officers have been asked to declare any related party transactions. From the replies provided there are no such transactions to be declared.

31. Capital Financing Requirement

The total amount of capital expenditure incurred in the year is shown in the table, 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 are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2017/18 £'000	2016/17 £'000
Opening Capital Financing Requirement	**99,298**	99,736
Capital Investment		
Operational Assets	9,629	11,959
Investment Properties	14,981	0
REFCUS	2,902	1,130
Heritage Assets	0	0
	27,512	13,089
Sources of Finance		
Capital Receipts	1,636	1,385
Reserves	690	225
Deferred Capital Receipts	0	0
Government Grants and Other Contributions	2,069	2,897
Major Repairs Reserve	3,664	6,625
Minimum Revenue Provision	1,593	1,526
Revenue Contributions	315	869
	9,967	13,527
Closing Capital Financing Requirement	**116,843**	99,298
Movement in the Year	**17,545**	(438)
Explanation of Movement in the Year		
Increase in Underlying Need to Borrow (unsupported by Government Financial Assistance	19,138	1,088
Minimum Revenue Provision	(1,593)	(1,526)
	17,545	(438)

32. Assets held as Lessee

The Council has no assets held as a lessee.

33. Assets held as Lessor

a. Finance Leases

Following the restructure of the Council's Housing services and closure of Ashfield Homes Ltd, the Council does not operate any finance leases.

b. Operating Leases

With regard to the Council's activity as a lessor, the gross value of assets held for use in operating leases as at 31st March 2018 was £8.385m and as at 31 March 2017 was £6.955m (these properties were subject to accumulated depreciation and impairment of £0m in 2017/18 and £0.090m 2016/17). The net book value of these assets is £8.385m in 2017/18 and £6.865m in 2016/17. The increase is due to revaluation.

The future minimum lease payments receivable under non-cancellable leases in future years are:-

	2017/18	2016/17
	£'000	£'000
Within 1 Year	520	490
Between 2 and 5 Years	1,071	1,108
Later than 5 Years	4,985	4,985
	6,576	6,583

34. Revaluation Loss

During 2017/18, the Council have recognised revaluation losses as detailed in the following table:

	2017/18	2016/17
	£'000	£'000
Revaluation Losses recognised within the surplus or Deficit of the provision of services	5,644	(4,599)
	5,644	(4,599)

35. Retirement Benefits

a. Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council 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 administered locally by Nottinghamshire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and the employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

Arrangements for the award of discretionary post-retirement benefits upon early retirement – 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, and cash has to be generated to meet actual pension payments as they eventually fall due.

There were five new early retirements during the year, which were not allowed for at the previous accounting date. The total annual pension that came into payment was £51.9k.

The latest membership data is shown in the table below.

	Number	Salaries/ Pensions £'000	Average Age Current Employees	Average Age Former AHL
Active members	566	13,181	48	44
Deferred pensioners	635	1,359	46	40
Pensioners	732	4,317	72	64
Unfunded pensioners	179	321	77	0

There was a significant increase in the membership of the pension scheme in 2016/17, due to the transfer of the active members from Ashfield Homes Ltd under TUPE legislation on 30th September 2016. The funding for any residual deferred and pensioner members is now the responsibility of Ashfield District Council. Active members includes 148 additional members, deferred pensioners includes 155 additional members and pensioners includes 61 additional members as a result.

The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Nottinghamshire County Council. A team within the County Council undertakes Day to day administration of the fund. Where appropriate some functions are delegated to the Fund's professional advisors.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

b. Transactions relating to retirement benefits

The costs of retirement benefits are recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

As a result of Triennial Review, the Council made the decision to pay a single lump sum amount for the superannuation backfunding for years 2017/18, 2018/19 and 2019/20. There is £3.772m being held as a long term debtor and offsetting long term creditor to account for the charges relating to 2018/19 and 2019/20.

	2017/18 £'000	2016/17 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	5,803	3,299
Financing and Investment Income and Expenditure		
Net Interest on the defined liability (asset)	2,714	2,732
Administration Expenses	40	28
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of services	8,557	6,059
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising;		
Return on plan assets in excess of interest	(22)	14,155
Other actuarial gains/(losses) on assets	0	(527)
Changes in financial assumptions	8,151	(28,852)
Change in demographic assumptions	0	(439)
Experience gain/(loss) on defined benefit obligation	0	3,633
Liabilities assumed/ (extinguished) on settlements	0	(41,550)
Settlement prices received/(paid	0	22,115

Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement	8,129	(31,465)
Movement in reserves Statement		
reversal of net charges made for retirement benefits in accordance with the code	(8,557)	(6,059)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	7,993	3,086
Employers' contributions pre-paid for 2018/19 and 2019/20	(3,772)	0
	(4,336)	(2,973)

c. Pensions Assets and Liabilities Recognised in the Balance Sheet

	2017/18 £'000	2016/17 £'000
Present value of the Defined benefit obligation	205,244	201,632
Fair Value of the plan assets (bid value)	(108,547)	(102,654)
Deficit/ Surplus	96,697	98,978
Present Value of unfunded obligation	0	5,284
	96,697	104,262

d. Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets:

	2017/18 £'000	2016/17 £'000
Opening fair value of Scheme assets	102,654	66,167
Interest on assets	2,814	2,674
Return on assets less interest	(22)	14,155
Actuarial gains and (losses)	0	(527)
Administration expenses	(40)	(28)
Employer contributions	7,993	3,086
Contributions by scheme participants	881	782
Benefits paid	(5,733)	(5,770)
Settlement Prices Received/ Paid	0	22,115
Closing fair value of Scheme assets	**108,547**	102,654

e. Reconciliation of Present Value of the Scheme Liabilities

	2017/18 £'000	2016/17 £'000
Opening Defined Benefit Obligation	206,916	135,991
Current service cost	5,410	3,105
Interest cost	5,528	5,406
Change in financial assumptions	(8,151)	28,852
Change in demographic assumptions	0	439
Experience loss/(gain) on defined benefit obligation	0	(3,633)
Liabilities Assumed/ (extinguished) on settlements	0	41,550
Benefits paid (net of transfers in)	(5,452)	(5,481)
Past Service Cost including curtailments	393	194
Contributions by scheme participants	881	782
Unfunded pension costs	(281)	(289)
Closing Defined Benefit Obligation	**205,244**	206,916

f. Pension Scheme Assets Comprise

Employer Asset Share - Bid Value

	31st March 2018 £'000		31st March 2017 £'000	
Equities	71,372	66.00%	71,796	70.00%
Gilts	2,487	2.00%	3,138	3.00%
Other Bonds	12,680	12.00%	6,193	6.00%
Property	13,636	13.00%	11,414	11.00%
Cash	2,145	2.00%	5,165	5.00%
Inflation-linked pooled fund	2,686	2.00%	2,563	3.00%
Infrastructure	3,541	3.00%	2,385	2.00%
	108,547	**100.00%**	102,654	**100.00%**

The detail of the assets as at 31 December 2017, representing the percentages of the total Fund held in each asset class.

Asset Breakdown		31 December 2017 % Quoted	% Unquoted
Fixed Interest Government Securities	UK	2.3%	0.0%
Corporate Bonds	UK	11.2%	0.0%
	Overseas	0.5%	0.0%
Equities	UK	24.7%	0.1%
	Overseas	39.4%	0.0%
Property	All	0.0%	12.6%
Others	Private Equity	0.0%	1.6%
	Infrastructure	0.0%	3.3%
	Inflation Linked	0.0%	2.5%
	Cash/Temporary Investments	0.0%	2.0%
Total		**78.1%**	**22.1%**

g. Basis for estimating assets and liabilities

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. The County Council Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st March 2018.

The principal assumptions used by the actuary were:

	2017/18	2016/17
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.6	22.5
Women	25.6	25.5
Longevity at 65 for future pensioners:		
Men	24.8	24.7
Women	27.9	27.8
Financial Assumptions:		
Increase in Retail Price Index	3.30%	3.60%
Increase in Consumer Price Index	2.30%	2.70%

Rate of increase in salaries	3.80%	4.20%
Rate of increase in pensions	2.30%	2.70%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes 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 in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity Analysis

	£000	£000	£000
Adjustment to discount rate:	+0.1%	0.0%	-0.1%
Present value of total obligation	201,405	205,244	209,161
Projected service cost	4,906	5,028	5,154
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	205,614	205,244	204,877
Projected service cost	5,028	5,028	2,058
Adjustment to pension increases & deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	208,797	205,244	201,759
Projected service cost	5,154	5,028	4,905
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present value of total obligation	213,115	205,244	197,673
Projected service cost	5,188	5,028	4,873

36. Contingent Assets and Liabilities

a. Insurance

The Independent Insurance Company was the Council's Liability Insurer between 1992 and 1998 and was forced into liquidation in 2001. As at 31st March 2018 outstanding claims against the Council totalling £14k remain. As the Independent Insurance Company, no longer exists the costs will fall to the Council once individual claims are settled.

In September 1992, Municipal Mutual Insurance (MMI), the Council's former insurers, ceased accepting new business. MMI and its policyholders including local authorities established "scheme of arrangement" for the orderly run down of the company. The Council has paid to date a levy during the scheme of arrangement of £105k. The estimated full liability after the levy payment is £319k.

These requirements will ultimately be funded via the Insurance Reserve but the adequacy of the Reserve going forward will require further assessment.

b. Housing Revenue Account (HRA) – levy payment for sale of high value Council Houses

There has been a delay in the implementation of the sale of high value council homes and the associated levy that will be imposed. Local Authorities will not be forced to sell high-value council homes until at least April 2019 after lobbying from the sector. As reported last year, the Council will be required to consider the sale of high value council properties when they become vacant to fund the discounts given to the housing association tenants as part of the extension of Right to Buy schemes to Housing Associations.

c. VAT Reclaim – Embedded VAT on Postage Costs

The European Court of Justice has ruled that the Post Office is subject to VAT, where it supplies postal services on terms, which have been individually negotiated, as opposed to the universal postal service that is exempt from VAT.

The Council has joined (in March 2015) a Group Litigation Order, which is being promoted by LAVAT and lawyers Mischon de Reya. Should the claim be successful, the Council would be able to claim back the embedded VAT on postal services, plus compound interest back to 1978.

Between 2006 and 2011, the Council paid £60k in VAT as part of its postage costs, although no detailed calculation exists for the period prior to this. As such, the likely amount that the Council may gain from this action (which has cost £14.7k to date to join) cannot be easily determined at this point. A contingent asset is recognised, and its value may be clarified as the case progresses.

37. Deferred Credits

There were no deferred credits utilised to fund capital expenditure in either 2017/18 or 2016/17.

38. Joint Crematorium Committee

The Council's share (currently 42.92% share) of income, expenditure, assets and liabilities in respect of the Joint Crematorium Committee is as follows;

	2017/18 £'000	2016/17 £'000
Gross Income	**(757)**	(719)
Gross Expenditure	**497**	428
Net (Surplus)/Deficit	**(260)**	(291)
Total Assets at Year End	1,736	1,824

	2017/18	2016/17
Total Liabilities at Year end	(895)	(943)
Net Assets at Year End	**841**	881

Pension Values Included Within Assets & Liabilities	2017/18 £'000	2016/17 £'000
Long Term Liability - Pension	(551)	(573)
Pension Reserve	568	573
	17	0

The Joint Crematorium is a member of the Local Government Pension Scheme. The Council's share above includes Pension Liabilities of £568k (£573k 2016/17). The £17k net difference is due to a prepayment of superannuation backfunding for 2018/19 and 2019/20.

39. Nature and Extent of Risks Arising from Financial Instruments

a. Credit Risk

Credit risk arises from deposits with banks and other financial instituations, as well as credit exposures to the Council's customers.

This risk is minimised by an investment policy which requires that deposits are not made with financial institutions unless they meet minimum standards. It also imposes a maximum amount which can be invested with each financial institution.

The credit criteria in respect of financial assets held by the Council are as detailed below:

Financial Asset Category	Criteria	Maximum Investment
Deposits with banks & building societies	We are guided by the rating agencies and credit default swap data. Please refer to the Council's Treasury Management Strategy.	£5m per counter-party

The following analysis summarises the Council's potential exposure to credit risk, based on experience of default and failure to collect over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31st March 2018	Historical Experience of default	Historical experience adjusted for market conditions at 31st March 2018	Estimated maximum exposure to default and uncollectibility
	£'000	%	%	**£'000**
Deposits with banks and financial institutions	4,568	0.0	0.5	23
Bonds	0	N/A	0.0	0
Customers - Sundry Debtors	1,255	12.19	5.0	63
Housing Benefit Overpayments	1991	50.0	50.0	995.5
Housing Benefit Overpayment Clawback	1023	25.0	25.0	255.75

The Council does not allow credit for its customers, and at the 31st March 2018, £2.5m was due for payment. The past due amount can be analysed by age as follows:

	31st March 2018	31st March 2017
	£'000	£'000
Less than 2 months	317	354
2 to 6 months	391	342
6 to 12 months	212	306
More than 1 year	1,545	1,369
	2,465	2,371

b. Liquidity Risk

The Council manages its cash flow on a daily basis to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. 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 Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

An analysis of the long term borrowings included in the balance sheet is shown below:

	Ranges of Interest Rates Payable	Carrying Amount 31st March 2018	31st March 2017
	%	£'000	£'000
Source of Loan			
Public Works Loan Board	3.55% to 9.25%	29,557	30,284
Money Market	1.9% to 6.1%	41,719	46,749
		71,276	77,033
Maturity Within:			
Less than a year	1.900%	0	728
1-2 years	4.500%	7,136	5,024
2-5 years	3.55% to 6.1%	12,551	13,183
5-10 years	4.5% to 9.25%	8,649	14,786
More than 10 years	3.72% to 4.5%	42,940	43,312
		71,276	77,033

c. Market Rate Risk

The impact of a general rise in interest rates of one percent at 31st March 2018 is mimimal for the Council as regards interest payable and carries no risk on interest receivable. This is due to most borrowings being on fixed rate terms. However, the fair value of financial liabilities would decrease. This is a memorandum item only and would not change the Balance Sheet or other accounts.

d. Price Risk

The Council does not invest in equity shares and is not a shareholder in any businesses. The Council is not therefore exposed to any losses arising from movements in the price of shares.

e. Foreign Exchange Risk

The Council has no financial assets or liabilities that are denominated in foreign currency and therefore has no exposure to gains or losses arising from movements in exchange rates.

40. Trust Funds

The Council acts a custodian trustee for a number of Trusts.

The Teversal Community Centre exists for the provision and maintenance of a community centre and recreation ground for the use of the inhabitants of Teversal, Stanton Hill, Skegby and the neighbourhood thereof. In the past three years, the Trust has incurred significant deficits and is working with the Council to restructure the Trust.

The Council is also sole trustee for three recreation charities, for which no separate bank account exists. These are:

- Sutton-in-Ashfield Recreation Grounds
- Kirkby-in-Ashfield Recreation Ground, Lord Francis Park,
- Skegby Recreation Ground

In each case, the value of the parcels of land is low as they are parts of larger recreational areas, which cannot be used for any other purpose. At present, there is no valuation of the land areas attributable to the Trusts. There are no other assets or liabilities relating to these trusts. Governance arrangements are being reviewed

During the year, the Council has closed the William Booth Charity for the Poor and transferred the bank balance in full to the intended recipient named 'Community Food Bank' as agreed by the Charities Committee. Analysis of activity in respect of this fund is shown below:

Name of Trust Fund	Balance as at 31st March 2017 £	Income £	Expenditure £	Balance as at 31st March 2018 £
William Booth Charity	2,062	2,502	4,564	0
	2,062	**2,502**	**4,564**	**0**

Supplementary Financial Statements

Housing Revenue Account – Income and Expenditure Statement

The HRA Income and Expenditure statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the movement on the HRA Statement.

2016/17 £'000		2017/18 £'000
	Income	
(23,805)	Dwelling Rents (gross)	(23,570)
(160)	Non-dwelling Rents (gross)	(166)
(26)	Charges for Services and Facilities	(31)
(1,156)	Contribution Towards Expenditure	(497)
(25,147)	**Total Income**	**(24,264)**
	Expenditure	
6,551	Repairs and Maintenance	7,173
5,510	Supervision and Management	4,601
54	Rents, Rates, Taxes and other charges	28
0	Rent Rebate Subsidy Limitation	0
2,827	Depreciation and impairments of fixed assets	7,957
(7,204)	*Revaluation Gain - Exceptional Item*	0
26	Debt Management Costs	41
93	Contribution to the Bad Debt Provision	137
7,857	**Total Expenditure**	**19,937**
(17,290)	**Net Cost of HRA Services as included in the whole authority Comprehensive Income & Expenditure Account**	**(4,327)**
90	HRA share of Corporate and Democratic Core	75
(17,200)	**Net Cost of HRA Services**	**(4,252)**
(646)	Gain or loss on sale of HRA non-current assets	0
3,563	Interest payable and similar charges	3,547
(116)	Interest and investment income	(86)
(14,399)	**(Surplus) or deficit for the year on HRA services**	**(791)**

Statement of Movement on the HRA Balance

2016/17 £'000		2017/18 £'000	Note
(21,967)	**Balance on the Housing Revenue Account at the end of the previous year**	(23,746)	
(14,399)	**(Surplus) or deficit for the year on the HRA Income and Expenditure Account**	(791)	
	Adjustments between accounting basis and funding basis under statute		
0	Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the year		
(74)	Accumulated Absences Account	(13)	
0	IAS 19 Pension Adjustment	(348)	
7,204	Impairment of fixed assets charged to HRA	(4,481)	
646	Gain or (loss) on sale of HRA fixed assets	0	
	Net (Increase) or decrease in the HRA Balance before transfers to or from reserves:		
0	Transfers to/ from Revenue Grants Reserve	0	Note 7
33	Transfer to/from Eco Funding Reserve	5	Note 7
35	Transfer to/from Insurance Reserve	50	Note 7
52	Transfer to/from HRA Technology Investment	200	Note 7
57	Transfer to/from HRA Corporate Change & Renewal Reserve	136	Note 7
0	Transfer to/from HRA Welfare Reform Reserve	200	Note 7
3,798	Transfer from Major Repairs Reserve	187	Note 4
869	Capital expenditure funded by the HRA	315	Note 5
12,620	**Net additional amount required by statute to be debited or (credited) to the HRA balance for the year**	**(3,749)**	
(1,779)	**Increase or Decrease in the year to the Housing Revenue Account Balance**	**(4,540)**	
(23,746)	**Balance Carried forward**	**(28,286)**	

Notes to the Housing Revenue Account

1. The number and types of dwellings in the housing stock

	As at 31st March 2018 Number	As at 31st March 2017 Number
Houses and bungalows	4,512	4,553
Low rise flats	1,772	1,776
Medium rise flats	460	461
Total Dwellings	**6,744**	6,790
Garages and Garage Plots	**671**	671

2. Housing stock valuations

Description	As at 31st March 2018 £'000	As at 31st March 2017 £'000
Operational assets		
- Council Dwellings	221,033	221,131
- Other land and buildings	2,593	2,755
Total	**223,626**	223,886

3. Vacant Possession Value of Council Dwellings

	As at 31st March 2018 £'000	As at 31st March 2017 £'000
Market value - Vacant possession	526,267	526,500
Existing use value for social housing	221,032	221,130
Difference	**305,235**	305,370

The 'difference' between the market value and the Balance Sheet value for dwellings represents the economic cost to the Government of providing Council housing at less than open market rents. The vacant property adjustment factor for the East Midlands is 42%.

4. Major Repairs Reserve

During 2001/02, the Council established a Major Repairs Reserve. The reserve is utilised to fund capital expenditure on Council properties.

	As at 31st March 2018 £'000	As at 31st March 2017 £'000
Balance brought forward	0	0
Financing of HRA Capital Expenditure	4,909	7,827
Transfer to/from HRA Reserve	(187)	(3,798)
Capital Receipts Applied	(1,245)	(1,202)
Less Depreciation	(3,477)	(2,827)
Balance Carried Forward	**0**	0

5. Capital Expenditure

	2017/18 £'000	2016/17 £'000
Operational assets		
Dwellings	5,025	8,703
Other land and buildings	0	26
HRA Vehicles	107	82
Revenue Expenditure Funded from Capital Under Statute	0	0
Work in Progress	267	6
Total Operational Assets	**5,399**	8,817
Funded by:		
Capital receipts and grants	1,420	1,323
Contributions from Revenue	315	869
Major Repairs Reserve	3,664	6,625
Total Funding	**5,399**	8,817

6. Capital Receipts from Disposal of Assets

	2017/18 £'000	2016/17 £'000
Disposal of dwellings	2,161	1,933
Total from Disposals	**2,161**	1,933

7. HRA Earmarked Reserves

	Balance at 31st March 2018	Movements in Year	Balance at 31st March 2017	Movements in Year	Balance at 31st March 2016
	£'000	£'000	£'000	£'000	£'000
HRA Revenue Grants	(25)	0	(25)	0	(25)
HRA Eco-Funding	(263)	(5)	(258)	(33)	(225)
HRA Insurance	(135)	(50)	(85)	(35)	(50)
HRA Technology Investment	(252)	(200)	(52)	(52)	0
HRA Corporate Change	(193)	(136)	(57)	(57)	0
HRA Welfare Reform	(200)	(200)	0	0	0
	(1,068)	**(591)**	**(477)**	(177)	(300)

Eco-Funding Reserve

This was established to help fund future carbon saving or renewable energy works.

HRA Insurance Reserve

To fund new in-year claims and increases to the insurance provision. Such movements are not budgeted for as this is based upon claims received and settled during the period.

HRA Technology Investment Reserve

To support the upgrading of out of date technology / to support the introduction of new technology / to support the move to digital delivery of services and improve customer experience / to support the move to more agile working.

HRA Corporate Change Reserve

To provide the finance injection to fund emerging commercial services (including business development support). It is also to fund changes in service delivery through service reviews, including redundancy costs to enable that change to take place.

HRA Welfare Reform Reserve

To support and react to the high volume of issues raised by the welfare reforms and to help mitigate the impact of the changes on the Council.

8. Depreciation in the year ending 31st March

	2017/18 £'000	2016/17 £'000
Operational assets		
- Dwellings and garages	3,426	2,775
- Other land and buildings	51	52
Total	**3,477**	2,827

9. Impairment

A desktop valuation of all Council Dwellings and a full valuation of non-council dwelling HRA assets was undertaken at 31st January 2018, which has resulted in £4.8m being credited to the Revaluation Reserve. The valuation has required that £5.9m of Capital Expenditure be impaired. Additionally £1.4m of prior year impairments have been reversed this year due to upwards revaluations. This has resulted in a net impairment charge of £4.5m.

10. Pension Contribution

A contribution of £445k has been made for 2017/18 to the back funding costs relating to employees within Housing Services.

11. Rent Arrears

	As at 31st March 2018 £'000	As at 31st March 2017 £'000
Current tenants	295	302
Former tenants	144	215
Total rent arrears	**439**	517
Overpayments	(452)	(411)
Total arrears	**(13)**	106
Deduct - Provision for bad debts	(112)	(172)
Net arrears	**(125)**	(66)

With the introduction of Welfare Reform and the Universal Credit system, the focus has changed over the last 18 months to make tenants rent accounts at least one week in credit ready for the change in housing benefit payments.

12. Subsidy Limitation

Council tenants on low incomes can receive financial assistance with their rent under the Housing Benefit Scheme. Approximately 62% of tenants received housing benefit towards their rent during 2017/18 (67% in 2016/17).

The cost of housing benefits is transferred to the General Fund. The housing revenue account reimburses the General Fund for benefits not funded by Central Government due to rent rebate subsidy limitation. During 2017/18, the housing rents were below £68.78 per week and therefore there was no transfer to the General Fund. No transfer was required in 2016/17.

Collection Fund

2016/17 £'000			2017/18 £'000
	INCOME		
55,942	Income from Council Tax		59,383
36,596	Income Collectable from Business Ratepayers		34,333
0	Transitional Protection - NDR		302
	Contributions:		
0	Towards Previous Years Deficit - Council Tax		
	Towards Previous Years Deficit - NDR		
0	Payment from Ashfield District Council	458	
0	Share of NDR income from major preceptors	114	
0	Payment from Central Government	572	
			1,144
92,538	**Total Income**		**95,162**
	EXPENDITURE		
	Council Tax Precepts and Demands		
41,219	Nottinghamshire County Council	44,001	
5,746	Nottinghamshire Police	5,970	
2,358	Nottinghamshire Fire and Rescue	2,450	
5,604	Ashfield District Council	5,873	
275	Parish Councils	285	
55,202			58,579
	Business Rates:		
13,961	Payment to Ashfield District Council	14,570	
3,490	Share of NDR income to major preceptors	3,643	
17,450	Payment to Central Government	18,212	
34,901			36,425
0	Transitional Protection - NDR		49
0	Interest Payable		0
132	Costs of Collection		131
	Bad and Doubtful Debts & Provisions:		
179	Council Tax Write Offs		339
289	Council Tax Provisions		230
0	NDR Write Offs		0
243	NDR Provisions		114
1,448	Change in Appeals provision requirement		114
	Contributions:		
108	Distribution of Surplus - NDR		0
931	Distribution of Surplus - Council Tax		266
93,433	**Total Expenditure**		**96,247**
659	Movement on Fund Balance - Council Tax		31
236	Movement on Fund Balance - NNDR		1,054
(914)	Opening Balance - Council Tax		(256)
298	Opening Balance - NNDR		535
(256)	Closing Balance - Council Tax		(225)
535	Closing Balance - NNDR		1,589
279	**Balance at 31st March**		**1,364**

Notes to the Collection Fund

1. General

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

2. Business Rates Retention

With effect from 1st April 2013, the Business Rates Retention scheme was introduced. These arrangements provide a direct link between business rates growth and the amount of money local authorities have to spend on services. Local authorities can keep a proportion of their business rates collected in their area after certain contributions to the Government have been made.

As part of the business rates retention scheme, all local authorities were given the opportunity to work with neighbouring and partner authorities to develop a bid to become a local authority business rate "pool". Ashfield is part of a Nottinghamshire NDR pool, which is administered by Nottinghamshire County Council. Member authorities are treated as a single authority for the purpose of certain calculations under the business rates retention scheme. The advantage of a pool is to potentially generate additional business growth through collaborative working and to smooth out the impact of volatility in business rates income across a wider economic area.

The Council distributes NDR from the pool to the main preceptors and central government.

3. Income from Business Ratepayers

National Non-Domestic Rates (NNDR) is paid by businesses. Central Government specifies an annual rate in the pound (47.9p in 2017/18) and local businesses pay an annual NNDR bill calculated by multiplying the rateable value of their premises by this annual rate; there are reliefs for small businesses, charities etc. The Council is responsible for collecting the NDR income and then distributing to Central Government and Preceptors.

Non domestic rateable value on the Revenue's accounting system as at 31st March 2018 was £90.5m (£83.2m in 2016/17). The NNDR income collectable in 2017/18, after reliefs but before accounting adjustments was £34.333m (£36.596m in 2016/17).

4. Council Tax

The Council set a band D Council Tax of £180.46 for the financial year 2017/18. When taking into account parish precepts, the equivalent average Council Tax is £189.21.

The Council tax base, which is used in the tax calculation, is based on the number of chargeable dwellings in each valuation band, adjusted for dwellings where exemptions or discounts apply, converted to an equivalent number of band D dwellings.

The tax base for the year was 32,546.2 as shown below.

	Total Net No. of Dwellings	Ratio to Band "D"	Band "D" Equivalents
Disabled Persons Relief	38.7	5/9	21.5
Band "A"	19,128.8	6/9	12,752.5
Band "B"	9,286.8	7/9	7,223.1
Band "C"	7,626.1	8/9	6,778.8
Band "D"	3,665.5	1	3,665.5
Band "E"	1,278.6	11/9	1,562.7
Band "F"	442.8	13/9	639.6
Band "G"	107.1	15/9	178.5
Band "H"	9.8	2	19.5
Total	**41,584.2**		**32,841.7**
Less Provision for Bad Debts			295.6
Council Tax Base for 2017/18			**32,546.2**

The Band D Council Tax, including parish precepts, is calculated as follows:

Council requirement from the Collection Fund	£ 6,158,037
Divided by Council Tax Base	32,546.2
Equals Band D equivalent	£189.21

5. Distribution of the Collection Fund Balance

a. Council Tax Balance Distribution (Surplus)

	2017/18 £'000	2016/17 £'000
Nottinghamshire County Council	(169)	(191)
Nottinghamshire Police Authority	(23)	(27)
Nottinghamshire Fire Authority	(9)	(11)
Ashfield District Council	(24)	(27)
	(225)	(256)

b. NNDR Balance Distribution - Deficit

	2017/18 £'000	2016/17 £'000
Nottinghamshire County Council	143	48
Nottinghamshire Fire Authority	16	5
Ashfield District Council	635	214
Central Government	795	268
	1,589	535

The surplus or deficit on the Collection Fund consists of two elements:-

- Council Tax: - the surplus or deficit of this element is distributed between the Council (as billing authority), Nottinghamshire County Council, Nottinghamshire Police Authority and Nottinghamshire Fire Authority on the basis of estimates of the year-end balance on 15th January each year. Any remaining surplus or deficit will be carried forward to the following year and will influence the level of Council Tax to be raised for that year.

- NDR: - the surplus or deficit of this element is distributed between the Council (as billing authority), Nottinghamshire County Council, Nottinghamshire Fire Authority and Central Government on proportions outlined in the Business Rates Retention scheme, on the basis of estimates of the year-end balance on 31st January each year. Any remaining surplus or deficit will be carried forward to the following year and will influence the level of resources available in that year.

The distribution of the Collection Fund balance based upon the actual position is shown in the tables above.

6. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and NDR income in the Comprehensive Income and Expenditure Statement as it falls due from council taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2017/18 £'000	2016/17 £'000
Balance at 1 April	188	22
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	3	71
Amount by which NDR income credited to the Comprehensive Income and Expenditure Statement is different from NDR income calculated for the year in accordance with statutory requirements	422	95
Balance at 31 March	**613**	188

Annual Governance Statement 2017/18

Introduction

Ashfield District Council is responsible for ensuring that its business is conducted in accordance with the law and proper accounting standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

As part of the arrangements for preparing the Annual Statement of Accounts, the Council is required by law to undertake an annual review of the effectiveness of its system of internal control and produce an annual governance statement. Good practice requires that such a statement should extend beyond a narrow focus on financial controls to cover the way in which the Council determines what its local community wants and needs; decides how those requirements are to be met; and ensures that it delivers what is required without wasting public money.

What is Corporate Governance?

Corporate governance is part of the overall control framework and contributes to the Council's robust governance arrangements.

Good corporate governance ensures organisations are doing the right things in the correct manner in an open, honest, inclusive and accountable way. Good governance leads to good management, performance and outcomes. It ensures the Council delivers the visions and priorities set out in its Corporate Plan.

Ashfield District Council is committed to good corporate governance. The Council has a framework of policies and procedures in place, which collectively make up its governance arrangements.

The Council has adopted a Local Code of Corporate Governance which sets out the Council's arrangements and is based on the guidance "Delivering Good Governance in Local Government" published by CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) in 2016. The CIPFA/SOLACE guidance identifies seven core principles and various sub principles. The seven core principles are detailed below and are also used as the framework for assessing the effectiveness of the Council's governance arrangements.

The Council's governance framework aims to ensure that in conducting its business it:

- Operates in a lawful, open, inclusive and honest manner
- Makes sure that public money is safeguarded, properly accounted for and used efficiently, effectively and economically
- Has effective arrangements for the management of risks
- Secures continuous improvements in the way that it operates.

The governance framework comprises the culture, values, systems and processes by which the Council is directed and controlled. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.

A key part of the governance framework is the system of internal control: this is designed to manage the risk of failure to achieve policies, aims and objectives to a level, which the Council has determined as acceptable. The effectiveness of internal control is subject to regular review by both external and internal audit and the Annual Report of Internal Audit for 2017/18 provides an opinion on the effectiveness of the internal control system over the year ending 31st March 2018.

The Principles of Good Governance

A summary

The Council aims to achieve good standards of governance by:

- **A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**
- **B. Ensuring openness and comprehensive stakeholder engagement**
- **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 control and strong public financial management**
- **G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

How the Council Works

The Council consists of 35 elected Councillors. The way the Council operates is prescribed by its Constitution, which sets out the roles and responsibilities of the Council, Cabinet, Committees, Panels and other Groups and specifies the powers and duties that are delegated to those bodies and to individual Councillors and Officers. The Constitution is subject to regular review and is updated to ensure compliance with legal and regulatory requirements and conformance to recognised good practice.

The Council has determined that a Cabinet made up of the Leader and Portfolio Holders should have the power to discharge all Executive functions. The role of the Council and its regulatory Committees (such as Planning and Licensing Committees) is set out in the Constitution. The Council has also established an Overview and Scrutiny Committee and Scrutiny Panels with the power to review decisions made. The Audit Committee provides assurance as to the adequacy of the Council's risk management framework and control environment and scrutinise the Council's financial performance and reporting. The Standards and Personnel Appeals Committee has been established to promote and maintain high standards of conduct by Members and Officers.

During 2017/2018 the management of the Council was the responsibility of the Chief Executive (Head of Paid Service) supported by the Corporate Leadership Team (CLT) which comprises four directors (Legal & Governance (Monitoring Officer), Housing & Assets, Resources & Business Transformation and Place & Communities) each reporting directly to the Chief Executive. The Director of Housing & Assets also carries out the role of Deputy Chief Executive acting in the absence of the Chief Executive. The Corporate Finance Manager has been formally appointed as Chief Finance Officer (Section 151 Officer) and is also a member of the CLT.

The Council's vision and ambition for the District are clearly identified in a set of Corporate Priorities, which are presented in the Corporate Plan, which supports the development of annual service plans for all individual services. The Corporate Plan has been reviewed. A robust project management approach is in place to ensure successful delivery of the Corporate Plan through programme and project management. The Council has established a Performance Management Framework: clear performance targets are set for each Service and performance achieved is subject to regular monitoring using objective performance indicators. Employees undergoes an annual Personal Development Review linked to a competency framework.

A Budget and Policy Framework has been established to ensure that budget and policy decisions are taken in an appropriate manner and the Medium Term Financial Strategy – supported by robust budgeting and budgetary control arrangements - ensures that the Council's financial position is sustainable and that a balanced budget is set each year. The Council's Risk Strategy sets the way in which risks are identified, evaluated and managed. Risk Registers are maintained and reviewed by both CLT, Cabinet and Audit Committee to ensure that appropriate and timely action is taken to deal with the risks that have been identified. The Central Midlands Audit Partnership, on behalf of the Council, carries out a programme of audits annually to provide assurance about the effectiveness of risk management. During 2017/2018, a Fraud Risk Register has been developed to identify and mitigate against potential fraudulent activities the Council may be the victim of.

The Role of the Chief Financial Officer in Ashfield District Council

CIPFA published a Statement in 2010 on the 'Role of the Chief Financial Officer in Local Government'. It identifies the five key principles that define the core activities and behaviours of the role and the organisational arrangements to support them. The table below explains how the Council's arrangements comply with the statement.

1	The CFO in a public service organisation is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest.	• The Roles and Responsibilities of the Corporate Leadership Team (CLT) are set out in job descriptions. These were updated as part of the management restructure in May 2017. A new job description is in place for the Corporate Finance Manager and Section 151 Officer (CFM) role. • The CFM reports to the Director of Resources and Business Transformation, and is also a member of the Corporate Leadership Team. Monthly meetings also take place between the Chief Executive and CFM. • An up to date scheme of delegation exists; this was recently confirmed by Annual Council (May 2018). • The authority's governance arrangements allow the CFM to bring influence to bear on all material business decisions, and has direct access to all CLT members, the Audit Committee and External Audit. • The CFM manages the Finance Team (which includes Treasury Management, Creditors, Rent Accounting and Insurance). It is considered that such responsibilities still enable the role to have a clear focus on financial management particularly since the introduction of the Chief Accountant post in March 2018. • CLT receive regular updates on the MTFS, budget monitoring and year end outturn. The CFM ensures that their knowledge and awareness of financial issues is up to date through regular briefings. Principal Accountants have each been allocated a Directorate in order to provide direct support and challenge when necessary.

		• By having the above measures in place, the CFM is able to contribute to the effective leadership and corporate management of the Council. The CFM leads the development of the MTFS and annual budget process to ensure financial sustainability.
2	The CFO in a public service organisation must be 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 alignment with the organisation's financial strategy.	• The Council has a medium term business and financial planning process to deliver the Council's strategic objectives, including an MTFS, an annual budget process and regular and timely monitoring of budget performance. • Professional advice on decisions, which have financial implications, is provided by the Finance Team and is included in every report. In addition, accountants work with budget holders in advance of major decisions to ensure that the financial implications are accurate and well understood. • The CFM assesses the adequacy of reserves and a reserves policy has been introduced as part of the Financial Regulations update in May 2018. • Timely, accurate and impartial information is provided to decision makers, which helps to ensure effective stewardship of public money and that the Council achieves the objectives it has set out in its Corporate Plan. • The Council maintains a prudential financial framework, which is reported on three times each year, to ensure that its commitments remain within its available resources. • An appropriate accounting system is in place although there are opportunities to develop this further. Through this system, regular monitoring reports are produced for officers and Members.
3	The CFO in a public service organisation must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used	• The CFM is responsible for ensuring that appropriate advice is given on all financial matters, for keeping financial records, and for maintaining an effective system of financial control. • Systems and processes for financial administration, financial control and protection of the Council's resources are well designed. Such arrangements are subject to independent risk based auditing by Internal Audit. The Council's Internal Audit arrangements are provided by Central Midlands Audit Partnership. The Monitoring Officer is responsible for ensuring an effective Internal Audit function is in place. • The Annual Governance Statement includes all the Council's significant governance issues. • Annual accounts are published on a timely basis and are presented by the CFM to Cabinet, Audit Committee and senior officers.

	appropriately, economically, efficiently and effectively.	• The Council has an Audit Committee whose Members have been trained appropriately. Further training is being provided to new members further to a change in political leadership. • The Council has received positive Value For Money conclusions over the last five years. • Financial competencies are embedded in person specifications and staff appraisals. • The Finance Team lead initiatives to improve non-financial managers' understanding of finance. • Financial training is provided for Elected Members as required.
4	The CFO must lead and direct a finance function that is resourced to be fit for purpose.	• The Finance function now has the resources, expertise and systems to perform its role effectively. A Finance restructure is part-way through implementation. This has led to a Chief Accountant post being established which has now been recruited to. Ensuring the required expertise is in place will require constant review in light of the innovative projects, which are being explored. Some temporary resources shall be required but skill transference sought. • All the Finance staff within the Council report via the Chief Accountant to the CFM.
5	The CFO must be professionally qualified and suitably experienced.	• The CFM is a CIPFA qualified accountant (1999) who has previously undertaken the role of Deputy Section 151 Officer for 7 years. • She has wide ranging senior local government finance experience, gained from employment at several authorities, and has previously managed the Council's Internal Audit team. • Her role is well understood by Members and officers throughout the Council.

The Role of the Monitoring Officer in Ashfield District Council

The Council is required to ensure it has in place effective arrangements for the discharge of the statutory Monitoring Officer Function. The Constitution sets out the statutory role and functions of the Monitoring Officer and recognises that the Council must ensure the Monitoring Officer has access to sufficient resources in order to undertake the role.

The Director of Legal and Governance is appointed by Council to be the Monitoring Officer. The Director of Legal and Governance has nearly 10 years' experience of acting as the Monitoring Officer for the Council and is a qualified solicitor with 20 years post-qualification experience. The Monitoring Officer is a member of CLT and directly line managed by the Chief Executive.

The Director of Legal and Governance has sufficient resources available including suitable Deputy Monitoring Officer provision. The Monitoring Officer and Deputies attend appropriate training each year.

The Monitoring Officer is responsible for ensuring an effective internal audit function is in place and is lead Chief Officer for the Audit Committee and Standards and Personnel Appeals Committee.

How does the Council Review the Effectiveness of its Governance Framework?

The initial review of the effectiveness of the Council's governance framework was conducted by the Council's Director of Legal and Governance (Monitoring Officer) supported by the Corporate Performance and Improvement Manager.

To inform the initial review process:

- The Corporate Leadership Team carried out a Corporate Assurance Assessment;
- Each Director provided a Statement of Assurance;
- The Council Chief Finance Officer (S151 Officer) was consulted;
- The Constitution review, performance reporting and risk management arrangements were taken into account;
- The findings reported by External Audit and other external review bodies were considered;
- The work of Internal Audit and other internal assurance providers were also considered.

The results of the review work were formulated into a draft Governance Statement. The Corporate Leadership Team reviewed the draft Statement and considered whether the improvements proposed represented an appropriate and proportionate response to the significant governance issues identified.

The draft Statement, modified to reflect the views of the Corporate Leadership Team, was then considered by a Member Working Group made up of the Council's Audit Committee.

The Director of Legal and Governance (Monitoring Officer) then finalised the Annual Governance Statement in readiness for the close of accounts and the Statement will be considered for formal approval by the Council's Audit Committee at its meeting on 24 July 2018.

How do we know our arrangements are working?

Review of Effectiveness 2017/18

- A Corporate Assurance Assessment has been undertaken, where the Council has assessed itself against the key criteria for good corporate governance. A score of 86%, or "good" was recorded. The Council will continue to work on identified areas to ensure further improvements are made. Ongoing improvements and significant issues are recorded later in the statement.
- Key changes, developments and achievements during 2017/2018 have been reviewed against our Corporate Plan and Local Code of Corporate Governance to assess compliance and a brief summary is set out in Appendix 1.
- The current Local Code of Corporate Governance was approved by Cabinet and Audit Committee in November 2017 and will be reviewed during 2018.
- The Council has assessed whether the key areas identified in the 2016/2017 Annual Governance Statement have been delivered and an update is set out below.
- **As a result of the review work undertaken the Council's governance arrangements are deemed to be good and are fit for purpose.**

Internal Audit Opinion 2017/18

Central Midlands Audit Partnership (CMAP), who provide internal audit services to the Council, has provided its opinion for 2017/18. Based on the work undertaken during the year, CMAP is able to give an opinion that the Council has a "satisfactory system of internal control" (the highest level of assurance opinion, which can be given).

Their full report will be presented to the Council's Audit Committee on 24 July 2018.

During 2017, CMAP underwent a review by a qualified external assessor to assess the partnership's conformance with the Public Sector Internal Audit Standards (PSIAS). When the review was finalised towards the end of 2017 it was confirmed that there were no areas of non-conformance with PSIAS.

Progress Regarding Significant Issues identified in 2016/2017

Key Improvement Area 2016/2017	Progress Made During 2017/2018
Procurement Strategy There is still a requirement to set out consistent rules around small value procurement (between £10k and £25k) to ensure that the Council does not risk being challenged on its selection of contractors. This is being addressed as part of the Council's review of how assets are managed, and it is intended to resolve this issue within financial year 2017/18.	The Council was part of the Nottinghamshire and Derbyshire Procurement Partnership hosted by Bassetlaw District Council. Due to notice being served by one party, the arrangement ceased on 31 March 2018. Accordingly, a review of the service provision was carried out and on 15 March 2018, Cabinet decided to enter into a new Service Level Agreement with Nottingham City Council for it to provide the Council's procurement service. As part of the third tier management review, it has been decided to create a new role of Service Manager – Commercial Development who was recently appointed into post. This new role will be responsible for the strategic approach to procurement and monitoring of the SLA. A strategic review of procurement will be undertaken by this manager in conjunction with developing the operational aspects with Nottingham City Council. A new significant issue has been identified for procurement for action during 2018/2019 (see below).
Future Changes to the Medium Term Financial Strategy Significant risks exist relating to central government's financial policies, which impact on local government. Although the Council has some certainty over the amount of Revenue Support Grant it will receive to 2019/20, there is significant uncertainty over its other	During winter 2017/18, updates were provided to management and members on the strategic risks impacting upon the budget and therefore the MTFS. This included matters being consulted upon in respect of the Local Government Finance Settlement. Ashfield responded to the consultation paper.

sources of funding, including New Homes Bonus, Council Tax, Housing Rents, and specifically Redistributed Business Rates. Although the MTFS has been forecast forward based upon a broad continuation of the existing system, any reduction in the Council's share of redistributed Business Rates, following a re-basing in 2019/20 or 2020/21, could require higher levels of budget reductions over the period 2018/19 to 2022/23. The Council will continue to ensure that the development of the MTFS remains a priority and will continue to access the appropriate external advice in order to use the most up to date information in the development of the MTFS.	A savings target of £1m had been determined for 2018/19. All options to contribute to the savings target were robustly challenged before inclusion enabling a budget reduction of £990k for 2018/19. At the MTFS refresh in February 2018, the report outlined that there was still no clarity over funding levels nationally or locally after March 2020. Nevertheless, the MTFS assumptions were updated where further intelligence was provided. Options included a number of funding scenarios including assuming a re-set of business rates equal to base-line funding levels. Considering the risk governing the Council's long term ability to set a balanced budget whilst maintaining adequate reserves is a matter included as a Significant Governance Issue.
The Continued Integration of The Council and former Ashfield Homes Limited (AHL) The process of fully integrating the operations and staffing structures following the transfer of AHL's business and employees to the Council in October 2016 will continue through reviews of services, technology and office accommodation. Risks remain while ever two systems still exist for processing business transactions, and these risks will be reduced significantly once single systems are in place. Until each service is reviewed and new roles defined, employees will remain on two distinct sets of grades, and terms and conditions. This risk is highlighted because of the transitional phase of the integration, and should diminish over time in accordance with the Council's programmes for reviewing services and systems going forward.	Considerable progress has been made in relation to the integration of former AHL officers into the Council. Service reviews, staffing restructures, changes to employee terms and conditions have progressed on a structured and planned basis. Work continues to align remaining officer terms and conditions of employment through service reviews. All payments are processed through the Council's main financial system. Sound internal controls are in place for the processing of housing creditors transactions generated from the former AHL housing maintenance system and processed into the Council's main accounting system. However, there are opportunities for improvements in efficiency subject to IT development, which will enable commitment accounting and intelligent scanning across the Council including Housing Services.

	A systems review and process re-engineering for housing services is incorporated into the new digital transformation programme. A working group has been set up to oversee this ongoing transformation work, which is chiefly focussed on the introduction of a re-engineered repairs system and a digitally agile system of working. Further work is also underway in relation to integration of office accommodation and alignment of terms and conditions of employment continue as part of service area reviews and new ways of working. The risk has significantly diminished as the integration has progressed.

Improvement Actions

As part of the Council's drive to continuously improve its existing governance framework to meet changing conditions, the following actions have been identified to take place during 2018/2019:

Improvement Action	Lead Officer	Target Date
Development of Member's Induction Programme	Director of Legal & Governance	September 2018 – March 2019
Community Engagement Strategy Review	Director of Place & Communities	December 2018
GDPR – Continue to progress the implementation plan and review post implementation	Service Manager – Legal Services	May 2018 then review during 2019
Corporate Risk Strategy Review – to include risk appetite	Service Manager Corporate Support and Transformation	July 2018
Embed the Benefits Realisation Strategy	Service Manager Corporate Support and Transformation	ongoing
Digital and Service Transformation Programme	Director of Revenues & Business Transformation	ongoing

Refresh the Data Quality Strategy	**Service Manager Corporate Support and Transformation**	**December 2018**
Modern Slavery Act – Policy and Statement	**Director of Legal and Governance (Monitoring Officer)**	**July 2018**
Review of compliance with Financial Regulations governing the raising of purchase orders (plus introducing 'no purchase order no payment' initiative).	**Corporate Finance Manager & Section 151 Officer**	**ongoing**

Matters of Note

- Following changes to political groupings in recent weeks, the Council currently has no single political group in overall control. A new Leader of the Council was elected at the Council meeting on 26 April 2018. Members and Officers will be working hard to ensure the Council continues to transact its business effectively and in accordance with the Council's governance framework. New leadership meetings have been formed and Cross-Party Working arrangements will continue.

- The Internal Audit work during the year identified just two significant risk recommendations. The actions to address these risks have been implemented; however, one will continue to be monitored. The risk, which will continue to be monitored, relates to the planning appeal overturn level. At the time of the audit, the appeal overturn rate was 8.83%. Department for Housing, Communities & Local Government requirements specifies that at 10% a Council's Planning process may be placed in special measures. Members were informed in April 2017 and Member training is being provided as an ongoing process. According to current figures published by the Department for Housing, Communities and Local Government the Council's appeal overturn rate has reduced to 6.1%.

Significant Governance Issues

While the effectiveness review and other developments during the year demonstrate that corporate governance arrangements and the internal control framework are fit for purpose and effective, as part of continuing efforts to improve governance arrangements the following significant governance issues have been identified for improvement.

Key Improvement Area	Lead Officer	Target Date
FINANCIAL SUSTAINABILITY The year 2019/20 is the final year of the four-year financial settlement provided by the Government. Together with the Fair Funding Review and the move to 75% retained business rates this provides further uncertainty in respect of the Council's finances after 2020. Although the MTFS was refreshed in February 2018 the changing landscape of local government finance and the potential for changes to the Corporate Plan will require more frequent updates of the MTFS and the saving strategy.	**Corporate Finance Manager & Section 151 Officer**	**Ongoing**
INVESTMENT IN COMMERCIAL PROPERTIES 2017/18 saw the introduction of a new regulatory environment with CIPFA's new Prudential and Treasury Management Codes. These changes will start to impact significantly in 2019/20 and the Council will be putting in place a Capital Strategy, which brings together policies around Capital, Debt and Investment. Through the Capital Programme, the Council has purchased commercial investment properties totalling £15 million and has increased its borrowing requirement. It will remain essential to effectively manage the investment portfolio in light of the ever changing economic climate whilst also having a clear understanding of how such risks and rewards impact on the Council's financial position.	**Corporate Finance Manager & Section 151 Officer**	**December 2018**

The production of the new Capital Strategy will provide the opportunity to fully explore a wide range of investment options based upon the Council's risk appetite whilst also ensuring proper due diligence and long term planning to reflect current and planned treasury positions.		
DATA MATCHING AND NATIONAL FRAUD INITIATIVE Introducing a clear corporate approach to data matching and NFI work including identifying a corporate lead officer.	**Service Manager – Revenues and Benefits**	**December 2018**
PROCUREMENT Review and implement procurement strategy, align systems and processes with the new service provider and ensure full compliance with contract management and transparency requirements.	**Service Manager – Commercial Development**	**During 2018/2019**

The review of the Council's governance arrangements demonstrates that these are fit for purpose but to ensure continuous improvement areas have been identified which require further work.
We propose over the coming year as set out above to further enhance the Council's governance arrangements and will monitor their implementation as part of our annual review.

Jason Zadrozny

Signed ______________________ **Date** 31/05/18

Councillor Jason Zadrozny, Leader of the Council

Signed ______________________ **Date** 31/05/18

Robert Mitchell, Chief Executive

Appendix 1 – The Governance Framework and Review of Effectiveness

Putting the Principles into Effect

	Principle	How Does the Council Achieve This
A	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	The Council set out its values in the Corporate Plan 2016-2019 which was refreshed during 2018, and these are: • Enterprising, Ambitious and Innovative • Community and Customer Focused, Putting People First • Positive, Proactive and Successful • Collaborative • Transparent and Accountable In the Corporate Plan, the Council has also set out is commitment to residents, employees and Councillors. The Council has identified the following priorities: • Health and Wellbeing • Housing • Place and Economic Growth • Communities and Environment • Organisational Improvement The programmes set out in the Corporate Plan reflect these values and the Council's Budget and Performance frameworks monitor how the Council performs against them.

Councillors and Officers are both guided by codes of conduct which have been agreed by Council. The Officer Code was updated in 2017 and has been well communicated and understood throughout the organisation.

The Member Code is based upon the Nolan Principles and was updated in 2017. The Council's Standards and Personnel Appeals Committee takes an active lead role in upholding standards and investigating any complaints made against Members. The Committee has completed its 2017/2018 work plan which included reviewing the Members' Complaints Process and Members' Social Media Policy (both of which are due for approval at the AGM). A significant number of complaints have been received by the Monitoring Officer during the year relating to Selston Parish Councillors. The Monitoring Officer is working to support the Parish in carrying out an ethical governance review.

Members and Officers are required to complete Register of Interests forms and to disclose gifts and hospitality. Members and Officers are reminded about this requirement at least annually.

The Chief Executive, his Corporate Leadership Team, and senior officers continually lead by example and promote the Council's priorities and values. The Leader and Chief Executive personally address colleagues on key matters such as peer challenges, budgets and key organisational change issues. The Chief Executive speaks to senior and middle managers as part of the Extended Leadership Team, allowing two way dialogue on all key issues. The Staff Survey carried out during 2017 has seen a continued increase in staff satisfaction. The Leadership Development Framework has been introduced this year, together with the Competency Framework to ensure employees have the right skills and competencies to carry out their roles.

The Constitution is regularly updated and a review is carried out annually.

Considerable work has been undertaken during the year in respect of the Council's Anti-Fraud and Corruption Policy and Process and related policies, including, the Whistleblowing Policy, Anti-Money Laundering Policy, Anti-Bribery Policy, Prosecution Policy, Fraud Response Plan and Fraud Risk Register. An Anti-Fraud and Corruption Officer Working Group with clear terms of reference has been established to oversee the Council's approach to fraud and corruption and report to CLT and Audit Committee. Continued improvement in this area will now focus on introducing a clear corporate approach to data matching work including identifying a corporate lead officer.

A number of Council services are provided externally and these are reviewed with strong partner engagement and contract management.

		Each of the statutory officers is able to operate with the appropriate independence; the organisational culture respects and supports their integrity and provides the staffing arrangements to support their work. A Member/Officer Protocol informs the relationship between Officers and Members.
B	Ensuring openness and comprehensive stakeholder engagement	The Council operates in an open and transparent way, and takes the vast majority of its key decisions in public meetings at Council, Cabinet and Committees. The Constitution encourages debate around key decisions and Council meetings include the scope for questions from Councillors and members of the public. The Council consults widely with internal and external stakeholders on key policy changes in accordance with its agreed policies. During 2017 a Community Engagement Review was undertaken to identify and introduce more effective and efficient ways to proactively engage with the public and stakeholders and make better use of new media channels, for example, the use of Facebook Live to carry out an interactive Crime and Disorder Scrutiny meeting. Following this review, the Community Engagement Strategy will be refreshed during 2018. The Council has a well-developed approach to working with partners to achieve Corporate Plan outcomes. Co-location with the DWP and police partners has provided a positive impact leading to better ways of dealing with complex cases. A wide variety of communication methods are used to seek the views of different stakeholders. The Council's booklet "All About Ashfield" is produced twice yearly, and this is backed up by regular Citizens' Panel meetings which allows residents to discuss key policy issues with senior Council managers. The Council continues to develop its use of social media channels such as Facebook and Twitter, an example of the positive use of such channels was during this years' inclement weather. Tenant Engagement remains a key method of communicating with tenants and the STAR survey (tenant satisfaction survey) was carried out during 2016. The STAR survey is a set of standardised questions used as a nationwide benchmark of all social housing providers. The survey undertaken in April 2016 is valid for up to 3 years. The Council achieved an overall tenant satisfaction result of 95.6% which places it in the upper quartile of tenant satisfaction nationally. The Council is also a member of the Tenant Participation Advisory Service (TPAS) which is the national body for tenant participation.

		Senior Managers continue to meet with the Trade Unions on a regular basis to actively engage and consult on employee related issues.
C	Defining outcomes in terms of sustainable economic, social, and environmental benefits	The Corporate Plan sets out clearly the outcomes to which the Council is committed. It continually checks the deliverability of these outcomes against the available resources and for this purpose both the Corporate Plan and the Medium Term Financial Plan are reviewed. The Council's performance indicators and its Corporate Scorecard and Place Scorecard are considered regularly by senior management, Overview and Scrutiny Committee and Cabinet. Comprehensive and regular dialogue, on priorities, performance and financial planning take place between the Cabinet and the Corporate Leadership Team, with the result that the Council is able to shape its ambitions around the resources available to it, and its partners. Long term impacts of decisions are forecast using the Council's Weighted Benefit Model for individual projects, and the Medium Term Financial Strategy for the whole of the Council's services. The Council's Corporate and Fraud Risks are identified and recorded in registers and regularly monitored through CLT, Cabinet and Audit Committee. The Council's Corporate Risk Strategy is due to be reviewed during 2018, in particular, the Council needs to identify in this strategy the level of its appetite to risk.
D	Determining the interventions necessary to optimise the achievement of the intended outcomes	The Council's interventions which aim to achieve its Corporate Plan objectives are planned through a number of Programme Boards or are monitored as a regular agenda item at divisional management team meetings. The current programme boards are:- • Regeneration • Commercial Investment Working Group • Digital and Service Transformation • Place New programme boards will be established for:- • Health and Well Being • Efficiency (assets, procurement and restructures) Where relevant, Project Boards sit underneath these boards, working specifically on key projects.

		The programme boards consider the merits of a range of projects for achieving the aims of the Corporate Plan. They employ the Council's Weighted Benefit Model to assess the impact against key priorities, and the affordability of the intervention. Activity within the boards is now being prioritised in order to sharpen its focus. The Corporate Leadership Team considers the priority order for new projects, and their affordability in the context of the Medium Term Financial Strategy.
E	Developing the entity's capacity, including the capability of its leadership and the individuals within it	The Leader and Chief Executive have clearly defined roles. Regular meetings between senior managers and portfolio holders allow for timely discussion of emerging policies and issues, and overviews of strategic developments such as the budget and MTFS. This informal engagement extends to representatives of the other political groups, in the regular Cross Party Update Group, in which the opposition group representatives and un-aligned Members are engaged in discussion around emerging issues and updates. The middle management arrangements have been reviewed during 2017, to ensure that there is alignment between the Council's priorities and its officer structure, and to eliminate any duplication between roles following the merger of housing functions back into the Council. The Peer Challenge which report in April 2017 positively assessed the Council's recent progress and made a number of recommendations for its further improvement. Political and Officer leadership were fully engaged in this exercise. The recommendations have been monitored through Cabinet and Overview and Scrutiny Committee. All recommendations have been fully actioned or are being progressed as an ongoing piece of work. Comprehensive training programmes are in place for officers and Members; this Learning and Development programme is shared between Ashfield and Mansfield as part of the Human Resources Shared Service. Working between the two organisations gives valuable insights into different approaches to organisational management and development. The Members' Development Strategy was approved in 2017. Mandatory training has been identified and incorporated into the Code of Conduct. Mandatory training and attendance at meetings is now linked to

		remuneration. A Members' Working Group will be established later in 2018 in order to plan the induction training programme for after the 2019 District Elections. The Council has a People Strategy in place and is actively working to develop officers as part of the Leadership Competency Framework (integrated into PDRs and recruitment).
F	Managing risks and performance through robust internal control and strong public financial management	The Council's Corporate Risk Register is regularly updated and considered by Cabinet and the Audit Committee. The Fraud Risk Register was developed and reported to the Audit Committee in 2018. The Anti-Fraud and Corruption Working Group will monitor the Fraud Risk Register quarterly. Risk Management informs service planning and project planning and is a specific consideration when new capital projects are being developed. The Corporate Risk Register is aligned to the Corporate Plan and its priorities. The Council has well-developed Emergency Planning and procedures and contributes to all regional training events. Each service has an up to date Business Continuity Plan and a Critical Function Plan (if appropriate). The Council has a mature performance management system and reporting, developed over a number of years and reflecting all of the Council's key performance areas. This is summarised in a Corporate Scorecard which is scrutinised quarterly. Data accuracy is regularly audited. A Data Quality Strategy refresh is planned during 2018. The Council's finances have been guided by a well-developed and communicated MTFS for several years. This MTFS is informed by regional and national expertise. By setting and implementing annual savings plans, the Council has been able to reduce its net budget. The Council has achieved unqualified accounts and a positive Value For Money assessment throughout this period. Internal Control is achieved by a wide range of processes working successfully, and CMAP's assessment of internal control can be found earlier in this document. The Council's Data Management arrangements are updated regularly in line with Government guidelines and best practice and these are subject to regular detailed audits. Preparation for the implementation of GDPR is being managed through the Project Management Framework and is well progressed for the 25 May 2018 implementation date.

G	Implementing good practices in transparency, reporting, and audit to deliver effective accountability	The Council's decision making is transparent; the Forward Plan of Key Decisions is accessible and is reviewed on a weekly basis by CLT. Decisions are readily available through the Council's web site on the user-friendly "modern.gov" system. The budget and performance are subject to reports at least quarterly. The Council's Pay Policy Statement and Gender Pay Gap have been published. The Annual Governance Statement and Corporate Assurance Checklist are updated annually. Audit recommendations are owned by management and are acted upon in a timely manner. The Council welcomes and invites Peer Challenge and has implemented the recommendations of the Challenge report undertaken in early 2017.

Glossary of Terms and Abbreviations

Accounting Period – The period of time covered by the accounts that is normally the year commencing on 1st April and finishing on 31st March. The end of the accounting period is the balance sheet date.

Accrual – An amount included in the accounts to cover income or expenditure relating to an accounting period but for which payment has not yet been made or received. The concept is that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid.

Actuarial Gains and Losses – For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or
- the actuarial assumptions have changed

Agency Services – Services, which are performed by the Council, where the authority legally responsible for the service reimburses the Council (the authority doing the work) for the cost of the work.

Amortisation – The reduction in the value of an asset over its useful life.

Arm's Length Management Organisation (ALMO) – A related organisation established to manage a specific activity, in this case to manage the Council's housing stock.

Ashfield Homes Limited – An arm's length management organisation that manages the Council's housing stock.

Assets Held for Sale –Those assets that are actively being marketed with the expectation that disposal will occur within a 12 month period.

Balance Sheet – A statement of the recorded assets, liabilities and other balances as they stand in monetary terms, at the end of an accounting period.

Billing Authority – A local authority responsible for collecting the Council Tax and National Non-Domestic Rates from within its district boundaries (the Council is a billing authority).

Budget – A statement defining the Council's financial plans over a specified period of time (usually an accounting period 1st April to 31st March).

Business Rates/ Non Domestic Rates (NDR) – Income collected from business ratepayers, based on a national rate in the pound set by Central Government multiplied by the rateable value of the premises they occupy. This rate is collected by the billing authority on behalf of Central Government and is redistributed from the billing authority's NNDR pool between itself, Central Government and Nottinghamshire County Council and Nottinghamshire Fire and Rescue Authority.

Capital Expenditure – Expenditure on new assets such as land, buildings and other structures or on the enhancement of existing assets so as to significantly prolong their useful life or increase their market value.

Capital Financing – The raising of money to pay for capital expenditure. Methods include borrowing, leasing, using capital receipts, government grants or contributions, major repairs reserve or from revenue contributions.

Capital Financing Charges – The annual costs to services for the use of assets comprising depreciation, leasing charges and other costs of funding capital expenditure.

Capital Receipts – The income from the sale of council houses, buildings, land and other assets. A proportion of capital receipts can be used to finance new capital expenditure, within rules set down by central government, but they cannot be used to finance revenue expenditure.

Cash Equivalents – They 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.

Code – The Code refers to the code of practice on local authority accounting. The code of practice is based upon approved accounting standards and provides the accounting standards under which the Statement of Accounts is prepared. From 2010/11 the Code is based on International Financial Reporting Standards.

Community Assets – Assets that may have restrictions on their use and disposal. Examples include playing fields and parks.

Council Tax – A tax levied by the local Council, which is the billing authority, on households within its area and distributed to the County Council, Police and Fire Authorities, and to the Council's own General Fund.

Council Tax Bands – All domestic properties in a Local Authority's area are valued by Central Government's Valuation Office Agency, and placed in one of 8 bands ranging from A to H. Each Band is averaged out in relation to Band D, Bands A to C paying less, and Bands E to H paying more on an increasing scale.

Council Tax Benefit – Assistance provided to adults on low incomes to help them pay their council tax bill.

Current Assets – The assets held by an organisation at the balance sheet date that will be used in the next accounting period e.g. inventories, cash and trade receivables.

Current Liability – The liabilities held by an organisation at the balance sheet date that will be repaid within the next year e.g. creditors, overdrafts.

Current Service Cost (Pensions) - The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Defined Benefit Scheme – A pension scheme where the benefits are set independently of the contributions paid and the performance of the investments in the fund.

De Minimis – A term generally used to describe something that is too small to be considered.

Depreciation – The measure of the reduction in value of a non-current asset due to age, consumption or other reduction in useful life during the accounting period.

Discretionary Benefits – Retirement Benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers.

Earmarked Reserves – Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.

Expected Rate of Return on Pension Assets – For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Fair Value – The amount for which an asset could be exchanged; or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Financial Instruments – Contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another.

Finance Lease – A lease that transfers all of the risks and rewards of ownership of an asset to the lessee.

General Fund – The main revenue fund of the Council. Day to day spending on services is met from this fund. The exception to this is for the provision of Council dwellings which is met from the Housing Revenue Account.

Housing Benefit – Allowances paid to persons on low income to meet, in whole or part, their rent. The Local authority pays the benefit but most of the cost is refunded by central government through rent allowances for private sector tenants and the rent rebate element of housing subsidy for the Council's own tenants.

Housing Revenue Account / (HRA) – This is a statutory account which covers all revenue expenditure and income related to the provision of Council dwellings. It includes an optional sub – division, the Housing Repairs Account.

Housing Subsidy – The Government grant paid to housing authorities towards the cost of providing, managing and maintaining Council dwellings.

Impairment – The reduction in the market value of a non-current asset due to significant changes in the market (i.e. Introduction of new technology), obsolescence, or damage, etc.

Intangible Assets – Assets that do not have physical substance but are identifiable and controlled by the Council, e.g. IT software.

Interest Cost (Pensions) – For defined benefit schemes, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

IFRS – International Financial Reporting Standards. Guidelines and rules set by the International Accounting Standards Board (IASB) that companies and organisations can follow when compiling financial statements.

Investment Properties - Investment property is property that has been purchased with the intention of earning a return on the investment, either through rental income, the future resale of the property or both.

Long Term Borrowing / investment – Borrowing / investments repayable after more than one year.

Long Term Receivables – Amounts due to the council more than one year after the Balance Sheet date.

Minimum Revenue Provision (MRP) – The minimum amount that must be charged against the Council's revenue accounts each year, as a provision to repay borrowing and finance leases.

Net Book Value – The amount at which non-current assets are included in the balance sheet, i.e. their historic value or current valuation less depreciation.

Net Realisable Value – The open market value of an asset in its existing use.

Non-Current Assets – Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year, for example, land, buildings and equipment.

Non – Distributed Costs – Overheads for which no specific user benefits and are not apportioned to services.

Non – Operational Assets – Non-current assets held but not currently used by the Council in delivering services; for example property surplus to requirements or land awaiting sale or redevelopment.

Operating Lease – An operating lease is a rental agreement that places all of the risks and rewards of ownership of an asset with the lessor.

Operational Assets – Non-current assets held and used in delivering services.

Past Service Cost - For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Precept – The amounts of tax that the Council is required to raise through Council Tax on behalf of other authorities for services they provide in the Billing Authority's area.

Precepting Authorities – Those Authorities who are not Billing Authorities, e.g. "major" Authorities such as the County Council and Police and Fire Authorities and "local Precepting Authorities" such as Parish, Town or Community Councils.

Projected Unit Method - An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is one in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners, deferred pensioners and their dependents, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

Provision - An amount set aside to provide for a liability that it is likely will be incurred but the exact amount and the date on which it will arise are uncertain.

Public Works Loan Board (PWLB) – A Central Government agency, that provides loans to Local Authorities.

Related Party Transactions – A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

Reserve – An amount set-aside for a specific purpose in one financial year and used to meet expenditure in future years. There are two types of reserves, usable and unusable reserves. Usable reserves are those reserves that can be applied to fund expenditure or reduce local taxation. Unusable reserves are other reserves, such as the revaluation reserve, that arise from accounting requirements

Residual Value – the net realisable value of an asset at the end of its useful life.

Retirement Benefits – All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Revenue Expenditure Funded from Capital under Statute (REFCUS) – Spending on items normally classed as revenue but which are defined by statute as capital e.g. improvement grants.

Revenue Expenditure – Spending on day-to-day items, including, salaries and wages, premises costs and supplies and services.

Revenue Support Grant (RSG) – Contribution from Central Government towards the cost of local authority services.

Scheme Liabilities – The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities are measured using the projected unit method to reflect the benefits that the employer is committed to provide for service up to the valuation date.

Service Reporting Code of Practice (SeRCOP) – The SeRCOP provides refers to the code of practice on local authority financial reporting to stakeholders. The SeRCOP is based on International Financial Reporting Standards.

Short Term Borrowing/ Investments – Borrowing and investments repayable on demand or within one year.

Tangible Assets – Assets with physical substance.

Trade Payables (Creditors) – An amount owed by the Council for work done, goods received or services provided but for which payment has not yet been made.

Trade Receivables (Debtors) – An amount owing to the Council but for which money has not yet been received.

Useful Life – The period over which the local authority will derive benefits from the use of a tangible non-current asset.

Vested Rights – In relation to a defined benefit scheme, these are:

- for active members, benefits to which they would unconditionally be entitled on leaving the scheme
- for deferred pensioners, their preserved benefits
- for pensioners, pensions to which they are entitled

They include where appropriate the related benefits for spouses or other dependants.

Work In Progress / WIP – the cost of work done on an uncompleted project as at the Balance Sheet date.