



Civic Centre,
Arnot Hill Park,
Arnold,
Nottinghamshire,
NG5 6LU

Agenda

Audit Committee

Date: **Tuesday 23 September 2014**

Time: **5.30 pm**

Place: **Committee Room**

For any further information please contact:

Lyndsey Parnell

Members' Services Officer

0115 901 3910

Audit Committee

Membership

Chair Councillor Paul Feeney

Vice-Chair Councillor Nick Quilty

Councillor Sandra Barnes
Councillor Chris Barnfather
Councillor Bob Collis
Councillor Tony Gillam
Councillor Richard Nicholson

AGENDA

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MINUTES AUDIT COMMITTEE

Tuesday 17 June 2014

Councillor Paul Feeney (Chair)

Councillor Nick Quilty
Councillor Sandra Barnes
Councillor Chris Barnfather

Councillor Bob Collis
Councillor Tony Gillam
Councillor Richard Nicholson

Officers in Attendance: V Rimmington and F Whyley

37 APOLOGIES FOR ABSENCE.

None.

38 TO APPROVE, AS A CORRECT RECORD, THE MINUTES OF THE MEETING HELD ON 25 MARCH 2014.

RESOLVED:

That the minutes of the above meeting, having been circulated, be approved as a correct record, subject to the following amendment:

1. That N. Bellamy of KPMG be noted as in attendance, rather than T. Tandy of KPMG.

39 DECLARATION OF INTERESTS.

None.

40 ANNUAL FRAUD & IRREGULARITIES REPORT

Consideration was given to a report of the Service Manager, Audit and Risk Management, which had been circulated prior to the meeting, providing a summary of all investigated irregularities identified during the 2013-14 financial year, any action taken, sanctions imposed and the informing Members of the level of recovery achieved in those cases.

RESOLVED:

To note the report.

41 THE ANNUAL INTERNAL AUDIT REPORT 2013-14

Consideration was given to a report of the Service Manager, Audit and Risk Management, which had been circulated prior to the meeting, informing Members of the activity of the Internal Audit section during the 2013-14 financial year and providing assurance on the internal control systems across the Authority to support the Annual Governance Statement provided within the Annual Statement of Accounts.

RESOLVED:

To note the report.

42 CORPORATE RISK SCORECARD

Consideration was given to a report of the Service Manager, Audit and Risk Management, which had been circulated prior to the meeting, updating Members on the current level of assurance that can be provided against corporate risks.

RESOLVED:

To note the report.

43 FOLLOW-UP OF AUDIT RECOMMENDATIONS

Consideration was given to a report of the Service Manager, which had been circulated prior to the meeting, informing Members of departmental progress in the implementation of Internal Audit recommendations and where additional action needs to be considered in relation to any outstanding recommendations.

RESOLVED:

To note the report.

44 SUMMARY OF AUDIT ACTIVITY

Consideration was given to a report of the Service Manager, Audit and Risk Management, which had been circulated prior to the meeting, summarising the outcome of the Internal Audit activity for the period April to June 2014 and highlighting all final reports issued and associated key findings, concerns identified in any work in progress, details of liaison with management and External Audit and providing details of any changes to the Annual Audit Plan.

RESOLVED:

To note the report.

45 ANY OTHER ITEM WHICH THE CHAIR CONSIDERS URGENT.

None.

The meeting finished at 7.10 pm

Signed by Chair:
Date:

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Report to those charged with governance (ISA 260) 2013/14

Gedling Borough Council

September 2014

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Agenda Item 4

**The contacts at KPMG
in connection with this
report are:**

Neil Bellamy

Director

Tel: 0116 256 6082

neil.bellamy@kpmg.co.uk

Richard Walton

Manager

Tel: 0115 945 4471

richard.walton@kpmg.co.uk

Thomas Tandy

Assistant Manager

Tel: 0115 9454480

thomas.tandy@kpmg.co.uk

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Neil Bellamy, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 4448 330.

This document summarises:

- the key issues identified during our audit of the financial statements for the year ended 31 March 2014 for the Authority; and
- our assessment of the Authority's arrangements to secure value for money.

Scope of this report

This report summarises the key findings arising from:

- our audit work at Gedling Borough Council ('the Authority') in relation to the Authority's 2013/14 financial statements; and
- the work to support our 2013/14 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2013/14*, presented to you in February 2014, set out the four stages of our financial statements audit process.



This report focuses on the second and third stages of the process: control evaluation and substantive procedures. Our on site work for these took place during April 2014 (interim audit) and July 2014 (year end audit).

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM conclusion

Our *External Audit Plan 2013/14* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. We have now completed our work to support our 2013/14 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion; and

- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas.

Structure of this report

This report is structured as follows:

- Section two summarises the headline messages.
- Section three sets out our key findings from our audit work in relation to the 2013/14 financial statements of the Authority.
- Section four outlines our key findings from our work on the VFM conclusion.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.



Section two Headlines

This table summarises the headline messages. Sections three and four of this report provide further details on each area.

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Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2014. We will also report that the wording of your Annual Governance Statement accords with our understanding.
Audit adjustments	We are pleased to report that our audit of your financial statements did not identify any adjustments. This includes non-trivial adjustments of a presentational nature.
Accounts production and audit process	<p>The Authority has good processes in place for the production of the accounts. We noted that the Authority has maintained a thorough internal review process. This resulted in the draft set accounts and accompanying working papers being of a good quality.</p> <p>Officers were proactive in dealing with audit queries throughout the audit process meaning responses were timely and of a good standard resulting in fewer follow-up queries. The above factors facilitated a smooth audit process which has been completed within the planned timescales.</p> <p>We have worked with officers throughout the year to discuss the specific risk areas for this year's audit. The Authority addressed the issues appropriately as set out on pages 5 and 6.</p>
Control environment	The Authority's organisational control environment is effective overall, and we have not identified any significant weaknesses in controls over key financial systems.
Completion	<p>At the date of this report our audit of the financial statements is substantially complete. Before we can issue our opinion we require a signed management representation letter.</p> <p>We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.</p>
VFM conclusion and risk areas	<p>We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2014.</p>



Section three

Proposed opinion and audit differences

We have identified no issues in the course of the audit of the audit that are considered to be material.

We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2014.

The wording of your Annual Governance Statement accords with our understanding.

Proposed audit opinion

We anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Audit Committee on 23 September 2014.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

We did not identify any material misstatements nor did we identify any presentational adjustments to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2013/14* ('the Code').

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Section three

Key financial statements audit risks


We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

In our *External Audit Plan 2013/14*, presented to you in March 2014, we identified the key risks affecting the Authority's 2013/14 financial statements. Since then we also added an additional risk around the accounting for the business rate retention scheme, which we have detailed below. We have now completed our testing of these areas and set out our evaluation following our substantive work.

The table below sets out our detailed findings for each of the risks that are specific to the Authority.

Additionally, we considered the risk of management override of controls, which is a standard risk for all organisations.


Our controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual, did not identify any issues.

Key audit risk	Issue	Findings
	<p>During the year, the Local Government Pension Scheme for Nottinghamshire (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2013 in line with the Local Government Pension Scheme (Administration) Regulations 2008. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.</p> <p>The IAS 19 numbers to be included in the financial statements for 2013/14 will be based on the output of the triennial valuation rolled forward to 31 March 2014. For 2014/15 and 2015/16 the actuary will then roll forward the valuation for accounting purposes based on more limited data.</p> <p>There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Nottinghamshire County Council who administer the Pension Fund.</p>	<p>As part of our audit, we agreed the data provided to the actuary back to the systems and reports from which it was derived, and tested the accuracy of this data.</p> <p>We liaised with the separate KPMG audit team for the Pension Fund, where this data was provided by the Pension Fund on the Authority's behalf.</p>

Section three

Key financial statements audit risks (continued)

We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

Key audit risk	Issue	Findings
	<p>On 1 April 2013 a new system of business rate retention began which saw the Council enter into a pooling arrangement with the other Nottinghamshire district councils. Some of the guidance relating to the changed requirements was late in being issued. This meant that the new national arrangements and associated pooling arrangements presented new accounting challenge for all councils this year and brought a risk that NNDR income and associated accounting entries may be misstated.</p>	<p>We reviewed the accounting treatment for the new pooling arrangements and found it to be inline with the CIPFA guidance.</p>

Section three

Accounts production and audit process

We have noted the Authority has maintained its high standards in the quality of the accounts and supporting working papers.

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	<p>The Authority has continued its strong its financial reporting process and maintained its thorough internal review quality checks.</p> <p>We consider that accounting practices are appropriate.</p>
Completeness of draft accounts	<p>We received a complete set of draft accounts on 30 June 2014.</p>
Quality of supporting working papers	<p>Our <i>Accounts Audit Protocol</i>, which we issued on 19 March 2014, and discussed with the Financial Services Manager and Principal Accountant, set out our working paper requirements for the audit.</p> <p>The quality of working papers was of a good standard and assisted the delivery of a smooth audit engagement.</p>
Response to audit queries	<p>Officers were proactive in resolving audit queries, this meant responses were timely and of a good standard so that often there were no follow-up queries, allowing issues to be resolved quickly and effectively.</p>



Section three

Control environment

The Authority's organisation control environment is effective, and controls over the key financial systems are sound.

During April 2014 we completed our control evaluation work. We did not issue an interim report as there were no significant issues arising from this work. For completeness we reflect on key findings from this work.

Organisational control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. We therefore obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented.

We found that your organisational control environment is effective overall.

Controls over key financial systems

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within the financial systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Based on our own work on controls over the year end process, the controls over the financial systems are sound.

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Gedling Borough Council for the year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and Gedling Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 1 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Chief Finance Officer for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the

financial reporting process; and

- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2013/14 financial statements.

Our VFM conclusion

considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

Work completed

We performed a risk assessment earlier in the year and have reviewed this throughout the year.

We have not identified any significant risks to our VFM conclusion and therefore have not completed any additional work.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓



The Code of Audit Practice requires us to exercise our professional judgement and act independently of both the Commission and the Authority.

Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the 'Code') which states that:

"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission's *Standing Guidance for Local Government Auditors* ('Audit Commission Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK & I) 260 Communication of *Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.

- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of Gedling Borough Council for the financial year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and Gedling Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.



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Report to Audit Committee

Subject: Statement of Accounts 2013/14

Date: 23 September 2014

Author: Corporate Director (Chief Financial Officer)

1. Purpose of the Report

To seek approval of the Council's Statement of Accounts for 2013/14.

2. Background

2.1 Overview

The Accounts and Audit (England) Regulations require the responsible financial officer to sign and date the Statement of Accounts by 30 June, and to certify that the Statement presents a true and fair view of the financial position of the authority. Accordingly, the Corporate Director (Chief Financial Officer) signed and certified the Council's Statement of Accounts on 30 June 2014.

The regulations further require that by 30 September 2014 the Statement of Accounts must have been considered and approved by the relevant committee, and at Gedling, this is the Audit Committee. The Statement of Accounts must be re-signed by the Chief Financial Officer prior to being signed and dated by the chairman of the Audit Committee.

The Statement of Accounts for 2013/14 has now been audited and is attached at Appendix 1. The accounts should be considered giving due regard to any comments made by the auditor in the Annual Governance Report, which is the previous item on this agenda.

2.2 The Economy

2013/14 continued the challenging financial environment of previous years, with very low investment returns and heightened levels of risk. The original expectation that bank rate would not rise during 2013/14, but then rise gently from Q1 of 2015 was adjusted slightly to a rise starting only in Q3. Bank rate ended the year unchanged at 0.5% for the fifth successive year. Economic growth was strong during the year, and CPI inflation is expected to remain slightly below the target rate of 2% for most of the two years ahead.

The Government's Funding for Lending Scheme continued to provide cheap credit to banks, with the result that investment rates fell further during 2013/14.

The part of the scheme which provided credit for mortgages was withdrawn in the first quarter of 2014 as concerns rose over rising house prices.

The Government maintained its tight fiscal policy stance, however, strong economic growth led to a reduction in the forecast for total borrowing of £97bn over the next five years, culminating in an estimated surplus of £5bn in 2018/19.

2.3 Accounting Practice Changes

There were no major changes to the Code of Practice on Local Authority Accounting in 2013/14, however there were a number of minor amendments including post-employment benefits, financial instruments and the presentation of the financial statements. Most significant was the change associated with accounting for the Business Rates Retention Scheme, introduced on 1 April 2013, and representing a major change in the funding of Local Government.

3. Proposal

3.1 General Fund Capital and Revenue Outturn 2013/14

General Fund outturn figures for 2013/14 were reported to Cabinet on 19 June 2014. Net expenditure totalled £12,466,117, representing an under-spend of £488,283 or 3.8% when compared with the current approved estimate for 2013/14, as detailed below. Revenue budget carry forward requests of £109,700 were approved.

Portfolio	Current Est 2013/14 £	Actual Exp 2013/14 £	Variance £
Community Development	1,363,900	1,506,484	142,584
Health & Housing	1,177,100	848,596	(328,504)
Public Protection & Communication	1,494,200	1,430,498	(63,702)
Environment	5,098,800	4,865,085	(233,715)
Leisure & Development	2,868,200	2,763,206	(104,994)
Finance & Performance	952,200	1,052,248	100,048
Total	12,954,400	12,466,117	(488,283)

The General Fund Balance at 31 March 2014 is £6.194m. This level of balances remains above the minimum required in the Medium Term Financial Plan, however it should be noted that of the balance of £6.194m, £109.7k is required to fund revenue carry forwards and £384k is required for the Council's share of the Business Rates Collection Fund deficit.

Total capital investment during 2013/14 totalled £3.147m and this was financed by the use of capital receipts, borrowing, grants and contributions, and General Fund revenue contributions. The council's total external debt at 31 March 2014 was £10.812m.

3.2 Major Variations 2013/14

Full details of budget variances were reported to members on 19 June, however some major items are repeated below for information.

- Council tax benefits and the associated subsidy arrangements were abolished on 1 April 2013, however where valid backdated claims are made after this date the Council is obliged to pay them and to bear the whole cost. Conversely, where previous overpayments have been identified the Council is entitled to recover these and no subsidy is clawed back. Furthermore, where changes are made to reliefs, exemptions or discounts for periods prior to 1 April 2013 these do not impact on claimants but generate adjustments to benefit previously paid by the General Fund to the Collection Fund. Such adjustments represent the majority of the £211k saving reported in respect of council tax benefits.
- Savings of £205k were made on rent allowances despite positive budget maintenance during the year. This was due mainly to significant volatility in the profile of some types of overpayment recoveries.
- Expenditure of £126k was incurred on a judicial review of a planning decision for a wind turbine, and an order from the Court of Appeal for costs is awaited. A further £42k was incurred on a judicial review of a crematorium planning decision.
- Savings of £573k against the original estimate were made in respect of employee expenses, as a result of positive vacancy management, the delivery of efficiencies arising from planned restructures, salary savings from the closure of Arnold Leisure Centre during its refurbishment, and a Leisure Centre Management restructure.
- The balance of £177k an earmarked reserve for the Arnold Town Masterplan was used during 2013/14 to make contributions to the refurbishment of Arnold Leisure Centre and to works carried out on Druids Car Park.

3.3 Balance Sheet Variances

The balance sheet shows a movement in net worth of £0.467m, from negative £3.384m at 31 March 2013 to negative £2.917m at 31 March 2014. Of this, £2.664m is due to technical actuarial valuation requirements of the Pension Fund under IAS 19, Retirement Benefits, largely offset by a net increase in long term asset values of £1.888m.

The increase of £2.664m in the net pension deficit is due to the specific technical calculations required under IAS 19 which measure the net present value of future assets and liabilities. This technical valuation bears no resemblance to the cash position on the fund, which remains healthy.

Due to the requirements of local authority accounting, changes in pension fund valuations and asset valuations do not have an impact at taxpayer level.

3.4 Audit of Accounts Process

The Accounts are scrutinised by the council's external auditors, KPMG, with whom the Chief Financial Officer discusses progress regularly.

KPMG requires each authority to provide a letter of representation, providing certain assurances about the completeness and accuracy of its Statement of Accounts. A copy of this letter is attached at appendix 2.

The procedures that KPMG expects authorities to follow in providing a representation letter are that it should be dated on or near the date the auditors sign the audit opinion, and that it is signed by the person with responsibility for the financial statements after consultation with the monitoring officer on legal matters, and other matters as appropriate. It must be formally acknowledged by an appropriate committee of the Council, in Gedling's case the Audit Committee.

4. Resource Implications

There are no specific resource implications arising from this report.

5. Recommendation

Members are recommended to:

1. Approve the Statement of Accounts for 2013/14 (appendix 1).
2. Note the letter of representation (appendix 2).

6. Appendices

1. Statement of Accounts 2013/14
2. Letter of Representation

Annual Statement of Accounts 2013/14



ANNUAL STATEMENT OF ACCOUNTS 2013/14

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ANNUAL STATEMENT OF ACCOUNTS 2013/14

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

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EXPLANATORY FOREWORD

INTRODUCTION

The Accounting Statements for the year 2013/14 are set out in the following pages. The Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which defines proper accounting practices and principles required to give a 'true and fair' view of the financial position and transactions of a local authority. The Council's accounts are subject to audit by KPMG, and the certificates are shown on pages 77 to 80.

Compliance with the Code addresses all the requirements of International Financial Reporting Standards as they relate to local government.

The financial statements comprise:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement
- Notes to the Accounts and Accounting Policies
- Balance Sheet at the beginning of the earliest comparative period (required when there is a prior period adjustment)
- Collection Fund Account and Notes

The purpose of each statement and the relationship between them is described on the face of each statement.

ACCOUNTING POLICIES

The purpose of the Statement of Accounting Policies is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. They explain the principles, bases, conventions, rules and practices applied by an authority to the presentation of assets, liabilities, gains, losses and changes in reserves. Except where specified in the Code or in specific legislative requirements, it is for the authority to select policies that are the most appropriate to its particular circumstances.

FINANCIAL OVERVIEW

2013/14 was a year of significant change in the funding of Local Government, with the implementation of the Business Rates Retention Scheme and the abolition of Council Tax Benefits, which were replaced by the Council Tax Reduction Scheme. The Local Government Finance Settlement also formally announced anticipated grant reductions for 2014/15, together with an indication of further significant cuts to come across the medium term. This, together with the continuing uncertainty in the economy during the year, has resulted in 2013/14 being another challenging financial year.

Business Rates Retention

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

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

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

During 2013/14 Gedling's share of the business rates growth above its Baseline Funding Level of £2,687,533, was £263,678, 50% of which has been paid to the Nottinghamshire Pool, leaving retained growth for Gedling of £131,839.

Financial Outturn

The financial outturn for 2013/14 fell broadly in line with quarterly monitoring, and highlights that the Council has maintained its robust financial management. A detailed outturn report was submitted to Cabinet on 19 June 2014 and can be accessed via the Council's website at www.gedling.gov.uk.

a) General Fund Revenue Account

Net General Fund Revenue Expenditure on services for 2013/14 totalled £12.466m, representing an underspending of £0.488m against the final approved estimate. The outturn position together with movements on Financing budgets i.e. Business Rates growth/Collection Fund outturn and additional RSG redistributed by central government, enabled a contribution of £1.254m to General Fund Balances to be made, compared to the revised estimate of £0.291m. Accordingly, the closing balance on the General Fund is £6.194m. This level of balances remains above the minimum required in the Council's medium term financial plan, however a balance will always need to be maintained to finance expenditure pending receipt of local taxes and other income, and to meet unexpected expenditure requirements. In particular, almost £0.4m will be required to fund the Council's share of the Business Rates Collection Fund deficit, which under regulations does not impact on the General Fund until 2014/15.

Significant points to note in the General Fund Revenue Outturn include:

- Council Tax Benefits (CTBs)

The outturn on CTBs was favourable by £211,000 against the final approved estimate. CTBs and the associated subsidy arrangements were abolished on 1 April 2013, however where valid backdated claims are made after this date the Council is obliged to pay them and to bear the whole cost. Conversely, where a previous overpayment has been identified, the Council is entitled to recover this and no subsidy is clawed back. Technical overpayments arise where a change is made to a relief, exemption or discount for a period prior to 1 April 2013. These have no impact on the claimant but generate an adjustment to benefit previously paid by the General Fund to the Collection Fund. It is this scenario that has generated the majority of the favourable variance. As more time elapses from the abolition of CTB it is envisaged that future adjustments will become less significant.

- Rent Allowances

The outturn on rent allowances was favourable by £205,000 against the approved estimate. This occurred despite positive budget maintenance during the year, due mainly to significant volatility in the profile of some types of overpayment recoveries.

- Development Management

£126,000 was incurred on the judicial review of a planning decision for a wind turbine, and an order from the Court of Appeal for costs is awaited. A further £42,000 was incurred on a judicial review of a crematorium planning decision.

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- Employee Expenses

Savings of £573,000 were achieved against the original estimate due to positive vacancy management, the delivery of efficiencies arising from planned restructures, salary savings from the closure of Arnold Leisure Centre during its refurbishment, and a Leisure Centre Management restructure.

- Utilities

Net savings of £77,500 were made against the original estimate due to lower than anticipated contract inflation and the impact of the closure of Arnold Leisure Centre during its refurbishment.

- Earmarked Reserves and Provisions

Reserve and provision requirements have been reviewed. The closing position on earmarked reserves is a balance of £2.716m a net increase of £327,000 in the year.

The Insurance Fund has been increased by £50,000 ensuring that it remains at the level recommended by insurers.

A reserve of £90,000 was created during 2013/14 to assist with the rollout of broadband services to rural areas.

The balance of £177,000 on the Arnold Town Masterplan Reserve was used during 2013/14 to make contributions to the refurbishment of Arnold Leisure Centre and to the work on Druids Car Park.

The Earmarked Grants reserve contains grants which are for specific purposes to fund qualifying expenditure in future financial years. An additional £227,300 of such grants was received in 2013/14 of which £202,000 remained unused at the year end.

- Income

There have been some signs of recovery in the economy during 2013/14. An increase in the number of major planning applications resulted in additional income of £49,000, which enabled a contribution to be made to the Local Development Framework and Planning Reserve, the aim of which is to manage fluctuations in workload arising from the planning application process.

Leisure Centre fees and charges were lower than the original estimate by £212,000 however the major reason for this was the extended closure of Arnold Leisure Centre for refurbishment which accounted for £169,500. Reduced usage at Carlton Forum was a further factor.

A continued significant increase in demand for hackney carriage licensing resulted in additional income of £82,000 compared to the original estimate.

b) Capital Expenditure and Financing

Total capital investment during 2013/14 totalled £3.147m and this was financed by the use of capital receipts, borrowing, grants and contributions and General Fund revenue contributions as set out at note 34 on page 64. The main elements of the capital programme included the second tranche of the Local Authority Mortgage Scheme (LAMS), private sector housing improvement grants, the refurbishment of Arnold Leisure Centre, development of Gedling Country Park and Druids Car Park, and the purchase of replacement vehicles and equipment.

The Council continues to take advice from its treasury advisors with regard to the timing of borrowing and no new borrowing was undertaken during 2013/14 leaving total external debt at £10.812m at 31 March 2014. The Council minimises its net cash surpluses as a response to uncertainties in the investment market.

Significant grants received were Disabled Facilities Grant which was applied to capital expenditure in respect of private sector housing improvements grants, and Growth Point Grant which was applied to schemes at Gedling Country Park and Druids Car Park. The Council will continue to be

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EXPLANATORY FOREWORD

dependent on capital receipts realised from the sale of assets, and on contributions from other agencies, to support funding of its capital schemes.

c) **Balance Sheet**

Net Worth on the balance sheet moved by £0.467m in the year, from negative £3.384m at 1 April 2013 to negative £2.917m at 31 March 2014. The negative net worth position is largely due to the technical actuarial valuation requirements of the Pension Fund under IAS19 – Employment Benefits.

The increase in the Pension Deficit of £2.664m is due to the specific technical calculations required under IAS19 which measure the net present value of future assets and liabilities based on actuarial assumptions. This technical valuation bears no resemblance to the cash position on the fund which remains healthy. Full details of the pension valuations and assumptions are included in note 38 to the financial statements, on pages 65 to 71. The total pension liability of £32.092m reflects the Authority's underlying commitment to pay retirement benefits. Whilst this has a substantial impact on the net worth of the Authority, the deficit will be made good by increasing contributions over the remaining working life of employees, as assessed by the scheme actuary.

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

REVENUE TAX COLLECTION

The Collection Fund accounts are set out on pages 73-76. During the year 98.4% of the Council Tax due was collected and 98.7% of the National Non Domestic Rate.

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

The Council Tax account shows a deficit of £0.696m, and this has been disaggregated on the balance sheet in accordance with accounting requirements. Gedling Borough Council acts as an agent in respect of Council Tax, and only the proportion of the deficit calculated as attributable to Gedling Borough Council is shown on the Council Tax Collection Fund Adjustment Account, amounting to £62,000. The proportions attributable to Nottinghamshire County Council, Nottinghamshire Police and Crime Commissioner and the Combined Fire Authority are included in the overall Council Tax Collection Fund debtors with these parties, together with appropriate shares of arrears, bad debt provisions and prepayments.

The NNDR account shows a deficit of £0.959m, and again this has been disaggregated in accordance with accounting requirements. Only the proportion of the deficit calculated as attributable to Gedling Borough Council is shown on the NNDR Collection Fund Adjustment Account, amounting to £384,000. The proportions attributable to Central Government, Nottinghamshire County Council, and the Combined Fire Authority are included in the overall NNDR Collection Fund debtors with these parties, together with appropriate shares of arrears, bad debt provisions and prepayments.

THE ECONOMY

The Council's current robust financial position, combined with the Medium Term Financial Plan and projections for reserves and balances, means that it is well placed to deal with ongoing uncertainty in the UK and global economies. However, the Council will continue to monitor the external environment and develop strategies to counter threats from the wider economy. Ongoing pressures on costs, income streams and funding have necessitated critical reviews of all services during the budget process for 2014/15, and significant expenditure reductions are planned over this and the following two years.

Further funding uncertainties lie ahead, with expectations of further Central Government grant cuts and a growing reliance on New Homes Bonus and business growth to fund services. Despite this the Council's overall financial and operational management arrangements remain robust.

MS KIMBERLEY, CPFA

Chief Financial Officer, June 2014

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STATEMENT OF ACCOUNTING POLICIES

FOR GEDLING BOROUGH COUNCIL

ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those Regulations require to be prepared in accordance with the proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the 2013/14 Code) and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS).

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

2. Accruals of Income and Expenditure

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

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

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

3. Cash and Cash Equivalents

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

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

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

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

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

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

5. Charges to Revenue for Non Current Assets

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

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

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

6. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

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Post Employment Benefits

The 2013/14 Code includes changes introduced by the June 2011 amendments to IAS19, Employee Benefits. The main change is in respect of the classification, recognition, measurement and disclosure requirements for post employment benefits. The adoption of the 2011 amendments to IAS 19 is a change in accounting policy and as such is applied retrospectively, therefore comparative amounts for the prior period have been restated as if the new policy had always been applied. The paragraphs below detail the accounting policies applied to the 2013/14 accounts and to the 2012/13 restated comparative amounts, and further details are included in note 38, Post Employment Benefits.

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

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

The Local Government Pension Scheme

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

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

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

- Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - past service cost – the increase in liabilities as a result of scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
 - Net interest on the net defined benefit liability (asset), ie. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of the contribution and benefit payments.
- Re-measurements comprising:
 - The return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;

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STATEMENT OF ACCOUNTING POLICIES

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Nottinghamshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

7. Events After the Reporting Period

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

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

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

8. Financial Instruments

Financial Liabilities

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

For all of the borrowings that the Authority 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.

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

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has not undertaken any repurchase of early settlement of borrowing during 2013/14.

Financial Assets

Financial assets are classified in two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available for sale financial assets – assets that have a quoted market price and/or do not have fixed or determinable payments. There were no available for sale financial assets held during 2013/14.

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 Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has provided car loans to employees at less than market rates (soft loans). In normal circumstances soft loans would be recognised and measured in the accounts at fair value, in accordance with the Code as disclosed in notes 12 to 13 to the financial statements on pages 39 to 43. However, car loans to employees have been considered at length and it has been concluded that the sum outstanding of £37,824 is not material. Accordingly, no additional calculations for fair value have been undertaken and car loans are recognised at the value of the sums loaned less repayments made.

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

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

9. Government Grants and Contributions

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

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

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

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

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

10. Intangible Assets

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

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

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

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

11. Inventories

Inventories included in the Balance Sheet are valued at last price paid.

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

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12. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms length.

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

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

13. Leases

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

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

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. The Authority did not have any arrangements of this type during 2013/14.

The Authority as Lessee:

Finance Leases

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

Lease payments are apportioned between:

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

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

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements.

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Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of any adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

The Authority as Lessor:

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal) matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received) and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

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

Operating Leases

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

14. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP). The total absorption costing principle is used – the full cost of overheads

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and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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

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

15. **Property, Plant and Equipment**

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The authority does not capitalise borrowing costs incurred whilst assets are under construction.

The costs of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows

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of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

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

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

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

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

Impairment

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

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

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Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Disposals and Non-Current Assets Held for Sale

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals, which following the transfer of housing stock to Gedling Homes will now only relate to repayment of right to buy discounts and mortgage repayments, are repayable 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 Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in Movement in Reserve Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated

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

16. Provisions, Contingent Liabilities and Contingent Assets and Reserves

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

Reserves

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

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

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17. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

18. VAT

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

19. Collection Fund

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

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

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

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

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

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STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

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

THE RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER

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

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

- Selected suitable accounting policies, and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Local Authority Code.

The Chief Financial Officer has also:

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

CERTIFICATION

I certify that this Statement of Accounts presents a True and Fair view of the financial position of the Authority as at 31 March 2014 and its income and expenditure for the year then ended.

Signed:

**MS Kimberley CPFA
Chief Financial Officer
23 September 2014**

This Statement was approved by the Audit Committee at its meeting on 23 September 2014, in accordance with the authority given by the delegation arrangements under section 3 of the Council's Constitution.

Signed:

**Councillor P Feeny
Chair of the Audit Committee
23 September 2014**

Financial Statements

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MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement in-year on the different reserves held by the authority (see the Balance Sheet on pages 24 to 25), analysed into "Usable" Reserves (ie. those that can be applied to fund expenditure or reduce local taxation), and other "Unusable" Reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing an authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES) on page 23. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting and purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves, undertaken by the Council. Figures for 2012/13 have been restated to reflect the change in accounting policy for Pensions, introduced by the June 2011 revision to IAS19 (see note 38).

2013/14 Statement

Balance at 1 April 2013 per Balance Sheet

Surplus/(Deficit) on the Provision of Services (accounting basis)
Other Comprehensive Income and Expenditure

Total Comprehensive Income and Expenditure

Adjs between accg. basis and funding basis under regulations (note 6)

Net increase/(decrease) before transfers to Earmarked Reserves

Transfers (to)/from Earmarked Reserves (note 7)

Increase or (Decrease) in the year 2013/14

Balance at 31 March 2014 per Balance Sheet

General Fund Balance	Earmarked Gen. Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	TOTAL RESERVES
£000s	£000s	£000s	£000s	£000s	£000s	£000s
4,940	2,389	0	244	7,573	(10,957)	(3,384)
226	0	0	0	226	0	226
0	0	0	0	0	241	241
226	0	0	0	226	241	467
1,355	0	375	607	2,337	(2,337)	0
1,581	0	375	607	2,563	(2,096)	467
(327)	327	0	0	0	0	0
1,254	327	375	607	2,563	(2,096)	467
6,194	2,716	375	851	10,136	(13,053)	(2,917)

2012/13 Comparatives (Restated)

Balance at 1 April 2012 per Balance Sheet

Surplus/(Deficit) on the Provision of Services (accounting basis)
Other Comprehensive Income and Expenditure

Total Comprehensive Income and Expenditure

Adjs between accg. basis and funding basis under regulations (note 6)

Net increase/(decrease) before transfers to Earmarked Reserves

Transfers (to)/from Earmarked Reserves (note 7)

Increase or (Decrease) in the year 2012/13

Balance at 31 March 2013 per Balance Sheet

General Fund Balance	Earmarked Gen. Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	TOTAL RESERVES
£000s	£000s	£000s	£000s	£000s	£000s	£000s
4,868	2,146	0	234	7,248	(10,447)	(3,199)
(1,888)	0	0	0	(1,888)	0	(1,888)
0	0	0	0	0	1,703	1,703
(1,888)	0	0	0	(1,888)	1,703	(185)
2,203	0	0	10	2,213	(2,213)	0
315	0	0	10	325	(510)	(185)
(243)	243	0	0	0	0	0
72	243	0	10	325	(510)	(185)
4,940	2,389	0	244	7,573	(10,957)	(3,384)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2012/13 Restated			2013/14		
Gross Exp £000s	Total Inc. £000s	Net Exp. £000s	Gross Exp £000s	Total Inc. £000s	Net Exp. £000s
12,158	(10,756)	1,402	2,335	(1,280)	1,055
7,595	(3,136)	4,459	7,205	(2,999)	4,206
6,228	(1,891)	4,337	6,269	(1,957)	4,312
1,787	(695)	1,092	1,941	(804)	1,137
517	(275)	242	540	(334)	206
28,277	(27,335)	942	29,186	(28,127)	1,059
1,932	(2)	1,930	1,789	(4)	1,785
38	0	38	18	0	18
58,532	(44,090)	14,442	49,283	(35,505)	13,778
417	0	417	472	0	472
15	0	15	16	0	16
5	0	5	4	0	4
2	0	2	1	0	1
2	(217)	(215)	22	(541)	(519)
441	(217)	224	515	(541)	(26)
395	0	395	393	0	393
1,294	0	1,294	1,287	0	1,287
0	(261)	(261)	0	(194)	(194)
9	(295)	(286)	44	(109)	(65)
0	0	0	3	(63)	(60)
1,698	(556)	1,142	1,727	(366)	1,361
0	(6,225)	(6,225)	0	(5,773)	(5,773)
0	(6,019)	(6,019)	0	(2,935)	(2,935)
0	(957)	(957)	0	(5,235)	(5,235)
0	(689)	(689)	0	(1,255)	(1,255)
0	(30)	(30)	0	(141)	(141)
0	(13,920)	(13,920)	0	(15,339)	(15,339)
60,671	(58,783)	1,888	51,525	(51,751)	(226)
	(289)	(289)			(909)
	(1,414)	(1,414)			668
	(1,703)	(1,703)			(241)
	185	185			(467)

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BALANCE SHEET

The Balance Sheet shows the value, as at the balance sheet date, of the assets and liabilities recognised by the authority. The net assets (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves includes Usable Reserves, ie. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves, and any statutory limitations on their use (for example, the Capital Receipts Reserve may only be used to fund capital expenditure or to repay debt). The second category of reserves includes those reserves that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses, for example the Revaluation Reserve, where amounts would only become available to provide services if assets were sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line "adjustments between accounting basis and funding basis under regulations".

31 March 2013			31 March 2014	
£000s	£000s		£000s	£000s
16,659		Property, Plant & Equipment (note 9):	17,536	
2,742		Land and Buildings	2,179	
69		Vehicles, Plant and Equipment	62	
2,899		Infrastructure	2,622	
372		Community Assets	1,362	
	22,741	Assets Under Construction		23,761
	6,230	Investment Property (note 10)		6,192
	154	Intangible Assets (note 11)		96
	1,099	Long Term Debtors (note 15)		2,063
	30,224	LONG TERM ASSETS		32,112
8,094		Short Term Investments	6,532	
153		Inventories (note 14)	129	
3,303		Short Term Debtors (note 16)	4,104	
(425)		Cash and Cash Equivalents (note 17)	1,557	
	11,125	CURRENT ASSETS		12,322
(779)		Short Term Borrowing (under 1year)	(1,001)	
(2,109)		Short Term Creditors (note 18)	(2,349)	
(115)		Provisions under 1 year (note 19)	(68)	
	(3,003)	CURRENT LIABILITIES		(3,418)
(100)		Provisions over 1 year (note 19)	(322)	
(10,812)		Long term Borrowing (PWLb)	(9,812)	
(29,428)		Net Pensions Liability (note 38)	(32,092)	
(209)		Deferred Liabilities	(194)	
(1,088)		Capital Grants Rec'd in Advance (note 32)	(1,410)	
(93)		Revenue Grants Rec'd in Advance (note 32)	(103)	
	(41,730)	LONG TERM LIABILITIES		(43,933)
	(3,384)	NET ASSETS		(2,917)

ANNUAL STATEMENT OF ACCOUNTS 2013/14

BALANCE SHEET

31 March 2013			31 March 2014	
£000s	£000s		£000s	£000s
	(3,384)	NET ASSETS FROM ABOVE		(2,917)
		Usable Reserves (MiRS p 22)		
4,940		General Fund	6,194	
2,389		Earmarked Reserves (note 7)	2,716	
0		Capital Receipts Reserve	375	
244		Capital Grants and Contributions Unapplied	851	
	7,573			10,136
		Unusable Reserves (note 21)		
1,578		Revaluation Reserve	2,407	
(29,428)		Pensions Reserve	(32,092)	
17,135		Capital Adjustment Account	17,277	
6		Deferred Capital Receipts	4	
(47)		Collection Fund Adjustment Account - CTax	(62)	
0		Collection Fund Adjustment Account - NDR	(384)	
(201)		Short-term Accumulating Compensated Absences Account	(203)	
	(10,957)			(13,053)
	(3,384)	TOTAL RESERVES		(2,917)

ANNUAL STATEMENT OF ACCOUNTS 2013/14

CASH FLOW STATEMENT

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

2012/13 Restated £000s		2013/14 £000s
(1,888)	Net Surplus / (Deficit) on the Provision of Services per the Comprehensive Income and Expenditure Statement	226
3,843	Total of adjustments to net Surplus/(Deficit) on Provision of Services for non-cash movements	3,965
(1,010)	Total of adjustments to the net Surplus/(Deficit) on Provision of Services for items that are investing and financing activities	(1,902)
945	Net cash flow from operating activities (see note 22)	2,289
(1,631)	Investing activities (see note 23)	1,037
414	Financing activities (see note 24)	(1,344)
(272)	Net Increase / (Decrease) in Cash & Cash Equivalents	1,982
(153)	Cash and Cash Equivalents at the beginning of the reporting period	(425)
(425)	Cash and Cash Equivalents at the End of the Reporting Period	1,557

The 2012/13 figures have been restated in respect of capital grants totalling £688,000. These were previously incorrectly categorised within adjustments to the net surplus/(deficit) on the provision of services for non cash movements when the correct category was adjustments to the net surplus/(deficit) on the provision of services for items that are investing and financing activities. A further restatement has been made to reflect the change in accounting policy for Pensions, introduced by the June 2011 revision to IAS19 (see note 38).

Analysis of Cash and Cash Equivalents at Balance Sheet dates:

Bank Account balances
Cash in Transit
Imprest accounts
Cash equivalents (call accounts)

Total Cash and Cash Equivalents per Balance Sheet

31 March 2013	31 March 2014
£000s	£000s
(720)	(909)
24	9
11	7
260	2,450
(425)	1,557

ANNUAL STATEMENT OF ACCOUNTS 2013/14

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Please refer to the full Statement of Accounting Policies, which can be found on pages 7 to 19.

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

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

The 2014/15 Code includes the adoption of amendments to:

IAS1 - Presentation of Financial Statements

Changes to IAS1 (presentation of financial statements) in respect of the clarification of the requirements for comparative information will be effective from 1 April 2014. These are presentational only and no disclosure of the impact of the change is required in the 2013/14 accounts.

IAS32 - Financial Instruments: Presentation

It is not anticipated that the adoption of changes to IAS32 (financial instruments: presentation) will have a material impact on the financial statements of local authorities.

Other

Changes to a suite of five standards relating to Group Accounts are not relevant to the accounts of Gedling Borough Council.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out on pages 7 to 19, the authority may have to make certain judgements about complex transactions or those involving uncertainty about future events. The only critical judgement in 2013/14 is the ongoing uncertainty about future levels of funding for local government, however the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service.

4. MATERIAL ITEMS OF INCOME AND EXPENSE

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the nature and amount of material items should be set out in a note. Examples cited by the Code include disposal of items of property, plant and equipment, disposals of investments, and reversals of provisions. The Council had no material items of income or expense in either 2012/13 or 2013/14.

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

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

The estimated items in the Authority's Balance Sheet at 31 March 2014 for which there is a significant risk of causing a material adjustment in the forthcoming financial year are as follows:

ANNUAL STATEMENT OF ACCOUNTS 2013/14

NOTES TO THE FINANCIAL STATEMENTS

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements in relation to the discount rate used, the rate at which salaries are projected to increase, changes in the retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £1.493m. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. See note 38 on pages 65 to 71 for further details.
Property Plant and Equipment	Depreciation and amortisation is provided so as to write down the assets to their residual values over their estimated useful lives. The selection of these residual values and useful lives requires the exercise of management judgements considering anticipated usage levels in service provision and levels of repairs and maintenance. A review of balance sheet values is undertaken each year end to assess if any of the assets have not been used at the estimated rates and if any impairment charges are required.	If the useful lives of assets are reduced, depreciation increases and the carrying amount of the asset falls. If assets lives were 10% lower than estimated the annual depreciation charge would be increased by approximately £152,700. However, as the asset values are reviewed on an annual basis this level of incorrect estimation is unlikely. See note 9 on pages 35 to 37 for further details.
Provisions	The Authority has made provisions of £50,000 each for Transferred Housing Stock Repairs and Transferred Housing Stock Environmental Warranty Excesses. These provide amounts to cover for an estimated number of future claims. It is possible the actual number may exceed the estimate. The Business Rate Retention scheme introduced a requirement for a provision for rating appeals. The system is complex and the number of successful appeals cannot be pre-determined, so the actual number may differ significantly to the estimate.	See note 19 on pages 45-46 for further details.
Arrears	An estimate of the impairment of sundry debtors is based upon the age and type of each debt. The percentage impairments applied reflect an assessment of the recoverability of each debt based on past experience and a view of the impact of the prevailing economic climate. The provision for impairment at 31 March 2014 is £1,370,100.	If collection rates were to deteriorate, a 10% increase on the impairment percentage would require an additional £197,600 to be set aside as an allowance.

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

ANNUAL STATEMENT OF ACCOUNTS 2013/14

NOTES TO THE FINANCIAL STATEMENTS

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2013/14

Adjustments primarily involving the Capital Adjustment Account (note 21)

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

Charges for depreciation & impairment of non-current assets

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Mov't on Usable Reserves	Mov't on Unusable Reserves
	£000s	£000s	£000s	£000s	£000s
Charges for depreciation & impairment of non-current assets	1,542	0	0	1,542	(1,542)

Revaluation losses/(reversals) on Property Plant and Equipment

Revaluation losses/(reversals) on Property Plant and Equipment	(29)	0	0	(29)	29
--	------	---	---	------	----

Movement in market value of investment properties

Movement in market value of investment properties	36	0	0	36	(36)
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Amortisation of intangible assets

Amortisation of intangible assets	58	0	0	58	(58)
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Capital grants & contributions applied

Capital grants & contributions applied	(574)	0	0	(574)	574
--	-------	---	---	-------	-----

Revenue Expenditure Funded from Capital Under Statute

Revenue Expenditure Funded from Capital Under Statute	160	0	0	160	(160)
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Carrying Amounts debited as part of the gain or loss on disposals of non-current assets

Carrying Amounts debited as part of the gain or loss on disposals of non-current assets	21	0	0	21	(21)
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Income from Donated Assets

Income from Donated Assets	(141)	0	0	(141)	141
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Insertion of items NOT debited or credited to the Comprehensive Income & Expenditure Statement:

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

Statutory provision for the financing of capital investment (Minimum Revenue Provision)	(532)	0	0	(532)	532
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Capital expenditure charged against General Fund Balance

Capital expenditure charged against General Fund Balance	(356)	0	4	(352)	352
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Adjustments primarily involving the Capital Grants Unapplied Account:

Capital grants and contributions unapplied, credited to the Comprehensive Income & Expenditure Statement

Capital grants and contributions unapplied, credited to the Comprehensive Income & Expenditure Statement	(681)	0	681	0	0
--	-------	---	-----	---	---

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

Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(78)	(78)	78
--	---	---	------	------	----

Sub-total of items adjusted

Sub-total of items adjusted	(496)	0	607	111	(111)
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ANNUAL STATEMENT OF ACCOUNTS 2013/14

NOTES TO THE FINANCIAL STATEMENTS

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

<u>2013/14 (Continued)</u>	Usable Reserves			Total Mov't on Usable Reserves	Mov't on Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		
	£000s	£000s	£000s	£000s	£000s
Sub-total of adjustments from prev. page	(496)	0	607	111	(111)
<u>Adjustments primarily involving the Capital Receipts Reserve:</u>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(547)	547	0	0	0
Transfer of capital grant repayments in excess of £10,000 credited to Income and Expenditure Statement	0	0	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	(173)	0	(173)	173
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	1	(1)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash (note 21)	0	2	0	2	(2)
<u>Adjustments primarily involving the Pensions Reserve (note 21)</u>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	3,631	0	0	3,631	(3,631)
Employers pension contributions and direct payments to pensioners payable in the year	(1,635)	0	0	(1,635)	1,635
<u>Adjustments primarily involving the Collection Fund Adjustment A/C (note 21)</u>					
Amount by which council tax & NNDR income credited to the Comprehensive Income & Expenditure Statement differs to that income calculated for the year in accordance with statutory requirements	399	0	0	399	(399)
<u>Adjustments primarily involving the Accumulated Absences Account (note 21)</u>					
Amount by which officer remuneration credited to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2	0	0	2	(2)
Total Net adjs between Accounting basis and Funding basis under regulation (per Movement in Reserves Statement on p22)	1,355	375	607	2,337	(2,337)

ANNUAL STATEMENT OF ACCOUNTS 2013/14

NOTES TO THE FINANCIAL STATEMENTS

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

Figures for 2012/13 have been restated to reflect the change in accounting policy for Pensions, introduced by the June 2011 revision to IAS19 (see note 38).

2012/13 Comparatives (Restated)	Usable Reserves			Total Mov't on Usable Reserves	Mov't on Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		
	£000s	£000s	£000s	£000s	£000s
<u>Adjustments primarily involving the Capital Adjustment Account (note 21)</u>					
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:					
Charges for depreciation & impairment of non-current assets	1,600	0	0	1,600	(1,600)
Revaluation losses/(reversals) on Property Plant and Equipment	0	0	0	0	0
Movement in market value of investment properties	(188)	0	0	(188)	188
Amortisation of intangible assets	69	0	0	69	(69)
Capital grants & contributions applied	(679)	0	0	(679)	679
Revenue Expenditure Funded from Capital Under Statute	194	0	0	194	(194)
Carrying Amounts debited as part of the gain or loss on disposals of non-current assets	0	0	0	0	0
Income from Donated Assets	(30)	0	0	(30)	30
Insertion of items NOT debited or credited to the Comprehensive Income & Expenditure Statement:					
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	(482)	0	0	(482)	482
Capital expenditure charged against General Fund Balance	0	0	0	0	0
<u>Adjustments primarily involving the Capital Grants Unapplied Account:</u>					
Capital grants and contributions unapplied, credited to the Comprehensive Income & Expenditure Statement	(10)	0	10	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0
Sub-total of items adjusted	474	0	10	484	(484)

ANNUAL STATEMENT OF ACCOUNTS 2013/14

NOTES TO THE FINANCIAL STATEMENTS

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

<u>2012/13 Comparatives (Restated) contd.</u>	Usable Reserves			Total Mov't on Usable Reserves	Mov't on Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		
	£000s	£000s	£000s	£000s	£000s
Sub-total of adjustments from prev. page	474	0	10	484	(484)
<u>Adjustments primarily involving the Capital Receipts Reserve:</u>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(195)	195	0	0	0
Transfer of capital grant repayments in excess of £10,000 credited to Income and Expenditure Statement	(28)	28	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	(224)	0	(224)	224
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	2	(2)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash (note 21)	0	3	0	3	(3)
<u>Adjustments primarily involving the Pensions Reserve (note 21)</u>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	3,546	0	0	3,546	(3,546)
Employers pension contributions and direct payments to pensioners payable in the year	(1,639)	0	0	(1,639)	1,639
<u>Adjustments primarily involving the Collection Fund Adjustment A/C (note 21)</u>					
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement differs to the council tax income calculated for the year in accordance with statutory requirements	1	0	0	1	(1)
<u>Adjustments primarily involving the Accumulated Absences Account (note 21)</u>					
Amount by which officer remuneration credited to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	42	0	0	42	(42)
Total Net adjs between Accounting basis and Funding basis under regulation (per Movement in Reserves Statement on p22)	2,203	0	10	2,213	(2,213)

ANNUAL STATEMENT OF ACCOUNTS 2013/14

NOTES TO THE FINANCIAL STATEMENTS

7. TRANSFERS TO/FROM EARMARKED RESERVES

Contributions to Earmarked Reserves provide financing for future expenditure plans, and contributions posted back from such reserves helped to meet General Fund expenditure during 2012/13 and 2013/14.

	Balance 31 Mar 2012	Transfers out during 2012/13	Transfers in during 2012/13	Balance 31 Mar 2013	Transfers out during 2013/14	Transfers in during 2013/14	Balance 31 Mar 2014
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Arnold Master Plan	178	(1)	0	177	(177)	0	0
IT Equipment							
Replacement Reserve	209	(42)	122	289	(61)	124	352
Community and Crime	113	(16)	13	110	(60)	13	63
Disabled Adaptations	24	(2)	0	22	0	0	22
Risk Management	150	0	0	150	(6)	40	184
Housing and Housing							
Benefits Reserve	283	(2)	61	342	(21)	105	426
Insurance Fund	374	(166)	23	231	(1)	50	280
Efficiency & Innovation	136	0	27	163	0	31	194
Asset Management	42	0	59	101	(22)	0	79
Local Development							
Framework & Planning							
Reserve	68	0	0	68	0	80	148
S106 Revenue Reserve	99	(9)	37	127	(16)	0	111
Other Grants Reserve	266	(142)	199	323	(165)	227	385
Joint Use Maint. Reserve	176	(119)	137	194	(156)	106	144
CCTV Reserve	28	(7)	50	71	0	51	122
Local Authority Mortgage							
Scheme Reserve	0	0	21	21	0	22	43
Rural Broadband Resv.	0	0	0	0	0	90	90
Apprentice Resv.	0	0	0	0	0	48	48
Land Charges Resv.	0	0	0	0	0	25	25
Total Earmarked Reserves per Balance Sheet	2,146	(506)	749	2,389	(685)	1,012	2,716
Net Movement in Year per MiRS p22		243			327		

Arnold Master Plan - to provide for costs associated with the development and improvement of Arnold town centre.

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

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

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

Risk Management Fund - monies set aside from savings in insurance premiums, to be used to reduce the risk of loss or injury in the provision of Council services, with the objective of reducing future insurance costs.

Housing and Housing Benefit Reserve - to provide for potential the future risk of rising caseload for homelessness, and to cover unpredictable increases in the volume or category of housing benefit claimants.

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

ANNUAL STATEMENT OF ACCOUNTS 2013/14

NOTES TO THE FINANCIAL STATEMENTS

7. TRANSFERS TO/FROM EARMARKED RESERVES (Continued)

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

Asset Management Reserve - to provide for higher value repairs and replacements to existing buildings and land.

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

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

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

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

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

Local Authority Mortgage Scheme Reserve - to provide for potential defaults in connection with two LAMS schemes launched in April 2012 and June 2013, under which the Council indemnifies Lloyds for 20% of individual loans for 5 years (see note 15).

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

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

Land Charges Reserve - to provide for future claims made by property search companies seeking refunds for fees paid to access land charge data. See note 19 (Provisions) for current land charge claims.

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

Capital Grants and Contributions

Department for Communities and Local Government:

Growth Point Grant

Travellers Site Grant

Department for Environment and Rural Affairs:

WREN Grant (Waste Recycling Environmental)

Other Grants and Contributions:

Developers' Section 106 Contributions

Nottinghamshire County Council

DWP (Department for Works & Pensions)

Sport England

CENEX

Total Capital Grants & Contributions per CIES on page 23

Donated Assets

Gedling Homes - Community Facilities

Total Donated Assets per CIES on page 23

2012/13	2013/14
£000s	£000s
(462)	(438)
0	(647)
0	(14)
(177)	(1)
(50)	0
0	(20)
0	(131)
0	(4)
(689)	(1,255)
(30)	(141)
(30)	(141)

ANNUAL STATEMENT OF ACCOUNTS 2013/14

NOTES TO THE FINANCIAL STATEMENTS

9. PROPERTY, PLANT & EQUIPMENT

Movements in 2013/14

Cost or Valuation:

	Land & Bldgs. £000s	Vehicles Plant & Equipm't £000s	Infra-Struct. Assets £000s	Comm'y Assets £000s	Surplus Assets £000s	Assets Under Constrn. £000s	Total £000s
As at 1 April 2013	17,906	9,298	453	6,245	0	372	34,274
Additions	316	175	0	0	0	1,010	1,501
Donations	0	0	0	141	0	0	141
Revaln incr/(decr) recognised in the Revaluation Reserve	705	0	0	0	0	0	705
Revaln incr/(decr) recognised in the Surplus/Deficit on Provision of Services	13	0	0	0	0	0	13
Derecognition-Disposals	0	(494)	0	0	0	0	(494)
Other movements in cost or valuation	20	0	0	0	0	(20)	0
As at 31 March 2014	18,960	8,979	453	6,386	0	1,362	36,140

Accumulated Depreciation and Impairment:

As at 1 April 2013	(1,247)	(6,556)	(384)	(3,346)	0	0	(11,533)
Depreciation Charge	(397)	(720)	(7)	(418)	0	0	(1,542)
Depreciation written out to the Revaluation Reserve	205	0	0	0	0	0	205
Depreciation written out to the Surplus/Deficit on Provision of Services	15	0	0	0	0	0	15
Derecognition-Disposals	0	476	0	0	0	0	476
As at 31 March 2014	(1,424)	(6,800)	(391)	(3,764)	0	0	(12,379)

Net Book Value 31/3/13	16,659	2,742	69	2,899	0	372	22,741
Net Book Value 31/3/14	17,536	2,179	62	2,622	0	1,362	23,761

ANNUAL STATEMENT OF ACCOUNTS 2013/14

NOTES TO THE FINANCIAL STATEMENTS

9. PROPERTY, PLANT & EQUIPMENT (Continued)

Comparative Movements in 2012/13	Other Land & Bldgs. £000s	Vehicles Plant & Equipm't £000s	Infra- Struct. Assets £000s	Comm'y Assets £000s	Surplus Assets £000s	Assets Under Constrn. £000s	Total £000s
Cost or Valuation:							
As at 1 April 2012	17,516	8,718	453	6,152	0	20	32,859
Additions	305	708	0	63	0	371	1,447
Donations	0	0	0	30	0	0	30
Revaln incr/(decr) recognised in the Revaluation Reserve	136	0	0	0	0	0	136
Revaln incr/(decr) recognised in the Surplus/Deficit on Provision of Services	(60)	0	0	0	0	0	(60)
Derecognition-Disposals	0	(128)	0	0	0	0	(128)
Derecognition-Other	0	0	0	0	0	(19)	(19)
Other movements in cost or valuation	9	0	0	0	0	0	9
As at 31 March 2013	17,906	9,298	453	6,245	0	372	34,274
Accumulated Depreciation and Impairment:							
As at 1 April 2012	(1,068)	(5,926)	(377)	(2,903)	0	0	(10,274)
Depreciation Charge	(365)	(758)	(7)	(443)	0	0	(1,573)
Depreciation written out to the Revaluation Reserve	153	0	0	0	0	0	153
Impairment losses/(reversals) recognised in the Surplus/Deficit on Provision of Services	33	0	0	0	0	0	33
Derecognition-Disposals	0	128	0	0	0	0	128
As at 31 March 2013	(1,247)	(6,556)	(384)	(3,346)	0	0	(11,533)
Net Book Value 31/3/12	16,448	2,792	76	3,249	0	20	22,585
Net Book Value 31/3/13	16,659	2,742	69	2,899	0	372	22,741

ANNUAL STATEMENT OF ACCOUNTS 2013/14

NOTES TO THE FINANCIAL STATEMENTS

9. PROPERTY, PLANT & EQUIPMENT (Continued)

Depreciation

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

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

Revaluation

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

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

Significant Capital Contracts

The following capital contracts had been entered into but not fully completed as at 31 March 2014. The figures represent the estimated value of works still to be completed in 2014/15, and not the full contract values.

	2013/14
	£000s
Arnold Leisure Centre Refurbishment	249
Civic Centre alterations - Department for Works and Pensions	117
Gedling Colliery site works	43
Gedling Country Park	86
Total	495

10. INVESTMENT PROPERTIES

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

	2012/13	2013/14
	£000s	£000s
Rental from Investment Property	(107)	(109)
Direct operating expenses arising from Investment Property	9	9
Net (Gain)/Loss	(98)	(100)

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

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

	2012/13	2013/14
	£000s	£000s
Balance at the start of the year	6,051	6,230
Additions (purchase, construction & subsequent expenditure)	0	0
Disposals	0	(3)
Net gain/(loss) from fair value adjustments	188	(35)
Transfers (to)/from Property, Plant and Equipment	(9)	0
Balance at the end of the year per Balance Sheet	6,230	6,192

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11. INTANGIBLE ASSETS

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

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

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £57,703 charged to revenue in 2013/14 was mainly charged to IT, and then absorbed as an overhead across all the service headings in Cost of Services. Other small charges were made directly to services.

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

	2012/13	2013/14
	£000s	£000s
Gross carrying amount	738	745
Accumulated amortisation	(522)	(591)
Net carrying amount at start of year	216	154
Additions - purchases	7	0
Amortisation for the year	(69)	(58)
Net carrying amount at end of year per Balance Sheet	154	96
<u>Represented by:</u>		
Gross carrying amount	745	745
Accumulated amortisation	(591)	(649)
Total	154	96

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NOTES TO THE FINANCIAL STATEMENTS

12. FINANCIAL INSTRUMENTS

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

Initial Recognition

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

Initial Measurement

Financial assets and liabilities are initially measured at fair value less transaction costs that are directly attributable to them. Fair value is defined as "the amount for which an asset could be exchanged or a liability settled, between knowledgeable parties in an arms length transaction". In general, the best evidence of a fair value on recognition is the transaction price. Transaction costs include fees paid to brokers, dealers and advisers, but do not include internal administrative costs.

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

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

Soft Loans

Local Authorities often make "soft loans", ie. loans for policy reasons, rather than as financial instruments, and these loans may sometimes be interest free or at rates below those prevailing in the market, for example to voluntary bodies or to employees for the purchase of motor vehicles. The "fair value" of such loans may be held to be less than the amount of cash lent, and would accordingly be estimated as the present value of all the future cash receipts, discounted using the prevailing market rate of interest for a similar loan. Any sum by which the amount lent exceeds the fair value of the loan should be charged to the Comprehensive Income and Expenditure Statement. Subsequent accounting would require the loan's "effective rate of interest" to be used, which will be higher than the contractual rate since the initial carrying amount of the loan is less than the principal sum required to repay the loan. This rate will be the same as the rate used to discount the loan to its initial fair value. Interest in excess of the contractual rate is then credited to the Comprehensive Income and Expenditure Statement over the term of the loan.

The only "Soft loans" identified by the Council in 2013/14 were car loans to employees, and an interest free loan to the Gedling Council for Voluntary Service. These have been considered in detail, and it is the Council's view that neither the outstanding sum of £37,824 in respect of car-loans nor the outstanding CVS loan of £1,215 is material, and accordingly, no calculations for fair value have been undertaken. Car loans and the loan to CVS are therefore recognised in the balance sheet at the value of the sums loaned, less repayments made.

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12. FINANCIAL INSTRUMENTS (Continued)

Subsequent Measurement

Although all financial instruments are initially measured on the basis of fair value, subsequent measurement depends on the classification of an instrument. IAS39 defines two classes of financial liabilities and four classes of financial assets, although in practice the vast majority of financial liabilities held by local authorities will be in the "amortised cost" category, and financial assets will be either "loans and receivables" or "available for sale". It will often not be necessary to undertake a formal effective interest rate (EIR) calculation, either because the instrument is a short duration receivable (debtor) or payable (creditor) which is required to be measured at the original invoice amount, or because it is clear that the nominal interest rate equals the EIR, as is the case with most fixed rate instruments.

Most loan debts and investments will feature transaction costs which should be applied to the initial carrying amount, however where these are judged immaterial, for example the 0.035% charge made by PWLB, the transaction costs may be charged immediately to the Income and Expenditure Account. This is the treatment adopted by Gedling Borough Council.

Premiums and Discounts

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

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

No premiums or discounts were paid or received by the Council during 2013/14.

Gedling Borough Council's Financial Instruments:

(a) Category of Liabilities:

Amortised Costs:

- (i) **Long and Short Term Borrowing** - Total debt outstanding on the balance sheet on 31 March 2014 is £10.812m, split between long term debt (repayable within periods beyond one year) and short term (repayable within one year). The "fair value" of the total debt has been calculated by PWLB as £11.889m. Since the whole of the Council's debt is held with the Public Works Loans Board (PWLB), for which there is no comparable lender, the "fair" value is deemed to be the sum that would fall due for payment, given the prevailing early repayment discount rates, on 31 March 2014.
- (ii) **Long and Short Term Creditors** - Operational creditors are financial instruments of short duration, with no formal effective interest rate, and are required to be valued at their original amounts, ie. the carrying amount is a reasonable approximation of fair value. Long term creditors are represented by grants received in advance of £1.513m. Short-term creditors outstanding at 31 March 2014, which are classed as financial instruments, totalled £1.772m.

Fair Value through Profit and Loss:

No Liabilities Held for Trading are used by the Council.

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NOTES TO THE FINANCIAL STATEMENTS

12. FINANCIAL INSTRUMENTS (Continued)

(b) Category of Assets:

Loans and Receivables-

- (i) **Long Term Debtors** - As discussed above, the only soft loans identified by Gedling Borough Council are car loans to employees and a small interest-free loan to Gedling CVS. The sums outstanding at 31 March 2014 were £37,824 and £1,215 respectively, which are not material. The Council has made two advances of £1m each to Lloyds Bank in respect of the Local Authority Mortgage Scheme and these are held on the balance sheet as long-term debtors. Interest is paid on these advances at rates that were fixed at inception, and no formal calculations of EIR are deemed necessary, the carrying amounts representing a reasonable approximation of fair value.
- (ii) **Long Term Investment** - The Council held no investments with maturities of over 12 months at 31 March 2014.
- (iii) **Short Term Investment** - Investments held at 31 March 2014 amounted to £6.532m, including accrued interest, and consisted of fixed term deposits with approved counterparties. All the rates were fixed at inception, with interest paid on maturity. No formal calculation of EIR is deemed necessary, and the carrying amount is a reasonable approximation of the fair value.
- (iv) **Short Term Debtors** - Operational debtors are financial instruments of short duration, with no formal effective interest rate, and are required to be valued at their original amount, ie. the carrying amount is a reasonable approximation of fair value. Debtors outstanding at 31 March 2014, which are classed as financial instruments, totalled £2.611m net of impairment provisions for doubtful debts.
- (v) **Cash and Cash Equivalents** - The fair value of cash balances in hand (or overdrawn) is deemed to be the carrying value. The Council's cash balances overdrawn at 31 March 2014 totalled £0.909m, however these are combined on the Balance Sheet as part of the overall Cash and Cash Equivalents balance of £1.557m in hand. As this overdrawn position is only a result of daily cashflow management, the net position continues to be shown with current assets (note 17).

Available-for-Sale

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

Fair Value through Profit and Loss

No assets are held for trading by the Council.

Held to Maturity

The Code prohibits the use of this category.

Summary

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

Summary of Financial Instruments

Liabilities at Amortised Cost:

Borrowing
Creditors and Receipts in Advance

Assets at Amortised Cost:

Short Term Investments (up to 12 months)
Debtors
Cash and Cash Equivalents

Long Term		Short Term	
2012/13	2013/14	2012/13	2013/14
£000s	£000s	£000s	£000s
(10,812)	(9,812)	0	(1,000)
(1,181)	(1,513)	(1,683)	(1,772)
0	0	8,094	6,532
1,069	2,039	2,520	2,611
0	0	(425)	1,557

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NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions. The Council's Treasury Management Policy permits lending to counterparties with long term credit rating of "A" or better. Any deviation from this minimum must be specifically approved by the Chief Financial Officer and reported to Full Council at the earliest opportunity. Credit ratings are received from the Council's treasury advisers on a weekly basis, with any changes in between being notified by ratings alerts. Accordingly, changes to the approved counterparty list can be made promptly in order to minimise the Council's exposure to risk.

The Council also operates an investment limit of £5m per Counterparty. Any investment in excess of this limit is subject to the specific approval of the Chief Financial Officer. The Council did not experience any non-performance from any of its counterparties in respect of its temporary investments or cash equivalents during 2013/14.

Liquidity Risk

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

PWLB Maturity Analysis

Short Term Borrowing

Repayable within 1 year:

Principal

Interest accruals

Short Term Borrowing per Balance Sheet

Long Term Borrowing

Repayable in 1 to 2 years

Repayable in 2 to 5 years

Repayable in 5 to 10 years

Repayable in over 10 years

Long Term Borrowing per Balance Sheet

2012/13 £000s	2013/14 £000s
(600)	(1,000)
(179)	(1)
(779)	(1,001)
0	(2,000)
(4,000)	(1,000)
0	0
(6,812)	(6,812)
(10,812)	(9,812)

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

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NOTES TO THE FINANCIAL STATEMENTS

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

Market Risk

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

Price Risk

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

Foreign Exchange Risk

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

14. INVENTORIES (STOCKS)

Balance at the start of the year

Purchases

Recognised as an expense in the year

Written off balances

Balance at the end of the year per Balance Sheet

2012/13	2013/14
£000s	£000s
130	153
654	590
(630)	(613)
(1)	(1)
153	129

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15. LONG TERM DEBTORS

	2012/13	2013/14
	£000s	£000s
Car Loans	66	38
Local Loan to Voluntary Group	3	1
Local Authority Mortgage Scheme	1,000	2,000
Other	30	24
Total Long Term Debtors per Balance Sheet	1,099	2,063

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

16. SHORT TERM DEBTORS

	2012/13	2013/14
	£000s	£000s
Central Government Departments	204	553
Other Local Authorities	1,168	1,221
Other Entities and Individuals	1,931	2,330
Net Short Term Debtors per Balance Sheet	3,303	4,104

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

17. CASH AND CASH EQUIVALENTS

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

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

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

	31/03/13	31/03/14
	£000s	£000s
Cash balance at Bank	(720)	(909)
Leisure Centre Cash in Transit	24	9
Imprest Accounts	11	7
	(685)	(893)
Call Accounts	260	2,450
Total Cash and Cash Equivalents per Balance Sheet	(425)	1,557

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NOTES TO THE FINANCIAL STATEMENTS

18. SHORT TERM CREDITORS AND RECEIPTS IN ADVANCE

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

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

Central Government Departments
Other Local Authorities
Other Entities and Individuals

Total Short Term Creditors per Balance Sheet

2012/13	2013/14
£000s	£000s
(349)	(367)
(262)	(372)
(1,498)	(1,610)
(2,109)	(2,349)

19. PROVISIONS

Over one year:

Balance at 1 April 2013

2013/14

Used in 2013/14

Reversed in 2013/14

Balance at 31 March 2014 per Balance Sheet

Under one year:

Balance at 1 April 2013

2013/14

Used in 2013/14

Reversed in 2013/14

Balance at 31 March 2014 per Balance Sheet

Transf'd Stock Env. Warranties £000s	Transf'd Stock Repairs £000s	Land Charges £000s	NNDR Appeals £000s	Other Provisions £000s	Total Provisions £000s
(50)	(50)	0	0	0	(100)
0	0	0	(222)	0	(222)
0	0	0	0	0	0
0	0	0	0	0	0
(50)	(50)	0	(222)	0	(322)
0	0	(93)	0	(22)	(115)
0	0	0	0	0	0
0	0	25	0	22	47
0	0	0	0	0	0
0	0	(68)	0	0	(68)

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

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

Land Charges - The Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land searches data. During 2013/14, the Council settled one claim, plus interest, for £25,200, however costs remain outstanding. A second group of Property Search Companies is also seeking to claim refunds. The Council has been informed that the estimated value of those claims at present is £54,000 plus costs. Four further search companies have indicated that they also wish to make claims, but no information has yet been received as to their value. It is still possible that additional claimants may come forward to submit claims for refunds. A reserve of £25,000 has been earmarked for future claims, see note 7.

NNDR Appeals - The Business Rate Retention regime introduced on 1 April 2013, introduced a liability on the Council for refunding ratepayers who successfully appeal against the rateable value of their properties on the rating list. A provision of £222,400 has been established to represent the Council's estimated share of these liabilities at 31 March 2014.

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NOTES TO THE FINANCIAL STATEMENTS

19. PROVISIONS (Continued)

Other Short-Term Provisions - a provision of £22,300 was established in 2012/13 to meet the payment subsequently made during 2013/14 to the administrators of the Municipal Mutual Insurance Scheme of Arrangement. This was triggered following confirmation that the business was insolvent.

20. USABLE RESERVES

Movements in the authority's Usable Reserves are detailed in the Movement in Reserves Statement on page 22, and in note 6 on pages 29 to 32.

21. UNUSABLE RESERVES

	31/03/13	31/03/14
	£000s	£000s
Revaluation Reserve	1,578	2,407
Capital Adjustment Account	17,135	17,277
Deferred Capital Receipts Reserve	6	4
Pensions Reserve	(29,428)	(32,092)
Collection Fund Adjustment Account - Council Tax	(47)	(62)
Collection Fund Adjustment Account - Non Domestic Rates	0	(384)
Accumulated Absences Account	(201)	(203)
Total Unusable Reserves	(10,957)	(13,053)

Revaluation Reserve

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

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

	2012/13	2013/14
	£000s	£000s
Balance at 1st April	1,336	1,578
Upward revaluation of assets	345	918
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(56)	(9)
Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services	289	909
Difference between fair value depreciation and historic cost depreciation	(47)	(80)
Accumulated gains on assets sold or scrapped	0	0
Amount written off to the Capital Adjustment Account	(47)	(80)
Balance at 31st March	1,578	2,407

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NOTES TO THE FINANCIAL STATEMENTS

21. UNUSABLE RESERVES (Continued)

Capital Adjustment Account

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

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

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 6 on pages 29 to 32 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2012/13	2013/14
	£000s	£000s
Balance at 1st April	17,348	17,135
<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>		
Charges for depreciation and impairment of non-current assets	(1,600)	(1,542)
Revaluation (losses)/reversals on Property, Plant and Equipment	0	29
Amortisation of Intangible Assets	(69)	(58)
Revenue Expenditure funded from Capital under Statute (REFCUS)	(194)	(160)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	(21)
	(1,863)	(1,752)
Adjusting amount written out of the Revaluation Reserve	47	80
Net written out amount of non-current assets consumed in the year	(1,816)	(1,672)
<u>Capital financing applied in the year:</u>		
Use of Capital Receipts Reserve to finance new capital expenditure	224	173
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	679	574
Applications of grants to capital financing from the Capital Grants Unapplied Account	0	78
Statutory provision for the financing of capital investment charged against the General Fund	482	532
Capital expenditure charged against the General Fund	0	352
	1,385	1,709
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	188	(36)
Donated Assets credited to the Comprehensive Income and Expenditure Statement	30	141
Balance at 31st March	17,135	17,277

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NOTES TO THE FINANCIAL STATEMENTS

21. UNUSABLE RESERVES (Continued)

Pensions Reserve

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

Balance at 1 April

Actuarial gains or losses on pensions assets and liabilities

Reversal of items relating to benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement

Employer's pension contributions and direct payments to pensioners payable in the year

Balance at 31 March

2012/13 Restated	2013/14
£000s	£000s
(28,935)	(29,428)
1,414	(668)
(3,546)	(3,631)
1,639	1,635
(29,428)	(32,092)

The figures for 2012/13 have been restated to reflect the change in accounting policy for Pensions, introduced by the June 2011 revision to IAS19 (see note 38).

Deferred Capital Receipts Reserve

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

Balance at 1 April

Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement

Transfer to the Capital Receipts Reserve on the receipt of cash

Balance at 31 March

2012/13	2013/14
£000s	£000s
9	6
0	0
(3)	(2)
6	4

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NOTES TO THE FINANCIAL STATEMENTS

21. UNUSABLE RESERVES (Continued)

Collection Fund Adjustment Accounts

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

An account in respect of council tax has been maintained for several years. With the introduction of the Retained Business Rate regime on 1 April 2013 a further account has been established for non domestic rates.

Council Tax:

Balance at 1 April

Amount by which council tax income credited to the Comprehensive Income and Expenditure Account is different from council tax income calculated for the year in accordance with statutory arrangements

Balance at 31 March

2012/13	2013/14
£000s	£000s
(46)	(47)
(1)	(15)
(47)	(62)

Non Domestic Rates:

Balance at 1 April

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

Balance at 31 March

2012/13	2013/14
£000s	£000s
0	0
0	(384)
0	(384)

Accumulated Absences Account

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

Balance at 1 April

Settlement or cancellation of accrual made at the end of the preceding year
Amounts accrued at the end of the current year

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

Balance at 31 March

2012/13	2013/14
£000s	£000s
(159)	(201)
159	201
(201)	(203)
(42)	(2)
(201)	(203)

NOTES TO THE FINANCIAL STATEMENTS

Net Surplus / (Deficit) on the Provision of Services per CIES on p23

Depreciation

Impairment and downward revaluations/(reversals)

Amortisation

Increase / (Decrease) in revenue creditors

(Increase) / Decrease in revenue debtors

(Increase) / Decrease in stocks and works in progress

Pension liability

Carrying amount of non current assets sold

Increase / (Decrease) in Collection Fund Adjustment Account

Other non-cash items charged to net surplus/(deficit) on provision of services

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

2012/13 Restated	2013/14
£000s (1,888)	£000s 226
1,573	1,542
27	(29)
70	58
(205)	316
591	(209)
(24)	24
1,907	1,996
0	21
1	399
(97)	(153)
3,843	3,965
(1,010)	(1,902)
945	2,289

Cash flows for operating activities include the following items:

2012/13	2013/14
£000s	£000s
(201)	(239)
395	393

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NOTES TO THE FINANCIAL STATEMENTS

23. CASH FLOW STATEMENT - INVESTING ACTIVITIES

Purchase of property, plant and equipment, investment property and intangible assets

Other payments for investing activities

Proceeds from sale of property, plant and equipment, investment property and intangible assets

Proceeds from short-term and long term investments

Other receipts from investing activities

Capital grants

Capital contributions

Net cash flows from Investing Activities per Cash Flow Statement p26

2012/13	2013/14
£000s	£000s
(1,246)	(1,623)
(1,009)	(1,009)
100	530
0	1,500
107	109
320	477
97	1,053
(1,631)	1,037

24. CASH FLOW STATEMENT - FINANCING ACTIVITIES

Cash receipts of short-term and long-term borrowing

Other receipts from financing activities

Repayment of short-term and long-term borrowing

Movement on NDR creditor with CLG - pre Business Rates Retention Scheme

Movement on NDR debtor with preceptors and CLG

Movement on NDR creditor - Deferrals

Movement on Council Tax debtors with Preceptors

Other payments for financing activities

Net cash flows from Financing Activities per Cash Flow Statement p26

2012/13	2013/14
£000s	£000s
600	0
39	47
0	(600)
(121)	(349)
0	(379)
0	72
(48)	(106)
(56)	(29)
414	(1,344)

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NOTES TO THE FINANCIAL STATEMENTS

25. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

2013/14 Statement

Fees, charges and other service income
Government grants

Total Income

Employee expenses
Other service expenses
Support service recharges

Total Expenditure

Net Expenditure

Community Development £000s	Health & Housing £000s	Public Prot'n & Communication £000s	Environment £000s	Leisure & Development £000s	Finance & Performance £000s	Total £000s
(165) 0	(1,247) (27,058)	(734) (494)	(2,542) 0	(3,731) (5)	(1,405) (112)	(9,824) (27,669)
(165)	(28,305)	(1,228)	(2,542)	(3,736)	(1,517)	(37,493)
372	989	1,841	3,474	3,072	2,605	12,353
849	27,463	1,818	3,844	2,654	978	37,606
451	702	(1,001)	89	773	(1,014)	0
1,672	29,154	2,658	7,407	6,499	2,569	49,959
1,507	849	1,430	4,865	2,763	1,052	12,466

ANNUAL STATEMENT OF ACCOUNTS 2013/14

NOTES TO THE FINANCIAL STATEMENTS

25. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (Continued)

<u>2012/13 Statement</u>	Community Development £000s	Health & Housing £000s	Public Prot'n & Communication £000s	Environment £000s	Leisure & Development £000s	Finance & Performance £000s	Total £000s
Fees, charges and other service income	(111)	(2,433)	(607)	(2,411)	(3,476)	(1,424)	(10,462)
Government grants	0	(34,392)	(518)	(56)	0	(928)	(35,894)
Total Income	(111)	(36,825)	(1,125)	(2,467)	(3,476)	(2,352)	(46,356)
Employee expenses	407	1,114	1,712	3,450	3,344	2,601	12,628
Other service expenses	912	35,933	1,895	4,057	2,151	653	45,601
Support service recharges	442	732	(1,087)	40	885	(1,012)	0
Total Expenditure	1,761	37,779	2,520	7,547	6,380	2,242	58,229
Net Expenditure	1,650	954	1,395	5,080	2,904	(110)	11,873

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

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

Net Expenditure in the Portfolio Analysis

Amounts in the Comprehensive Income and Expenditure Statement but not reported to Management in the Portfolio Analysis:

Amounts included in the Portfolio Analysis but not included in the Comprehensive Income and Expenditure Statement:

Cost of Services in the Comprehensive Income and Expenditure Statement (see page 23)

2012/13 £000s	2013/14 £000s
11,873	12,466
630	678
1,939	634
14,442	13,778

ANNUAL STATEMENT OF ACCOUNTS 2013/14

NOTES TO THE FINANCIAL STATEMENTS

25. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (Continued)

Reconciliation to Subjective Analysis

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

2013/14 Statement

	Service Analysis	Amounts not reported to Mgt.	Amounts in Analysis but not incl. in CIES to COS	Net Cost of Services	Corporate Amounts	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(9,824)	0	590	(9,234)	0	(9,234)
Interest & other Investment Income	0	0	195	195	(195)	0
Income from Council Tax	0	0	0	0	(5,773)	(5,773)
Income from Non Domestic Rates	0	0	0	0	(2,934)	(2,934)
Government Grants & Contributions	(27,669)	0	35	(27,634)	(6,490)	(34,124)
Donated Assets	0	0	0	0	(141)	(141)
Investment Property income and gains on fair value	0	0	109	109	(109)	0
Total Income	(37,493)	0	929	(36,564)	(15,642)	(52,206)
Employee expenses	12,353	707	0	13,060	0	13,060
Other service expenses	37,606	0	(1,653)	35,953	0	35,953
Depreciation, amortisation and impairment	0	(29)	1,829	1,800	0	1,800
Interest payments	0	0	(393)	(393)	393	0
Pensions Interest & Administration Costs (IAS19)	0	0	0	0	1,291	1,291
Precepts and Levies	0	0	(16)	(16)	488	472
Payments to Housing Capital Receipts Pool	0	0	(1)	(1)	1	0
Net (Gain)/Loss on disposal of non current assets	0	0	(52)	(52)	(579)	(631)
Investments Property expenditure and losses on fair value	0	0	(9)	(9)	44	35
Total Expenditure	49,959	678	(295)	50,342	1,638	51,980
(Surplus) or Deficit on the Provision of Services (page 23)	12,466	678	634	13,778	(14,004)	(226)

ANNUAL STATEMENT OF ACCOUNTS 2013/14

NOTES TO THE FINANCIAL STATEMENTS

25. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (Continued)

Reconciliation to Subjective Analysis

2012/13 Statement (Restated)

	Service Analysis	Amounts not reported to Mgt.	Amounts in Analysis but not incl. in CIES to COS	Net Cost of Services	Corporate Amounts	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(10,462)	(28)	476	(10,014)	0	(10,014)
Interest & other Investment Income	0	0	261	261	(261)	0
Income from Council Tax	0	0	0	0	(6,225)	(6,225)
Income from Non Domestic Rates	0	0	0	0	(6,019)	(6,019)
Government Grants & Contributions	(35,894)	0	841	(35,053)	(1,646)	(36,699)
Donated Assets	0	0	0	0	(30)	(30)
Investment Property income and gains on fair value	0	0	107	107	(295)	(188)
Total Income	(46,356)	(28)	1,685	(44,699)	(14,476)	(59,175)
Employee expenses	12,628	612	0	13,240	0	13,240
Other service expenses	45,601	0	(1,162)	44,439	0	44,439
Depreciation, amortisation and impairment	0	46	1,817	1,863	0	1,863
Interest payments	0	0	(395)	(395)	395	0
Pensions Interest & Administration Costs (IAS19)	0	0	0	0	1,299	1,299
Precepts and Levies	0	0	(15)	(15)	432	417
Payments to Housing Capital Receipts Pool	0	0	(2)	(2)	2	0
Net (Gain)/Loss on disposal of fixed assets	0	0	20	20	(215)	(195)
Investments Property expenditure and losses on fair value	0	0	(9)	(9)	9	0
Total Expenditure	58,229	658	254	59,141	1,922	61,063
(Surplus) or Deficit on the Provision of Services (page 23)	11,873	630	1,939	14,442	(12,554)	1,888

Figures for 2012/13 have been restated to reflect the change in accounting policy for Pensions, introduced by the June 2011 revision to IAS19 (see note 38).

ANNUAL STATEMENT OF ACCOUNTS 2013/14

NOTES TO THE FINANCIAL STATEMENTS

26. TRADING OPERATIONS

Trading units operate in a commercial environment, generating income from other parts of the council, or from other organisations. Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. The only such operation undertaken by the Council is Building Control.

	2012/13 £000s	2013/14 £000s
Turnover	(146)	(155)
Expenditure	165	167
(Surplus)/Deficit to Cost of Services on CIES	19	12
Adjustments between accounting basis and funding basis under regulations	(10)	(10)
(Surplus)/Deficit transferred to Earmarked Reserve/General Fund Balance	9	2
Accumulated (Surplus)/Deficit on Reserve/General Fund Balance	116	118

The over-riding accounting objective of the Building Regulations chargeable service, taking one year with another, is that the charges levied as nearly as possible equate to the costs incurred. In future years, the objective will be to generate surpluses in order to gradually return to a break-even position on the accumulated Surplus/Deficit.

27. AGENCY SERVICES

Nottinghamshire County Council provides off-street and on-street parking enforcement services on behalf of Gedling Borough Council, on an agency basis. For the financial year ended 31 March 2014, income collected on behalf of Gedling Borough Council was £235,568 and total expenditure was £200,616. Of the surplus of £34,952, £16,331 has been retained by Nottinghamshire County Council to spend on Gedling's behalf as Transport Authority, and the remaining £18,621 has been recorded as a debtor in the 2013/14 accounts pending its payment by the County Council. All the figures have been fully reflected in Gedling Borough Council's accounts, the Council being the Principal party in the parking agreement. For comparison purposes, the position at 31 March 2013 was a debtor of £16,893.

In a departure from the Accounting Code of Practice, the income for parking enforcement has been accounted for on a cash basis, rather than an accruals basis, due to the nature and timing of the transactions. There is no material impact from this treatment.

ANNUAL STATEMENT OF ACCOUNTS 2013/14

NOTES TO THE FINANCIAL STATEMENTS

28. POOLED BUDGETS

Pooled Funds are not legal entities. The partners in a pool will nominate one partner to be the "host" to the pool. The host has responsibility for the administration of the pool, and is required to produce a memorandum account of the activity of the pool. Disclosure of an authority's involvement in a pooled budget is required for a proper understanding of its accounts.

South Nottinghamshire Community Safety Partnership

As fellow members of the SNCSP, Gedling and Rushcliffe Borough Councils agreed in 2009/10 to transfer their external crime and disorder funding to Broxtowe as "host" authority, for administration. This covers both revenue and capital funding and is intended to promote more effective financial management of these funds. The spending plans associated with these funds are approved and monitored by the SNCSP Strategic Group.

Total revenue expenditure attributable to Gedling Borough Council amounted to £51,702 in 2013/14 and was funded by grants of £51,702 from Nottinghamshire County Council. There was no capital expenditure in 2013/14.

All transactions relating to SNCSP are recorded in Broxtowe Borough Council's accounts.

29. MEMBERS' ALLOWANCES

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

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

Allowances:

Basic

Special Responsibility

Expenses:

Car mileage and public transport

Conferences and subsistence

2012/13	2013/14
£000s	£000s
184	184
93	83
8	5
7	5
292	277

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NOTES TO THE FINANCIAL STATEMENTS

30. OFFICERS' REMUNERATION

Regulation 4 of the Accounts and Audit (Amendment No.2) (England) Regulations 2009 introduced disclosure requirements for the remuneration of senior staff in Local Authorities, in order to provide greater transparency and accountability to local taxpayers in respect of the total remuneration package for the senior team charged with the stewardship of the Council.

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

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

Number of Employees in each Remuneration Band:

(excluding employer pension contributions)

£50,000 to £54,999
£55,000 to £59,999
£60,000 to £64,999
£65,000 to £69,999
£70,000 to £74,999
£75,000 to £79,999
£80,000 to £84,999
£85,000 to £89,999
£90,000 to £94,999
£95,000 to 99,999
100,000 to 104,999

2012/13 Number	2013/14 Number
1	1
0	1
1	0
0	0
5	3
0	1
0	0
0	0
0	0
1	1
0	0
8	7

Total number of employees whose remuneration exceeds £50,000

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

The remuneration paid to the Authority's senior employees in 2013/14 and 2012/13 is detailed in the table below.

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NOTES TO THE FINANCIAL STATEMENTS

30. OFFICERS' REMUNERATION (Continued)

Individual Posts in receipt of a basic salary exceeding £50,000:	Salary, Fees & All'wces	Exps All'wces	Benefits in Kind	Comp'n for loss of Office	Total exc Pension Contribs	Employer Pension Contribs	Total
<u>2013/14</u>							
Chief Executive	98,334	735	118	0	99,187	17,897	117,084
Corporate Director	75,000	19	3	0	75,022	13,650	88,672
Corporate Director	72,500	491	78	0	73,069	0	73,069
Corporate Director	72,500	265	42	0	72,807	13,195	86,002
Corporate Director	72,500	76	12	0	72,588	13,195	85,783
Service Mgr-Planning & Economic Development	56,377	73	12	0	56,462	10,261	66,723
Council Solicitor & Monitoring Officer	53,188	64	10	0	53,262	9,680	62,942
<u>2012/13</u>							
Chief Executive	98,334	567	91	0	98,992	17,897	116,889
Corporate Director	73,125	238	38	0	73,401	13,309	86,710
Corporate Director	70,625	333	53	0	71,011	12,854	83,865
Corporate Director	70,524	727	116	0	71,367	0	71,367
Corporate Director	70,524	30	5	0	70,559	12,835	83,394
Service Mgr-Planning & Economic Development	60,474	95	15	0	60,584	11,006	71,590
Council Solicitor & Monitoring Officer	51,981	55	9	0	52,045	9,461	61,506

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NOTES TO THE FINANCIAL STATEMENTS

31. EXTERNAL AUDIT COSTS

The authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections, and to non-audit services provided by the authority's external auditors.

	2012/13	2013/14
	£	£
Audit Services carried out by the appointed auditor	55,860	55,860
Rebate of Charges	(4,900)	(6,370)
Grant Certification	46,522	17,100
National Fraud Initiative	1,150	1,150
Total External Audit Costs	98,632	67,740

Following the outsourcing of the Audit Commission's audit practice, Gedling's external audit services are now provided by KPMG, on the basis of a risk-based approach to audit planning.

The Audit Commission has agreed a revised structure and a business model that focuses on core functions for the period until its planned closure. These arrangements have enabled cost savings to be made and a rebate of charges was agreed in March 2014.

ANNUAL STATEMENT OF ACCOUNTS 2013/14

NOTES TO THE FINANCIAL STATEMENTS

32. GRANTS, CONTRIBUTIONS AND DONATED ASSETS

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

Credited to Taxation and Non-Specific Grant Income:

Revenue Support Grant (including redistributed sums)
New Homes Bonus
Council Tax Freeze Grant
New Burden Grants

Non Ring-fenced Grants shown on CIES p23

Capital Grants and Contributions shown on CIES p23

Donated Assets shown on CIES p23

Total Non Ring-fenced Grants included in CIES

Credited to Services:

Housing Benefits
Grants for Revenue Expenditure funded from Capital
Homelessness
Other Grants & Contributions

Total grants & contributions credited to Services

Total Grants, Contributions and Donated Assets

2012/13	2013/14
£000s	£000s
(116)	(4,084)
(689)	(1,116)
(139)	0
(13)	(35)
(957)	(5,235)
(689)	(1,255)
(30)	(141)
(1,676)	(6,631)
(34,314)	(27,058)
(554)	(486)
(78)	0
(107)	(215)
(35,053)	(27,759)
(36,729)	(34,390)

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

Capital

Travellers' sites grant
Developers' Section 106 Contributions

Revenue

Developers' Section 106 Contributions
Other grants and contributions

2012/13	2013/14
£000s	£000s
(646)	0
(442)	(1,410)
(1,088)	(1,410)
(92)	(92)
(1)	(11)
(93)	(103)

ANNUAL STATEMENT OF ACCOUNTS 2013/14

NOTES TO THE FINANCIAL STATEMENTS

33. RELATED PARTIES

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

Central Government

The UK Central Government has significant influence over the Council's general operations, being responsible for providing the statutory framework within which the Council operates, providing the majority of its funding in the form of grants, and prescribing the terms of many of the transactions that the Council has with other parties (eg. council tax bills, housing benefits etc). Grants received from government departments are included in note 32 on page 61. Grants received in advance at 31 March 2014 are also included in note 32 on page 61.

Members

Elected members of the council, and potentially close members of their families, exert direct control over the Council's financial and operating policies and as such must be identified as related parties. The statutory disclosure requirements in respect of members allowances are satisfied by note 29 on page 57. The aggregation option for individual transactions has been taken on the basis that the council is satisfied that all the transactions entered into have been concluded in accordance with its procedures for preventing undue influence.

Officers

Officers on the Council's Senior Leadership Team (SLT), and the closest members of their families, have the potential to significantly influence the policies of the Council, however this is limited by the Scheme of Delegation. During 2013/14 no interests were declared by members of SLT and the statutory disclosure requirements in respect of officer remuneration are satisfied by note 30 on pages 58 to 59.

Other Public Bodies

The council has pooled budget arrangements with Rushcliffe and Broxtowe Borough Councils. Details of these are given at note 28 on page 57.

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

Letters were sent to all elected members, members of the Senior Leadership Team and to the deputy S151 and Monitoring Officers, explaining the requirements of IAS24, and seeking declarations to assist compliance with the standard. The information provided has been used in the preparation of the disclosures below. Details of outstanding debtors and creditors in respect of related parties are included within notes 16 and 18 on pages 44 and 45 respectively. The Council also maintains a register of members' interests, together with a record of interests declared at Cabinet and Council meetings.

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

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NOTES TO THE FINANCIAL STATEMENTS

33. RELATED PARTIES (Continued)

<u>Organisation/Body</u>	<u>Nature of relationship</u>	<u>Receipts</u> £000s	<u>Payments</u> £000s
Citizens' Advice Bureau	GBC elected member is a Trustee	0	53
Derwent Living	GBC elected member is a Director	0	15
Gedling CVS	GBC elected member is a Trustee	(2)	30
Gedling Homes	GBC elected member is a Director	(235)	0
Gedling Conservation Trust	GBC elected member is a Trustee	0	18
Groundwork Greater Nottingham	GBC elected member is a Director	(1)	12
Local Government Association	GBC elected member is on the Board	0	19
Mapperley Golf Club	GBC elected members have management interests	(63)	0
NHS Trust	GBC elected member is a Trust member	(53)	0
Redhill Academy	GBC elected member is a Trustee and Governor	(24)	1
Richard Herrod Bowls Club	GBC elected member is a representative	(32)	0
Rural Community Action Nottingham	Elected member is a representative	0	11
Other Local Authorities	Material employee relationships	(474)	711
Parish Council grant aid	GBC elected members on parish councils	0	29

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NOTES TO THE FINANCIAL STATEMENTS

34. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2012/13 £000s	2012/13 £000s
Opening Capital Financing Requirement (CFR)	10,197	11,436
Additions:		
Property, Plant & Equipment (note 9)	1,447	1,501
Intangible assets (note 11)	7	0
Revenue expenditure funded from capital under statute (REFCUS)	728	646
Long Term Debtor - Local Authority Mortgage Scheme	1,000	1,000
Total Capital Investment	3,182	3,147
Financing:		
Capital receipts	(224)	(173)
Government Grants	(957)	(925)
Other Grants and Contributions	(275)	(566)
Minimum Revenue Provision (MRP)	(487)	(535)
Total Sources of Finance	(1,943)	(2,199)
Closing Capital Financing Requirement (CFR)	11,436	12,384
Explanation of movements in the year:		
Increase in underlying need to borrow - Supported by Government financial assistance	0	0
Increase in underlying need to borrow - Not supported by Government financial assistance	1,239	948
Increase/(Decrease) in Capital Financing Requirement (CFR)	1,239	948

35. LEASES

(i) Disclosures by Gedling BC as Lessee

The Council operates a de-minimis level of £5,000 in recognising and valuing assets acquired under finance leases. There were no leased assets in excess of this level to disclose at 31 March 2014.

The Council currently has four properties acquired under operating leases, used for homelessness purposes. Lease rentals of £15,350 have been charged to the Comprehensive Income and Expenditure Statement in 2013/14. All the leases include cancellation clauses, and accordingly no further disclosures are required.

(ii) Disclosures by Gedling BC as Lessor

The Council has granted leases in respect of Business Units at Newstead and Calverton, plus a small number of other properties. Rentals receivable under existing leases amounted to £162,416 in 2013/14 (£241,234 in 2012/13). All leases are operating leases, granted with cancellation clauses, therefore no further disclosures are required.

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NOTES TO THE FINANCIAL STATEMENTS

36. IMPAIRMENT LOSSES

During 2013/14 impairment losses totalling £71,000 were recognised in the accounts. Of this £36,000 was in respect of a reduction in market value of garage sites in the light of information that development density might not be as high as originally anticipated. A further £35,000 was in respect of a rent review at Bestwood Lodge Hotel which reduced rent levels.

37. TERMINATION BENEFITS

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

No compulsory redundancies were made during 2013/14. Decisions made during 2013/14 incurred liabilities totalling £17,474.

Exit Packages per Cost-Band

	Number of Compulsory Redundancies		Number of other departures agreed in year		Total number of exit packages by cost-band		Total cost of exit packages in each band £	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£0 to £80,000	0	0	2	2	2	2	86,947	17,474
£80,001 to £100,000	0	0	0	0	0	0	0	0
	0	0	2	2	2	2	86,947	17,474

38. POST-EMPLOYMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME

(i) Participation in the Pension Scheme:

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

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

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

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

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

ANNUAL STATEMENT OF ACCOUNTS 2013/14

NOTES TO THE FINANCIAL STATEMENTS

38. POST-EMPLOYMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME

(ii) Explanation of terms:

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

Assets - the Council's attributable share of the investments held in the pension scheme to cover the liabilities.

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

Service cost - comprising:

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

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

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

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

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

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

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

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

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

Benefits paid - payments to discharge liabilities directly to pensioners.

(iii) Transactions relating to post-employment benefits:

Pensions are accounted for in accordance with IAS19. The cost of retirement benefits are recognised in the Cost of Services in the Comprehensive Income and Expenditure Statement (page 23) when they are earned by employees, rather than when they are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, therefore the real cost of post employment (retirement) benefits is reversed out of the General Fund via the Movement in Reserves Statement (page 22). Transactions affecting the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement are shown below.

The International Accounting Standards Board has revised the IAS19 standard, and this applies to all accounting periods beginning after 1 January 2013. For Gedling Borough Council this is the financial year commencing 1 April 2013, and the financial statements reflect the change.

The main change is the removal of the "expected return on assets", being replaced by a net interest charge comprising interest income on assets and interest expense on liabilities. Both are calculated with reference to the discount rate. A labelling change has seen current service cost and past service cost combined and renamed "Service Cost". Where relevant, service cost will also include curtailments and settlements. Administration expenses are now accounted for in the profit and loss charge, where previously it was accounted for as a deduction to the expected return on assets.

ANNUAL STATEMENT OF ACCOUNTS 2013/14

NOTES TO THE FINANCIAL STATEMENTS

38. POST EMPLOYMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME (continued)

Comprehensive Income and Expenditure Statement (CIES):

Cost of Services:

a) Service cost comprising:

Current service cost

Past service cost

b) Other Operating Expenditure:

Administration Cost

c) Financing & Investment Income & Expenditure:

Net Interest Cost

Interest Cost

Expected Return on Scheme Assets

Total Post Employment benefits charged to the Surplus or Deficit on the Provision of Services

Re-measurement of the net defined liability comprising:

Return on plan assets in excess of interest (gain)

Other actuarial (gains) and losses on assets

Actuarial (gains) and losses on changes in financial assumptions

Actuarial (gains) and losses on changes in demographic assumptions

Experience (gains) and losses on defined benefit obligation

Other Actuarial (gains) and losses

Total Re-measurements (See Comprehensive Income and Expenditure Statement on page 23)

Total Post Employment benefits charged to the Comprehensive Income and Expenditure Statement

Movement in Reserves Statement:

Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code (see note 6)

	2012/13 Previously disclosed £000s	2012/13 Restated £000s	2013/14 £000s
	2,209	2,209	2,322
	38	38	18
	0	5	4
	0	1,294	1,287
	3,458	0	0
	(2,691)	0	0
	3,014	3,546	3,631
	0	(5,125)	(843)
	0	0	1,753
	0	3,619	1,413
	0	0	3,951
	0	92	(5,606)
	(882)	0	0
	(882)	(1,414)	668
	2,132	2,132	4,299
	(3,014)	(3,546)	(3,631)

Figures for 2012/13 have been restated to reflect the change in accounting policy for Pensions, introduced by the June 2011 revision to IAS19.

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

Employer's contributions payable to the scheme

Discretionary payments (added years, pension strain etc)

Total

	2012/13 £000s	2013/14 £000s
	1,504	1,504
	135	131
	1,639	1,635

ANNUAL STATEMENT OF ACCOUNTS 2013/14

NOTES TO THE FINANCIAL STATEMENTS

38. POST EMPLOYMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME (continued)

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

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

	2009/10 £000s	2010/11 £000s	2011/12 £000s	2012/13 £000s	2013/14 £000s
Present value of the funded defined benefit obligation	77,849	62,036	74,351	81,735	85,195
Fair value of assets	(42,328)	(46,816)	(47,208)	(54,160)	(55,010)
Net liability arising from the funded defined benefit obligation (LGPS)	35,521	15,220	27,143	27,575	30,185
Present value of the unfunded obligation (Discretionary Benefits)	2,013	1,620	1,792	1,853	1,907
Net Pension Liability on the Balance Sheet	37,534	16,840	28,935	29,428	32,092

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits. These total £87.102m, including funded and unfunded obligations.

The net pension liability of £32.092m has a substantial impact on the net worth of the authority, as recorded in the Balance Sheet, reducing it by 110%. However, statutory arrangements for funding the deficit means that the financial position of the authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie. before payments fall due), as assessed by the actuary, therefore finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

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

	2012/13 £000s Disclosed	2012/13 £000s Had the revised standard applied	2013/14 £000s
Opening defined benefit obligation	76,143	76,143	83,588
Current service cost	2,209	2,209	2,322
Interest Cost	3,458	3,458	3,710
Change in financial assumptions	0	3,619	1,413
Change in demographic assumptions	0	0	3,951
Experience loss/(gain) on defined benefit obligation	0	92	(5,606)
Total actuarial losses/(gains)	3,711	0	0
Estimated Benefits Paid (net of transfers in)	(2,355)	(2,355)	(2,670)
Past Service Cost including curtailments	38	38	18
Contributions by Scheme Participants	519	519	507
Unfunded Pension Payments	(135)	(135)	(131)
Closing defined benefit obligation	83,588	83,588	87,102

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NOTES TO THE FINANCIAL STATEMENTS

38. POST EMPLOYMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME (continued)

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

	2012/13 £000s Disclosed	2012/13 £000s Had the revised standard applied	2013/14 £000s
Opening fair value of scheme assets	47,208	47,208	54,160
Interest on assets	0	2,164	2,423
Return on plan assets in excess of interest	0	5,125	843
Other actuarial gains/(losses)	0	0	(1,753)
Expected Return on Scheme Assets	2,691	0	0
Total actuarial gains/(losses)	4,593	0	0
Administration expenses	0	(5)	(4)
Contributions by Employer including Unfunded Benefits	1,639	1,639	1,635
Contributions by Scheme Participants	519	519	507
Estimated Benefits paid including Unfunded Benefits	(2,490)	(2,490)	(2,801)
Closing fair value of scheme assets	54,160	54,160	55,010

The actual return on scheme assets in the year was £3,266,000 (£7,283,000 in 2012/13).

LGPS assets allocated to Gedling Borough Council by asset class

	2011/12 £000s	2012/13 £000s	2013/14	
			£000s	%
Equities	33,046	39,537	40,157	73
Gilts	3,305	3,791	4,401	8
Other Bonds	2,360	3,250	2,751	5
Property	6,609	6,499	6,051	11
Cash	1,888	1,083	1,650	3
Total assets allocated to Gedling Borough Council	47,208	54,160	55,010	100

It is estimated that Gedling Borough Council's share of the total assets in the fund is approximately 1%. Information provided by Nottinghamshire County Council as administering authority indicates that of the equities allocation, 49% are UK investments, 48% overseas investments and 3% are private equity investments of unspecified origin. Of these investments, 93% are listed on the market. Of the gilts allocation, 60% are UK fixed interest gilts, 25% are overseas fixed interest government bonds and 15% are UK inflation-linked gilts. Of the other bonds allocation, 59% are UK corporates 9% are overseas corporates and 32% are inflation-linked. Further information regarding the Fund's precise asset allocations is available from Nottinghamshire County Council Pension Fund as administering authority.

(v) Basis for estimating Assets and Liabilities:

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

The significant assumptions used by the actuary as at 31 March 2014 are as follows:

ANNUAL STATEMENT OF ACCOUNTS 2013/14

NOTES TO THE FINANCIAL STATEMENTS

38. POST EMPLOYMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME (continued)

Expected return on assets:

For accounting years beginning on or after 1 January 2013, the expected return on assets and the interest cost have been replaced with a single net interest cost, which effectively sets the expected return equal to the IAS19 discount rate.

The discount rate is the annualised yield at the 18-year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with the consideration of the Council's liabilities. This is consistent with the approach used at the last accounting date.

Mortality assumptions:

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

		31 Mar 12 Years	31 Mar 13 Years	31 Mar 14 Years
Retiring today-	Male	18.6	18.7	22.0
	Female	22.7	22.8	25.1
Retiring in 20 years-	Male	20.6	20.7	24.1
	Female	24.5	24.6	27.4

Financial Assumptions

The financial assumptions used for IAS19 purposes are as follows, and were set with reference to market conditions at 31 March 2014.

	31 March 2012		31 March 2013		31 March 2014	
	% pa	Real %	% pa	Real %	% pa	Real %
Retail Price Index increase	3.3	-	3.4	-	3.5	-
Consumer Price Index increase	2.5	-0.8	2.6	-0.8	2.7	-0.8
Salary Increase	4.7	1.4	4.8	1.4	4.5	1.0
Pension Increase	2.5	-0.8	2.6	-0.8	2.7	-0.8
Discount rate for liabilities	4.6	1.3	4.5	1.1	4.4	0.9

The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England, specifically the 18-year point on the BOE spot inflation curve. This is consistent with the approach used at the last accounting date. This measure has historically overestimated future increases in the RPI and in the past a deduction of 0.25% has been made by the actuary. However, the evidence for this in more recent periods is weaker and no such deduction has been made at 31 March 2014 and the RPI assumption is therefore 3.5%. As future pension increases are expected to be based on CPI rather than RPI, the actuary has made a further assumption that CPI will be 0.8% below RPI, ie. 2.7%. This is considered to be a reasonable estimate for the future differences in the indices, based on the different calculation methods.

Salary increases are assumed to be 1.8% above CPI in addition to a promotional scale, however an assumption has been made for salaries to rise only by CPI for the period 31 March 2013 to 31 March 2015.

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

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NOTES TO THE FINANCIAL STATEMENTS

38. POST EMPLOYMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME (continued)

Sensitivity analysis:

Adjustment to discount rate:

Present value of total obligation

Projected service cost

Adjustment to long term salary increase:

Present value of total obligation

Projected service cost

Adjustment to pension increase and deferred revaluation

Present value of total obligation

Projected service cost

Adjustment to mortality age rating assumption

Present value of total obligation

Projected service cost

	£000s	£000s	£000s
	+0.1%	0%	-0.1%
Present value of total obligation	85,609	87,102	88,623
Projected service cost	1,792	1,834	1,878
	+0.1%	0%	-0.1%
Present value of total obligation	87,355	87,102	86,850
Projected service cost	1,834	1,834	1,834
	+0.1%	0%	-0.1%
Present value of total obligation	88,393	87,102	85,835
Projected service cost	1,878	1,834	1,792
	+ 1 Year	None	- 1 Year
Present value of total obligation	83,985	87,102	90,249
Projected service cost	1,771	1,834	1,899

Asset and liability matching strategy

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

Impact on the Council's cash flows

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

The actuary's estimate of the total pension expense for the year to 31 March 2015 is £3,216,000. Service cost is estimated to be £1,834,000, net interest on the defined liability £1,378,000, and administration expenses £4,000. Expected contributions for discretionary benefits are £134,400, as per the Council's own budget for 2014/15.

39. CONTINGENT LIABILITIES

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

40. CONTINGENT ASSETS

VAT - Fleming Claims

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

To date, HMRC have rejected claims for compound interest, and have only paid simple interest on the sums refunded. Should ongoing legal action be successful, the Council may benefit from a significant additional payment of interest.

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NOTES TO THE FINANCIAL STATEMENTS

40. CONTINGENT ASSETS (continued)

VAT - Trade Waste

HMRC confirmed in February 2011 that trade waste collection services operated by local authorities were to be treated as non-business supplies, as it had been accepted that section 45 of the Environmental Protection Act 1990 created a "special legal regime" for VAT purposes. HMRC also confirmed that there was no evidence that significant distortion of competition would arise.

In conjunction with its advisors, the Council has submitted a protective claim for the reimbursement of output tax. This is still being considered by HMRC, however should the claim be successful the Council's General Fund may benefit from around £160,000 net of fees, potentially plus interest accrued.

VAT - Sporting and Leisure Services - 4 year Non-Business claim

In conjunction with its advisors, the Council has submitted a claim for the reimbursement of output tax accounted for on the supply of sporting services, on the basis that it is not a taxable person in providing them and the services are therefore outside the scope of VAT. Should this claim be successful the General Fund may benefit from around £700,000 however HMRC have as yet not accepted the non-business principle and indeed has put forward an argument for sporting services to be classed as exempt.

Preserved Right to Buy Receipts

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

41. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was issued and authorised for issue by Mark Kimberley CPFA, Chief Financial Officer, on 30 June 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

ANNUAL STATEMENT OF ACCOUNTS 2013/14

COLLECTION FUND STATEMENT

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

2012/13			2013/14		
Council Tax £000s	NNDR £000s	Total £000s	Council Tax £000s	NNDR £000s	Total £000s
(61,670)	0	(61,670)	(55,682)	0	(55,682)
0	(20,624)	(20,624)	0	(20,810)	(20,810)
(61,670)	(20,624)	(82,294)	(55,682)	(20,810)	(76,492)
INCOME:			INCOME:		
Council Tax Receivable			Council Tax Receivable		
Business Rates Receivable			Business Rates Receivable		
EXPENDITURE:			EXPENDITURE:		
<u>Apportionment of previous year surpluses</u>			<u>Apportionment of previous year surpluses</u>		
0	0	0	0	0	0
237	0	237	386	0	386
32	0	32	54	0	54
14	0	14	23	0	23
31	0	31	52	0	52
314	0	314	515	0	515
<u>Precepts, Demands and Shares</u>			<u>Precepts, Demands and Shares</u>		
0	20,512	20,512	0	10,381	10,381
45,860	0	45,860	41,041	1,868	42,909
6,396	0	6,396	5,835	0	5,835
2,679	0	2,679	2,397	208	2,605
5,779	0	5,779	5,265	8,304	13,569
417	0	417	472	0	472
61,131	20,512	81,643	55,010	20,761	75,771
<u>Other Charges to Collection Fund</u>			<u>Other Charges to Collection Fund</u>		
304	158	462	216	52	268
(59)	(46)	(105)	126	115	241
0	0	0	0	556	556
0	0	0	0	183	183
0	0	0	0	102	102
245	112	357	342	1,008	1,350
20	0	20	185	959	1,144
491	0	491	511	0	511
511	0	511	696	959	1,655

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NOTES TO THE COLLECTION FUND ACCOUNTS

1. COUNCIL TAX BASE

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

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

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

2012/13 Number	2013/14 Number
14	14
7,867	5,763
9,865	8,582
7,775	7,274
5,830	5,631
4,021	4,006
1,710	1,749
1,220	1,232
133	145
38,435	34,396

Council Tax Base

Council Tax Benefits were abolished on 1 April 2013 and replaced with a locally determined Council Tax Reduction Scheme. The new scheme operates as a discount, significantly reducing the council tax base, and consequently the council tax income received.

2. ACCOUNTING FOR THE COLLECTION FUND BALANCE - COUNCIL TAX

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

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

The opening balance on the Council Tax Collection Fund was a deficit of £0.511m. By 31 March 2014, this deficit had risen to £0.696m.

Balance Sheet Debtors:

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

2012/13 £000s	2013/14 £000s
386	527
56	76
22	31
464	634
47	62
511	696

Council Tax Deficit attributable to Gedling BC

TOTAL

ANNUAL STATEMENT OF ACCOUNTS 2013/14

NOTES TO THE COLLECTION FUND ACCOUNTS (Continued)

3. COLLECTION FUND ADJUSTMENT ACCOUNT - COUNCIL TAX

The introduction of agency accounting for Council Tax necessitated the establishment of a Collection Fund Adjustment Account. The difference between the Council Tax income included in the Comprehensive Income and Expenditure Statement on page 23, and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account, and included as a reconciling item on the Movement in Reserves Statement on page 22.

	2012/13 £000s	2013/14 £000s
Balance Brought Forward	(46)	(47)
Difference between Council Tax income shown in the Comprehensive Income and Expenditure Statement and that required by regulation	(1)	(15)
Balance Carried Forward	(47)	(62)

4. NATIONAL NON DOMESTIC RATES (NNDR)

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

	2012/13	2013/14
(a) Non Domestic Rateable Value at 31 March	£52,687,374	£52,434,333
(b) Multiplier for General Businesses	45.8p	47.1p
(c) Multiplier for Small Businesses	45.0p	46.2p

5. ACCOUNTING FOR THE COLLECTION FUND BALANCE - NNDR

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

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

At 31 March 2014, the end of the first year of operation of the Business Rates Retention Scheme, the deficit on the NNDR Collection Fund was £0.959m.

	2012/13 £000s	2013/14 £000s
Balance Sheet Debtors:		
Central Government	0	480
Nottinghamshire County Council (Local Authority Debtors)	0	86
Combined Fire Authority (General Debtors)	0	9
	0	575
NNDR Deficit attributable to Gedling BC	0	384
TOTAL	0	959

ANNUAL STATEMENT OF ACCOUNTS 2013/14

NOTES TO THE COLLECTION FUND ACCOUNTS (Continued)

6. COLLECTION FUND ADJUSTMENT ACCOUNT - NNDR

The introduction of the Business Rates Retention regime from 1 April 2013 has necessitated the establishment of a further Collection Fund Adjustment Account. The difference between the NNDR included in the Comprehensive Income and Expenditure Statement on page 23, and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account, and included as a reconciling item on the Movement in Reserves Statement on page 22.

	2012/13 £000s	2013/14 £000s
Balance Brought Forward	0	0
Difference between Council Tax income shown in the Comprehensive Income and Expenditure Statement and that required by regulation	0	(384)
Balance Carried Forward	0	(384)

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

Arrears:

Uncertainties

An estimate of the impairment of NNDR and Council Tax debtors is based upon the age and type of each debt. The percentage impairments applied reflect an assessment of the recoverability of each debt based on past experience and a view of the impact of the prevailing economic climate. The provision for impairment at 31 March 2014 is £1,130,300.

Effect if Actual Results Differ from Assumptions

If collection rates were to deteriorate, a 10% increase on the impairment percentage would require an additional £260,800 to be set aside as an allowance. However, collection rates have not varied by more than 0.6% in any of the past five years.

Audit Statements

ANNUAL STATEMENT OF ACCOUNTS 2013/14

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

We have audited the financial statements of Gedling Borough Council for the year ended 31 March 2014 on pages 22 to 76. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Matters on which we are required to report by exception

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

ANNUAL STATEMENT OF ACCOUNTS 2013/14

- the annual governance statement set out on pages 82 to 86 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters

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

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper

ANNUAL STATEMENT OF ACCOUNTS 2013/14

arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Gedling Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of Gedling Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

Signature:

for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants

St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

Date:

Accompanying Statements

ANNUAL STATEMENT OF ACCOUNTS 2013/14

ANNUAL GOVERNANCE STATEMENT

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

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

Gedling Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code can be obtained by contacting the Service Manager - Audit & Asset Management at Gedling Borough Council, Arnot Hill Park, Arnold, Nottingham NG5 6LU (vince.rimmington@gedling.gov.uk). This statement explains how Gedling Borough Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

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

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

The governance framework has been in place at Gedling Borough Council for the year ended 31 March 2014 and up to the date of approval of the annual report and statement of accounts.

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

- Sustainable Community Strategy (incorporated within the Council Plan)
- Development Plan documents
- Gambling Statement of Policy
- The Capital Strategy (and any plan or strategy for the control of the Authority's borrowing and investments)

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

ANNUAL STATEMENT OF ACCOUNTS 2013/14

ANNUAL GOVERNANCE STATEMENT

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

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

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

- Annual review of the effectiveness of the Authority's Corporate Governance Framework, including signed Assurance Statements from Corporate Directors and Service Managers,
- An established anti-fraud strategy, including whistle-blowing procedures, communicated to members, officers and the public and available on the Council's website,
- Audit Committee established to undertake the core functions as identified in CIPFA guidance,
- The Terms of Reference for the Audit Committee have been reviewed and updated to include specific responsibility for reviewing risk management procedures, including the reporting arrangements on strategic risks via a corporate risk scorecard.
- The development of a risk register to include the identification of strategic partnership arrangements and assess the adequacy of governance arrangements,
- Performance Plan monitoring, review and reporting,
- Facilitation of policy and decision making through the constitution, codes of conduct and the decision-making process, forward plan and role of the scrutiny committees,
- The statutory roles of the Council's Monitoring Officer and Chief Finance Officer place a duty on these post holders to ensure compliance with established policies, procedures, laws and regulations,
- Compliance with established policies, procedures, laws and regulations are monitored through the work of the Finance and Legal staff that are adequately trained and experienced,
- Internal audit reviews are carried out using a risk based audit approach with the emphasis on key financial systems. This work is undertaken in co-operation with the Council's External Auditor ensuring maximum use of Audit resources and that professional standards are maintained,
- A Risk Management Strategy that is led by Senior Management for the identification and evaluation of Corporate Risks, and integrated with the work of Internal Audit to provide an holistic source of assurance aligned to corporate objectives,

ANNUAL STATEMENT OF ACCOUNTS 2013/14

ANNUAL GOVERNANCE STATEMENT

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

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

The Council's approach includes an annual review of the Council's Corporate Governance process by the Senior Leadership Team, which includes a detailed examination of corporate risks. This review is subsequently reported both to the Council's Audit Committee.

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

Measures to address the weaknesses and issues identified in the above reviews are included in the service plans for 2014-15.

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

The Chief Executive is responsible for annual, independent review and reporting on the adequacy and effectiveness of the corporate governance arrangements and compliance with them.

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

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

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

ANNUAL STATEMENT OF ACCOUNTS 2013/14

ANNUAL GOVERNANCE STATEMENT

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

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

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

In December 2010, CIPFA published a statement on the Role of the Head of Internal Audit outlining 5 principles of best practice and the governance arrangements required to ensure adherence. The statement does not have the status of a CIPFA code or replace the sector specific guidance, codes or professional standards. The Head of Internal Audit role at Gedling Borough Council is considered to be consistent with the statements five principles.

The Council has reviewed its partnership arrangements and identified its key partnerships as part of its Risk Management process. Key governance requirements that all partnership arrangements will be required to meet have been developed, to ensure that all members of any partnership are responsible for ensuring they meet the highest standards of governance.

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

Following reorganisation of the Senior Management Team in December 2010, the CFO does now report directly to the Chief Executive, thereby meeting all requirements in the statement.

SIGNIFICANT GOVERNANCE ISSUES: There were no significant issues identified within the Governance process to warrant inclusion in the 2013-14 Annual Governance Statement.

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

- **External Economy** – the Council remains susceptible to, but vigilant for, the external risks posed by the volatile economic climate and the uncertain political climate. Despite ongoing pressures and squeezes on costs, income streams and funding, effective planning has resulted in the Council's 2014-15 budget having no significant reductions in service.

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

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

The above risk and internal control issues have been reported specifically to the Authority's Senior Leadership Team and action plans to ensure that all issues are addressed within 2014-15 have been developed.

ANNUAL STATEMENT OF ACCOUNTS 2013/14

ANNUAL GOVERNANCE STATEMENT

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

Signature of the Chief Executive

Date:

John Robinson

19 June 2014

Signature of Leading Member

Date:

John Clarke

19 June 2014

ANNUAL STATEMENT OF ACCOUNTS 2013/14

This is the Audited Version, published on 30 September 2014 by the
Financial Services Team.

Having trouble reading this?

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

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Finance

Civic Centre, Arnot Hill Park
Arnold, Nottingham NG5 6LU

KPMG LLP
St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

Direct Line: (0115) 9013990
Switchboard: (0115) 901 3901
Extension: 3990
Fax: (0115) 901 3861
Minicom: (0115) 901 3935
Email: mark.kimberley@gedling.gov.uk
Our Ref: MSK/SMH

Please ask for: Mark Kimberley

Date: 24 September 2014

Dear Sirs,

This representation letter is provided in connection with your audit of the financial statements of Gedling Borough Council ("the Authority") for the year ended 31 March 2014, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority's expenditure and income for the year then ended; and
- ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

These financial statements comprise the Authority Movement in Reserves Statement, the Authority Comprehensive Income and Expenditure Statement, the Authority Balance Sheet, the Authority Cash Flow Statement, the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:
 - i. give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority's expenditure and income for the year then ended;
 - ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14; and
 - iii. The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable [ISA (UK&I) 540.22]
3. All events subsequent to the date of the financial statements and for which IAS 10 Events after the reporting period requires adjustment or disclosure have been adjusted or disclosed. [ISA (UK&I) 560.9]
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter. [ISA (UK&I) 450.14]

Information provided

5. The Authority has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Authority for the purpose of the audit; and
 - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. The Authority confirms the following:
 - i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - ii) The Authority has disclosed to you all information in relation to:
 - a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
 - b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
10. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.
11. The Authority confirms that:

The financial statements disclose all of the uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.

Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.

12. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) *Employee Benefits*.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:

- statutory, contractual or implicit in the employer's actions;
- arise in the UK and the Republic of Ireland or overseas;
- funded or unfunded; and
- approved or unapproved,
- have been identified and properly accounted for; and

- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit Committee on 23 September 2014.

Yours faithfully

Chair of the Audit Committee:
Councillor Paul Feeny

Chief Financial Officer:
Mark Kimberley

cc: Audit Committee

Appendix to the Representation Letter of Gedling Borough Council: Definitions

Financial Statements

IAS 1.10 states that “a complete set of financial statements comprises:

- a statement of financial position as at the end of the period;
- a statement of profit or loss and other comprehensive income for the period;
- a statement of changes in equity for the period;
- a statement of cash flows for the period;
- notes, comprising a summary of significant accounting policies and other explanatory information;
- comparative information in respect of the preceding period as specified in paragraphs 38 and 38A; and
- a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 40A-40D.

An entity may use titles for the statements other than those used in this Standard. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled, or jointly controlled by a person identified in (a).
 - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control, joint control or significant influence over the reporting entity; and
- b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.



Report to Audit Committee

Subject: NFI National Report Summary

Date: 23rd September 2014

Author: Service Manager – Audit & Asset Management

1. Purpose of the Report

The attached report summarises the key findings from the national NFI (national Fraud Initiative) report issued in June 2014. The data within the report relates to the 2010-11 NFI data submissions.

2. Summary of Findings

The key findings are detailed within the report.

3. Resource Implications

To be delivered within existing budgets.

4. Recommendation

Members are requested to note the report.

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National Fraud Initiative

Outcomes and Information for Elected Members and Decision Makers - 2012/13

Gedling Borough Council



Introduction to the slide pack



This slide pack is intended for use by elected members and senior decision makers to inform you about the National Fraud Initiative (NFI) and data matching at your organisation



We have included a summary of the key findings of the latest NFI national report and a summary of key points from the NFI checklist for decision makers and elected members which can be found in full on the [NFI website](#)

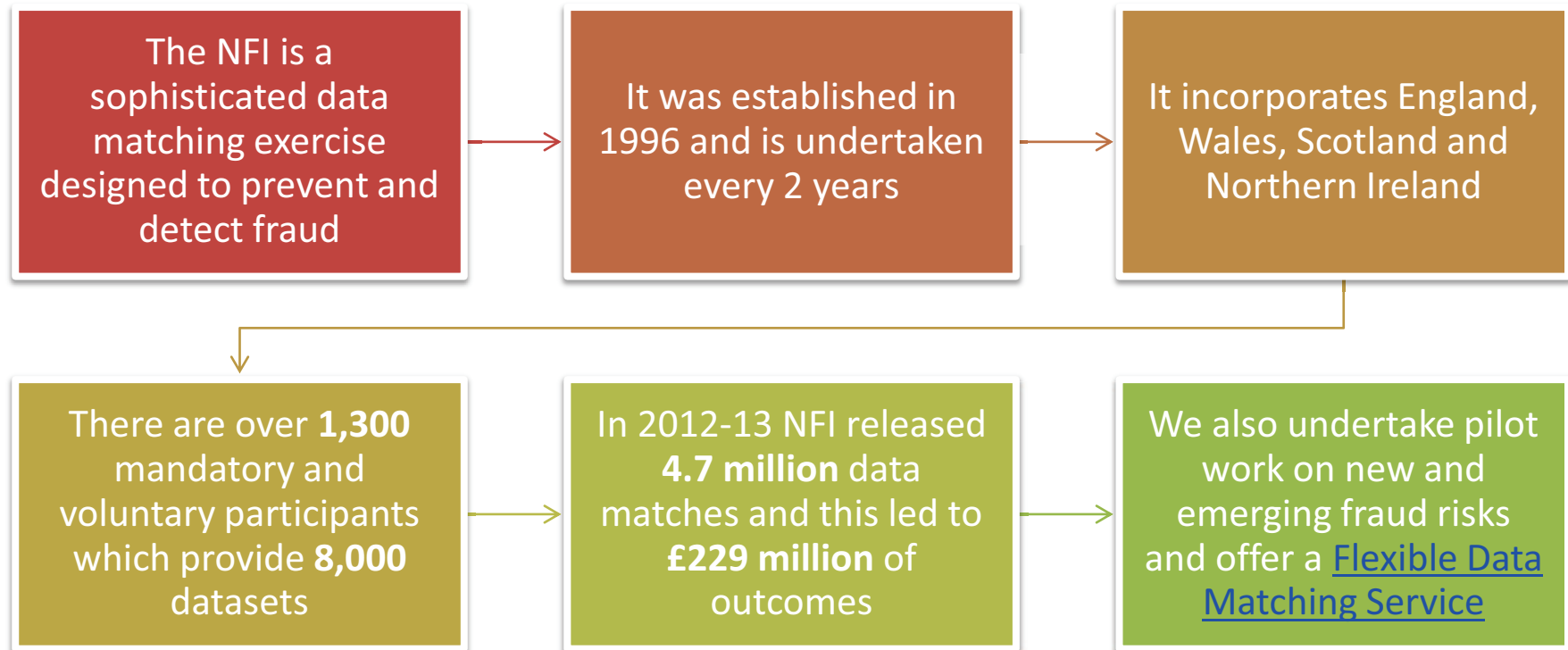


We have also included key NFI activity data for 2012/13 alongside tailored charts so you can compare your organisation with your neighbouring councils with similar profiles to yours



In case you have any questions we have included a glossary and link to further information at the end of the slide pack. If you require further information please contact nfiqueries@audit-commission.gsi.gov.uk

Background to the NFI



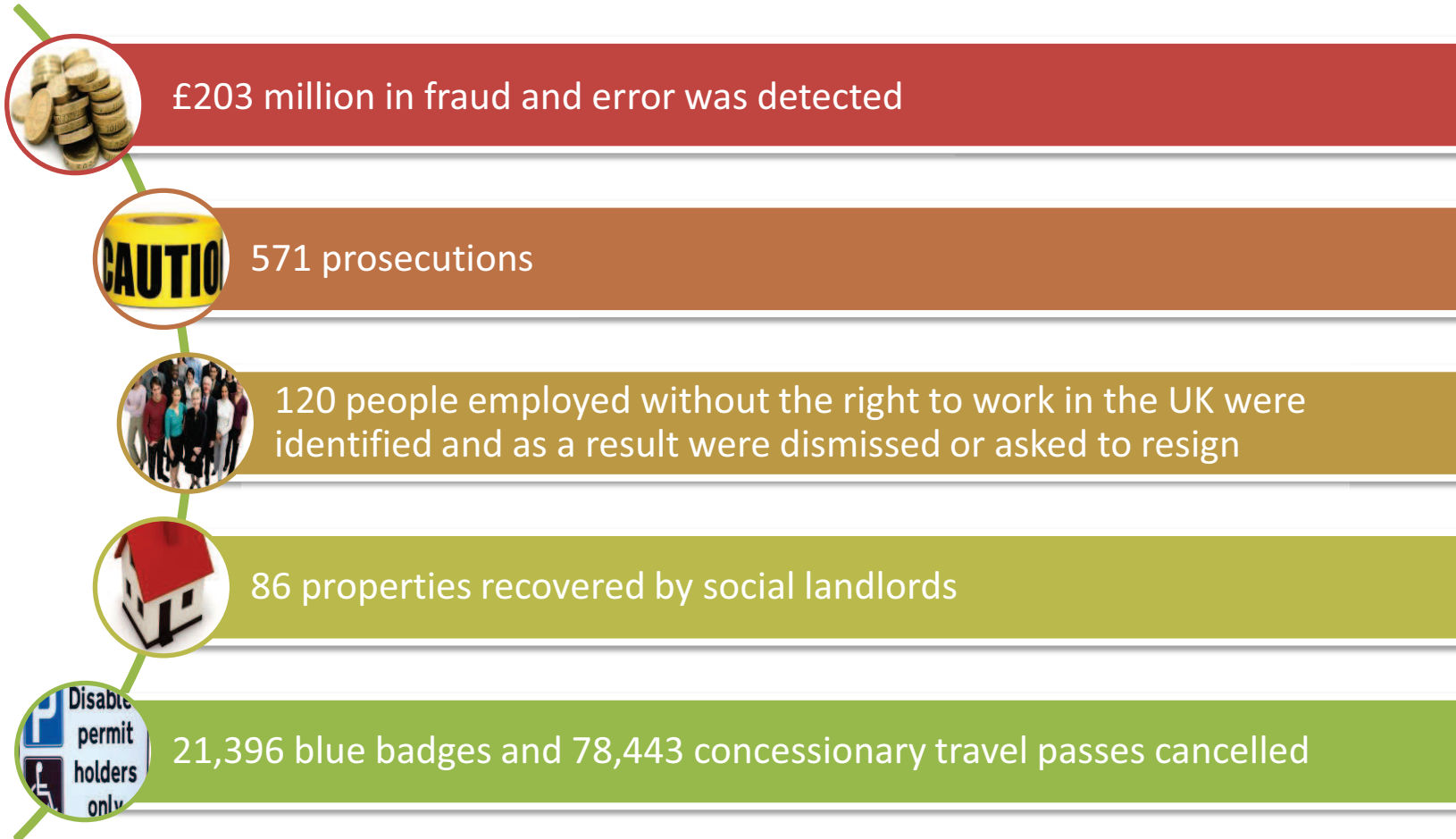
The NFI National Report

Key outcomes and recommendations for bodies participating in the NFI are reported every two years in the NFI National Report

The report is intended for council members, non-executives and senior officers at audited bodies and was most recently published in June 2014

The report helps to demonstrate the effectiveness of the NFI in preventing and detecting fraud

Key Outcomes of the 2012/13 exercise - across England



The figures in the national report for detection of fraud, overpayment and error include outcomes already delivered and estimates. Estimates are included where it is reasonable to assume that the fraud, overpayment and error would have continued undetected without the NFI data matching. A more detailed explanation is included in [Appendix 1 of the NFI national report](#). If you have any further queries about the data in the slides please contact the NFI team using the contact details at the end of this slide pack.

Data matching at your organisation



The table and bar charts have been provided to give you an overview of the data matching activities at your council in relation to the most relevant comparator councils.



The table highlights the proportion of data matches followed up by your council. Participants of NFI receive a report of data matches that they should follow-up, and investigate where appropriate, to detect instances of fraud, over- or under-payments and other errors, to take remedial action and update their records accordingly.



Even where data matching shows little or no fraud and error, this still assures bodies about their control arrangements. It also strengthens the evidence for a council's annual governance statement.

Activity and Engagement with NFI – Gedling Borough Council

	Total NFI matches in progress or processed	NFI recommended matches in progress or processed
Gedling Borough Council	67% (1,384)	87% (316)
CIPFA nearest neighbours (Mean)	48% (765)	84% (178)
District Councils (Larger) (Mean)	48% (1,168)	68% (252)

The CIPFA nearest neighbours are the 15 councils which have been modelled as those with the most similar profile by CIPFA. More detail of the 2009 modelling methodology can be found at http://www.cipfastats.net/default_view.asp?content_ref=2748

Understanding the bar charts

Outcomes relating to your council are highlighted in yellow in the bar charts. The performance of your 15 CIPFA nearest neighbours are shown in the green bars.

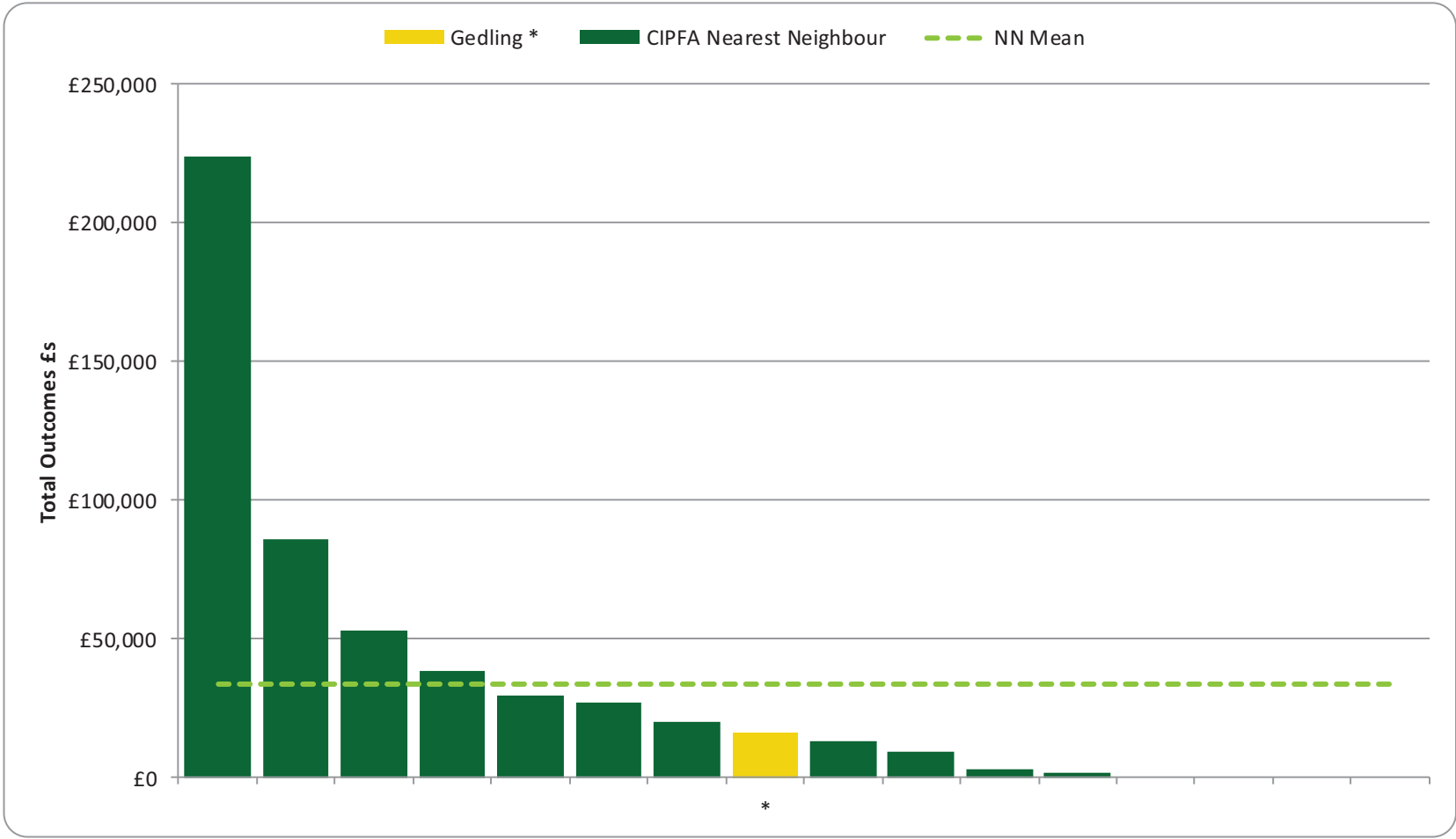


The mean value for your CIPFA nearest neighbours is highlighted by a green dashed line.



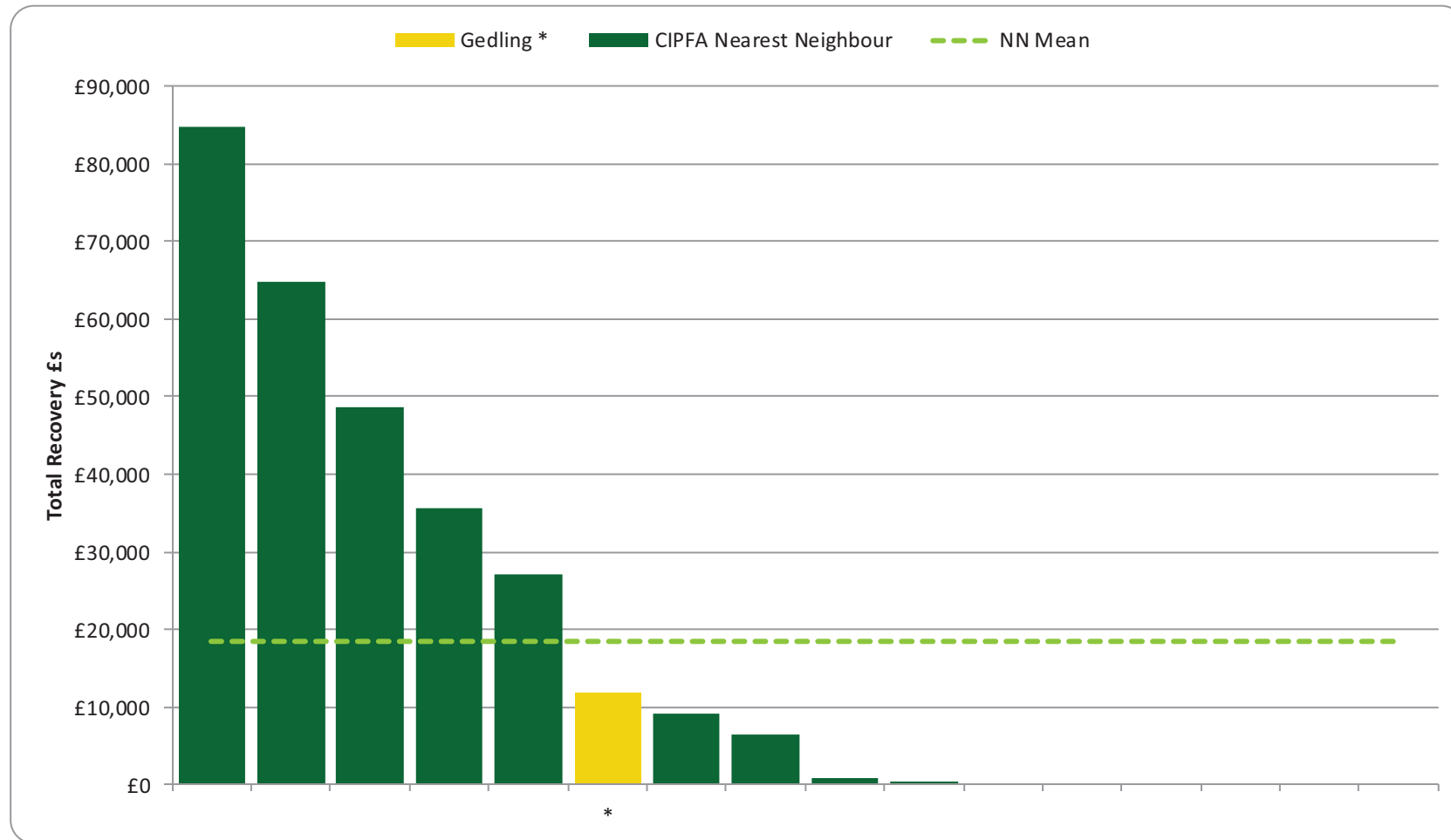
A '*' symbol has been used to denote where your council has no outcomes recorded.

Total NFI Outcomes – Gedling Borough Council



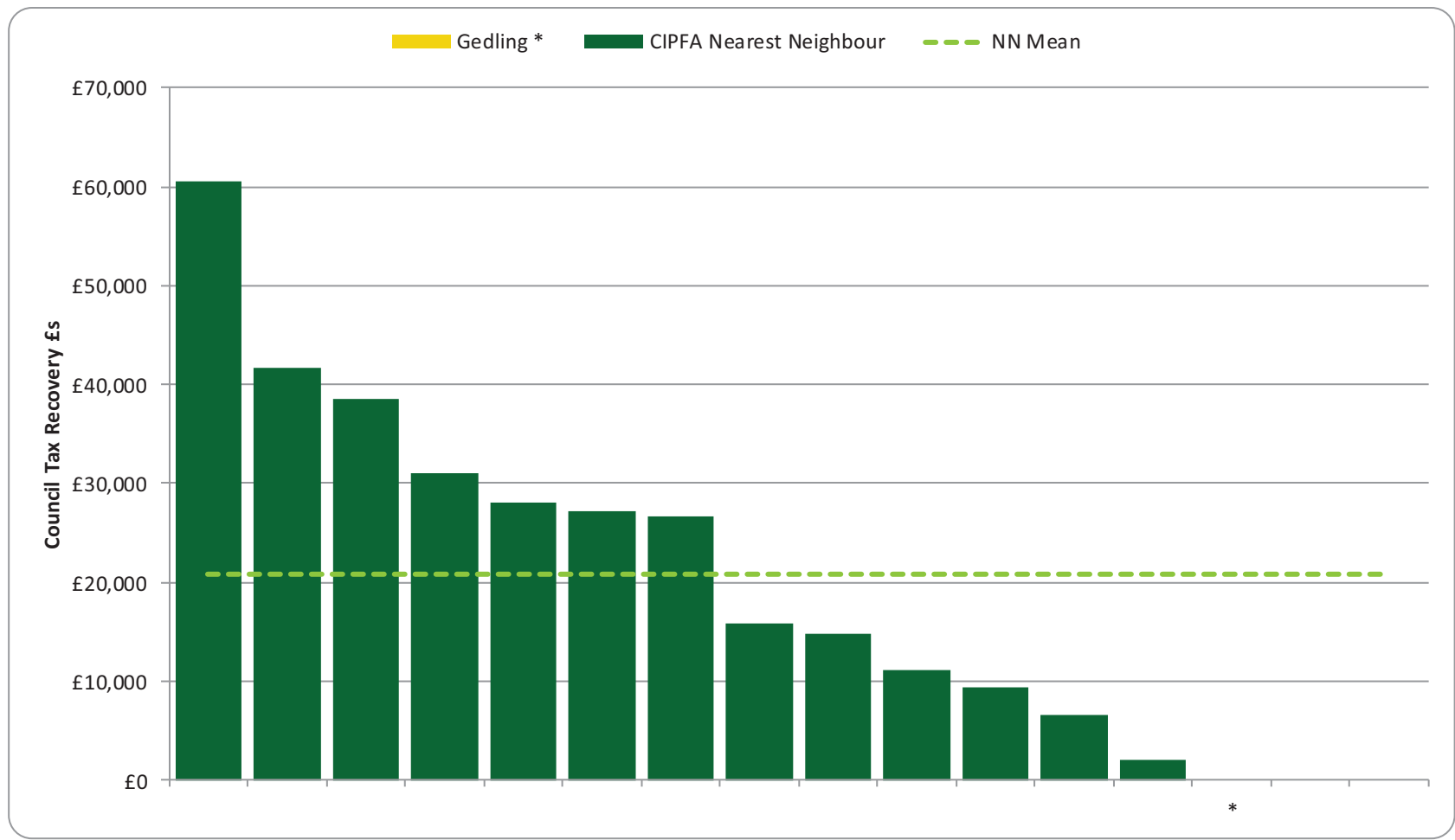
Please note outcomes from the NFI housing waiting lists pilot and council tax outcomes recorded in the NFI 2010/11 web application and FMS web application have not been included in this analysis.

Total NFI Recovery – Gedling Borough Council



Please note this excludes council tax recovery recorded in the 2010/11 web application and FMS web application.

NFI Council Tax Outcomes – Gedling Borough Council



Data relates to outcomes recorded in the 2010/11 web application and FMS web application.

Questions for Elected Members and Decision Makers

The NFI in our council

- ☐ What governance arrangements do we have in place to ensure the organisation achieves the best possible outcomes from the NFI?

Maximising results

- ☐ Are we ensuring we maximise the benefits of the NFI for example, following up data matches promptly, recovering funds and prosecuting where possible?
- ☐ What assurances have we drawn about the effectiveness of internal controls and the risks faced by our council?

Broadening our council's engagement with the NFI

- ☐ Are we taking advantage of the opportunity to suggest and participate in the NFI pilot exercises and using the NFI Flexible Data Matching Service?

The NFI fit with wider counter-fraud policies

- ☐ How does the NFI influence the focus of our counter-fraud work for example, internal audit risk assessments, data quality improvement work or anti-fraud and corruption policy?

Glossary

Council tax outcomes	Council tax data is matched to electoral register data in order to identify instances where single persons discount may have been incorrectly awarded.
Flexible matching service	The flexible matching service allows you to re-perform any of the existing NFI data matching on demand outside of the usual two yearly programme but still using the proven NFI technology.
Mandatory participants	Bodies to which the Audit Commission appoints auditors other than registered social landlords as specified in Schedule 2 of the Audit Commission Act 1998.
NFI web application	The Commission has set up a secure, password-protected and encrypted website for its data matching exercises, known as the NFI web application.
Outcomes	Investigation of an NFI match may lead to a benefit being cancelled, overpayment generated or blue badges or concessionary travel passes being identified as invalid. These examples would be reported as NFI outcomes.
Pilots	The Commission will undertake new areas of data matching on a pilot basis to test their effectiveness in preventing or detecting fraud. Only where pilots achieve matches that demonstrate a significant level of potential fraud should they be extended nationally.
Recommended data matches	Matches considered to be of higher risk of potential fraud are signposted as a recommended data match.
Recovery	Where bodies seek to recover money lost as a result of fraud, error or overpayment.
Voluntary participants	Bodies that are outside Schedule 2 of the Audit Commission Act 1998 but elect to participate in NFI voluntarily.

If you have any further questions about the content of these slides please contact us using the details on the next slide.

Further Information

For further information about the NFI please look at our website

[NFI Website](#)



For further information about our Flexible Data Matching Service please follow the link below

[FMS Information](#)



For checklist questions for elected members and decision makers please follow link below

[NFI Checklist](#)



For any other queries please telephone 0303 444 8322 or email

nfiqueries@audit-commission.gsi.gov.uk





Report to Audit Committee

Subject: Corporate Risk Scorecard

Date: 23rd September 2014

Author: Service Manager – Audit & Asset Management

1. Purpose of the Report

To update members of the Audit Committee on the current level of assurance that can be provided against each corporate risk.

2. Background

The current Risk Management Strategy was considered and approved by Cabinet in February 2007.

A key deliverable of the Strategy was the development of the Risk Management reporting process, with the key aim of streamlining reports to enhance their use in management's decision making. The Strategy introduced the Corporate Risk Scorecard as a key enabler to this objective.

The Corporate Risk Scorecard provides assurance on the key risks identified as Corporate Risks, which are provided in **Appendix B**.

The assurance opinion is based on reviews of the control environment from the following sources:

- a. Internal Audit,
- b. Management Review of Risk Registers and Supporting Controls,
- c. External Audit,
- d. External Assessment / Accreditation Bodies (e.g. ISO9000),
- e. Other assurance sources (e.g. Health & Safety).

Existing risks identified in the Authority's strategic and operational risk registers have been aligned in a hierarchy to the agreed Corporate Risks. These are subject to bi-annual review by senior management and on an ongoing basis through the work of Internal Audit.

3. Summary of Findings

The Corporate Risk Scorecard and supporting comments, as at September 2014, are provided below.

The methodology and assurance metrics adopted in producing the Corporate Risk Scorecard are provided for reference in **Appendix A**.

A summary of all control gaps currently identified on the Council's Risk register is provided in **Appendix C**.

4. Resource Implications

To be delivered within existing budgets.

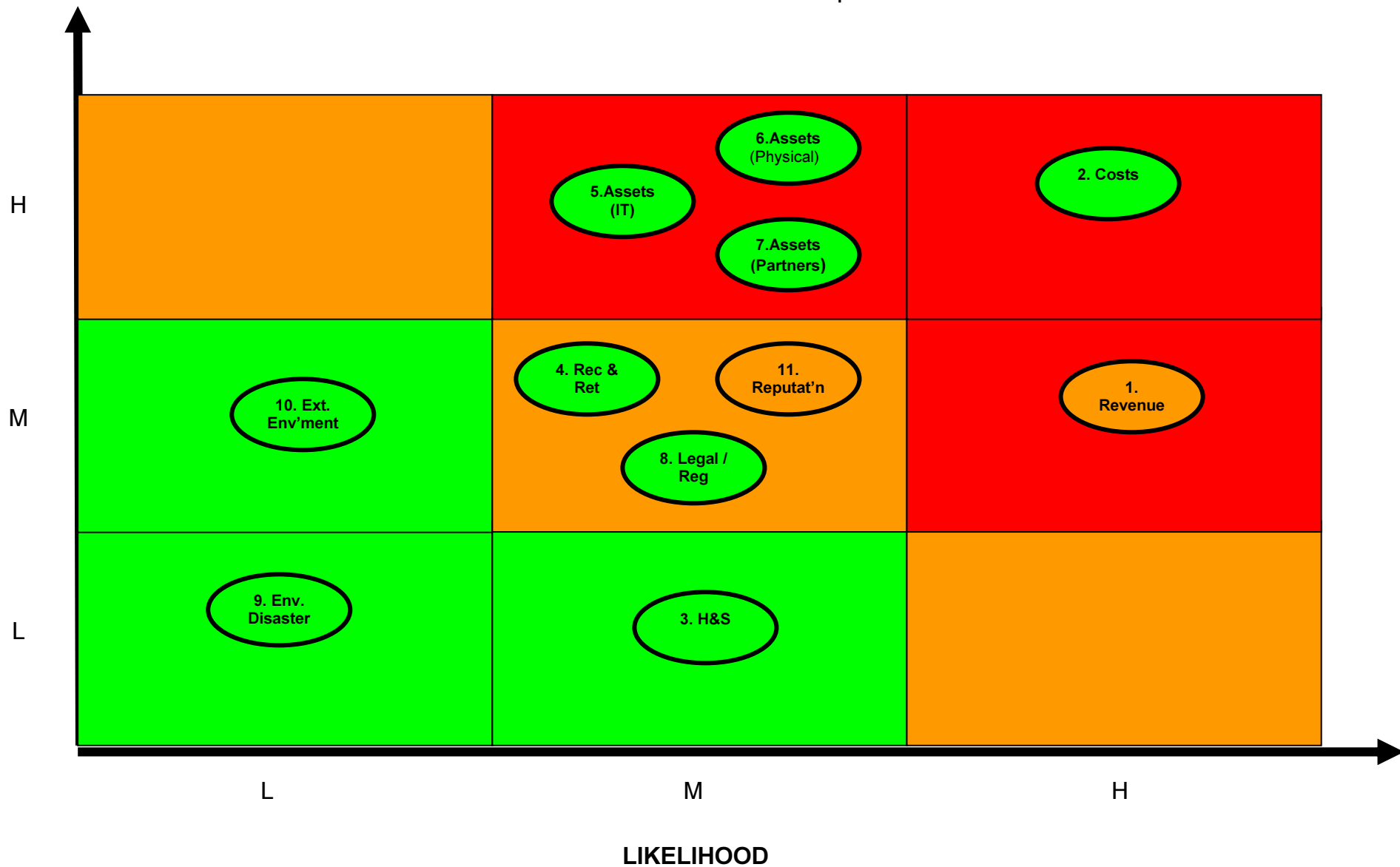
5. Recommendation

Members are requested to note the report.


GEDLING BOROUGH COUNCIL



CORPORATE RISK SCORECARD – September 2014



IMPACT
Page 137

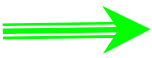















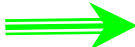

Supporting Comments & Explanations



1	<div data-bbox="252 277 782 318">FAILURE TO MAXIMISE REVENUE</div> <div data-bbox="252 362 614 403"><u>Owner:</u> Mark Kimberley</div> <div data-bbox="252 436 782 477"><u>Residual Risk Direction:</u> </div> <div data-bbox="252 510 774 551"><u>Summary of Control Weaknesses:</u></div> <div data-bbox="252 584 925 624">There is no overall change to this risk category.</div> <div data-bbox="252 658 606 698"><u>Audit Recommendations</u></div> <div data-bbox="252 732 1396 772">The number of outstanding medium risk audit recommendations remains at one.</div> <div data-bbox="252 806 1348 918">This relates to a medium risk recommendation made in the review of Debtors (IAR1314-13) and to the timely removal of user access rights from the Civica system.</div> <div data-bbox="252 985 446 1025"><u>Risk Register</u></div> <div data-bbox="252 1059 1380 1171">The squeeze on income and funding grants has been identified on the strategic risk register and is reflected in the annual budget process and medium term financial plan.</div> <div data-bbox="252 1205 1404 1317">Modelling of the medium term financial plan has been undertaken to identify best and worse case scenario's. Contingent strategies have been developed to respond to the wider spread of scenarios identified.</div> <div data-bbox="252 1350 1380 1462">Whilst income pressures have eased with respect to Building and Development control, pressure is still prevalent on Leisure Income streams, particularly income levels within Leisure Centre's.</div> <div data-bbox="252 1496 1364 1653">An emerging risk has been identified with respect to Council Tax reforms potentially resulting in insufficient funds being available to fund Council Tax Reduction Scheme payments. This is a cautionary risk and a full review of the affordability of the scheme is already underway.</div>
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Inherent Risk	
Residual Risk	

2	<p>FAILURE TO MINIMISE COSTS</p> <div style="float: right;"> <table border="1"> <tr> <td>Inherent Risk</td><td style="background-color: red;"></td></tr> <tr> <td>Residual Risk</td><td style="background-color: green;"></td></tr> </table> </div> <p><u>Owner:</u> Mark Kimberley</p> <p><u>Residual Risk Direction:</u> </p> <p><u>Summary of Control Weaknesses:</u></p> <p>There is an overall slight improvement to this risk category.</p> <p><u>Audit Recommendations</u></p> <p>There are currently four medium risk audit recommendations highlighted against this risk category.</p> <p>Two medium risk recommendations were made in the Creditors review (IAR1314-14). These relate to authorised verification checks on BACS and supplier change requests.</p> <p>In addition, two medium risk recommendation was identified in the review of Housing Benefits (IAR1314-17), relating to the lack of evidenced reconciliation between the Benefits and Council Tax systems and a lack of evidenced review by an independent officer for any write-off amounts entered on the system.</p> <p><u>Risk Register</u></p> <p>There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>	Inherent Risk		Residual Risk	
Inherent Risk					
Residual Risk					
3	<p>HEALTH & SAFETY FAILINGS / PROTECTION OF STAFF</p> <div style="float: right;"> <table border="1"> <tr> <td>Inherent Risk</td><td style="background-color: green;"></td></tr> <tr> <td>Residual Risk</td><td style="background-color: green;"></td></tr> </table> </div> <p><u>Owner:</u> Mark Kimberley</p> <p><u>Residual Risk Direction:</u> </p> <p><u>Summary of Control Weaknesses:</u></p> <p>There is no overall change to this risk category.</p> <p><u>Audit Recommendations</u></p> <p>There are no outstanding high/medium risk audit recommendations relating to this corporate risk.</p> <p><u>Risk Register</u></p> <p>There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>	Inherent Risk		Residual Risk	
Inherent Risk					
Residual Risk					

4	<p>FAILURE TO RECRUIT & RETAIN SUITABLY SKILLED STAFF</p> <p><u>Owner:</u> Stephen Bray</p> <p><u>Residual Risk Direction:</u> </p> <table border="1" data-bbox="965 284 1300 434"> <tr> <td>Inherent Risk</td><td></td></tr> <tr> <td>Residual Risk</td><td></td></tr> </table> <p><u>Summary of Control Weaknesses:</u></p> <p>There is no overall change to this risk category.</p> <p><u>Audit Recommendations</u></p> <p>There are no outstanding high/medium audit recommendations relating to this corporate risk.</p> <p><u>Risk Register</u></p> <p>There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>	Inherent Risk		Residual Risk	
Inherent Risk					
Residual Risk					
5	<p>FAILURE TO PROTECT & UTILISE ASSETS (IT/IS)</p> <p><u>Owner:</u> Mark Kimberley</p> <p><u>Residual Risk Direction:</u> </p> <table border="1" data-bbox="1005 1012 1340 1162"> <tr> <td>Inherent Risk</td><td></td></tr> <tr> <td>Residual Risk</td><td></td></tr> </table> <p><u>Summary of Control Weaknesses:</u></p> <p>There is an overall slight improvement to this risk category.</p> <p><u>Audit Recommendations</u></p> <p>There are no outstanding high/medium audit recommendations relating to this corporate risk.</p> <p><u>Risk Register</u></p> <p>The number of minor controls gaps identified on the corporate risk register remains at one.</p> <p>The remaining minor control gap relates to resource issues identified in the planned roll out of further Resourcelink modules.</p>	Inherent Risk		Residual Risk	
Inherent Risk					
Residual Risk					

6	<p>FAILURE TO PROTECT & UTILISE ASSETS (PHYSICAL)</p> <p><u>Owner:</u> John Robinson</p> <p><u>Residual Risk Direction:</u> </p> <table border="1" data-bbox="991 259 1326 412"> <tr> <td>Inherent Risk</td><td></td></tr> <tr> <td>Residual Risk</td><td></td></tr> </table> <p><u>Summary of Control Weaknesses:</u></p> <p>There is no overall change to this risk category.</p> <p><u>Audit Recommendations</u></p> <p>There are no outstanding high/medium audit recommendations relating to this corporate risk.</p> <p><u>Risk Register</u></p> <p>A minor control gap has been identified with respect to the successful delivery of the capital project to refurbish Arnold Leisure Centre. It is anticipated this risk will be fully mitigated at the next review and update of the risk register.</p>	Inherent Risk		Residual Risk	
Inherent Risk					
Residual Risk					
7	<p>FAILURE TO DEVELOP & DELIVER STRATEGIC PARTNERSHIPS</p> <p><u>Owner:</u> Mark Kimberley</p> <p><u>Residual Risk Direction:</u> </p> <table border="1" data-bbox="994 1048 1329 1200"> <tr> <td>Inherent Risk</td><td></td></tr> <tr> <td>Residual Risk</td><td></td></tr> </table> <p><u>Summary of Control Weaknesses:</u></p> <p>There is no overall change to this risk category.</p> <p><u>Audit Recommendations</u></p> <p>There are no outstanding high/medium risk audit recommendations relating to this corporate risk.</p> <p><u>Risk Register</u></p> <p>The Leisure Services operational risk register identifies a minor control gap with respect to the need to develop new joint use agreements, particularly with respect to Academy Schools. A management action plan is in place to address the risks identified.</p>	Inherent Risk		Residual Risk	
Inherent Risk					
Residual Risk					

8	<p>LEGAL / REGULATORY / CONTRACTUAL BREACH</p> <p><u>Owner:</u> Helen Barrington</p> <p><u>Residual Risk Direction:</u> </p> <table border="1" data-bbox="994 257 1331 409"> <tr> <td>Inherent Risk</td><td></td></tr> <tr> <td>Residual Risk</td><td></td></tr> </table> <p><u>Summary of Control Weaknesses:</u></p> <p>There is an overall slight improvement to this risk category.</p> <p><u>Audit Recommendations</u></p> <p>There are currently no outstanding medium risk audit recommendations relating to this corporate risk.</p> <p><u>Risk Register</u></p> <p>The Leisure Services operational risk register identifies a potential breach of the Data Protection Act relating to transfer of personal data held within DNA and GP referral schemes. Advice has been sought from Legal Services and IT. The Department has also completed work with partner agencies to review working practices.</p> <p>Management are currently monitoring the situation to identify any instances of transfer of personal data. Once identified management will seek DPA advice from Legal Services and the Authority's Data Security Group. Ongoing monitoring will confirm (or otherwise) whether this current approach is sufficient to fully mitigate the risk.</p>	Inherent Risk		Residual Risk	
Inherent Risk					
Residual Risk					
9	<p>ENVIRONMENTAL POLLUTION / DISASTER</p> <p><u>Owner:</u> David Wakelin</p> <p><u>Residual Risk Direction:</u> </p> <table border="1" data-bbox="962 1355 1299 1507"> <tr> <td>Inherent Risk</td><td></td></tr> <tr> <td>Residual Risk</td><td></td></tr> </table> <p><u>Summary of Control Weaknesses:</u></p> <p>There is no overall change to this risk category.</p> <p><u>Audit Recommendations</u></p> <p>There are no outstanding high/medium audit recommendations relating to this corporate risk.</p> <p><u>Risk Register</u></p> <p>There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>	Inherent Risk		Residual Risk	
Inherent Risk					
Residual Risk					

10	<p>ADVERSE EVENTS IN THE EXTERNAL ENVIRONMENT</p> <div> <div> <u>Owner:</u> John Robinson </div> <div> <u>Residual Risk Direction:</u>  </div> <div> <table border="1"> <tr> <td>Inherent Risk</td><td></td></tr> <tr> <td>Residual Risk</td><td></td></tr> </table> </div> </div> <p><u>Summary of Control Weaknesses:</u></p> <p>There is no overall change to this risk category.</p> <p><u>Audit Recommendations</u></p> <p>There are no outstanding high/medium audit recommendations relating to this corporate risk.</p> <p><u>Risk Register</u></p> <p>There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>	Inherent Risk		Residual Risk	
Inherent Risk					
Residual Risk					
11	<p>DAMAGE TO REPUTATION</p> <div> <div> <u>Owner:</u> John Robinson </div> <div> <u>Residual Risk Direction:</u>  </div> <div> <table border="1"> <tr> <td>Inherent Risk</td><td></td></tr> <tr> <td>Residual Risk</td><td></td></tr> </table> </div> </div> <p><u>Summary of Control Weaknesses:</u></p> <p>There is a slight deterioration to this risk category.</p> <p><u>Audit Recommendations</u></p> <p>There are no outstanding high/medium audit recommendations relating to this corporate risk.</p> <p><u>Risk Register</u></p> <p>The number of control gaps has increased from five to eight. Whilst one control gap has been mitigated, four additional ones have been identified.</p> <p>These include an emerging issue with respect to the increasing use of social media. There have been no significant issues to date, however, it is considered prudent to highlight this as an issue until existing controls can be fully tested over time to confirm their adequacy.</p>	Inherent Risk		Residual Risk	
Inherent Risk					
Residual Risk					

	<p>The additional three emerging issues all relate to pressures on staff and services as a consequence of budgetary pressures. Communication plans have been developed and feedback will be monitored to identify potential issues.</p> <p>In addition further minor control gaps exist relating to the potential failure to implement the Community Infrastructure Levy and develop sustainable management arrangements at the Bonnington Theatre. Project teams have been established to address the issues and progress viable solutions.</p> <p>A minor control gap has been identified within the operational risk register, relating to the potential failure to deliver housing numbers, including affordable housing. Identified controls include a review of the current affordable housing policy and progression of local development scheme work with conurbation parties and Registered Social Landlord's. However, despite these efforts, the key factor in the short to medium term is likely to be the external environment and specifically the ongoing economic problems.</p> <p>A further minor control gap has been identified with respect to the potential failure to secure ongoing funding for CCTV and the ASB co-ordinator.</p>
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Assurance Metrics

CORPORATE RISKS			
Assurance Level	No. of o/s Audit Recs. (Med/High)	Risk Register – medium control gaps ^{*1} (number)	Risk Register – high control gaps ^{*2} (number)
RED	16+	7+	2
AMBER	8-15	3-6	1
GREEN	0-7	1-2	0

^{*1} medium risk control gap = -1 to -3

^{*2} high risk control gap = > -3

The control gaps identified from the strategic and operational risk registers are the net result of the calculation ((Inherent risk – Target risk) – Residual risk)) i.e. the gap in control between the target risk and current risk.

Risk Assessment September 2014

Number of risk exposures by corporate risk:

Risk No.	Prior Assess.	Audit Assess.	Risk Register		Current Asses.	Direction
			Med.	High		
1	AMBER	1 (1)	5 (5)	0 (0)	AMBER	No Change
2	GREEN	4 (4)	0 (0)	0 (0)	GREEN	No Change
3	GREEN	0 (0)	0 (0)	0 (0)	GREEN	No Change
4	GREEN	0 (0)	0 (0)	0 (0)	GREEN	No Change
5	GREEN	0 (0)	1 (1)	0 (0)	GREEN	No Change
6	GREEN	0 (0)	1 (1)	0 (0)	GREEN	No Change
7	GREEN	0 (0)	1 (1)	0 (0)	GREEN	No Change
8	GREEN	0 (0)	1 (1)	0 (0)	GREEN	No Change
9	GREEN	0 (0)	0 (0)	0 (0)	GREEN	No Change
10	GREEN	0 (0)	0 (0)	0 (0)	GREEN	No Change
11	AMBER	0 (0)	7 (7)	1 (1)	AMBER	Deteriorating

Figures shown in brackets represent the previous quarter.

Corporate Risks

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C U S T O M E R	Risk Category	Corporate Risk	Inherent Risk		Risk Owner	R I S K R E G I S T E R S
			Impact	L'hood		
	FINANCIAL	1. Failure to Maximise Revenue	M	H	M Kimberley	
		2. Failure to Minimise Costs	H	H	M Kimberley	
	PEOPLE	3. Health & Safety Failings / Protection of Staff	L	M	M Kimberley	
		4. Failure to Recruit & Retain Suitably Skilled Staff	M	M	S Bray	
	ASSETS	5. Failure to Protect & Utilise Assets (IT/IS)	H	M	M Kimberley	
		6. Failure to Protect & Utilise Assets (Physical)	H	M	M Kimberley	
		7. Failure to Develop & Deliver Strategic Partnerships	H	M	J Robinson	
	LEGAL	8. Legal / Regulatory / Contractual Breach	M	M	H Barrington	
	ENVIRONMENT	9. Environmental Pollution / Disaster	L	L	D Wakelin	
		10. Adverse Events in the External Environment	M	L	J Robinson	
	REPUTATION	11. Damage to Reputation	M	M	J Robinson	

Risk Register summary of current control gaps:

Risk Ref.	Date Identified	Risk Description	Corp. Risk	Inherent Risk			Target Risk			Controls	Residual Risk			Control Status	Further Action (inc. Timescales)
				I	L	Rating	I	L	Rating		I	L	Rating		
S12	2004-05	Govt. grant settlement and other government grant significantly lower than anticipated.	1	2	2	4	1	1	1	Comprehensive Spending Review and Chancellor budgets and announcements provide forward projections which are factored into Medium Term Planning.	1	2	2	-1	Continue to monitor for emerging issues.
S20	2008-09	Budget pressure resulting from declining income (economy impact) and external cost pressures.	1	3	3	9	1	1	1	Robust M/T Financial Strategy. Budget planning and monitoring. Strategies being developed (efficiency / income). S151 Officer role – preventing unbalanced budget.	2	1	2	-1	Continue to monitor for emerging issues.
S22	2012-13	'Failure to produce a balance Medium Term Financial Plan (3 year horizon)	1	3	3	9	1	1	1	'MTFP balanced over 3 years Track record of achieving efficiencies and budget reductions Regular SLT/Cabinet budget reviews Controlling group manifesto pledges already delivered.	2	1	2	-1	Continue to monitor for emerging issues.
MK75	2013-14	CT Technical Reforms insufficient to fund CTRS scheme payments.	1	3	1	3	1	1	1	Monthly monitoring of CTRS caseload and expenditure for variances.	2	1	2	-1	Review of CTRS scheme affordability.
PD64	2007-08	Inability to maintain current level of income within Leisure Services.	1	3	3	9	1	2	2	New systems and procedures developed for DNA – marketing promotion / sales / retention. New membership options introduced. Ongoing monitoring of competitors.	2	2	4	-2	'Leisure and Community Centre Strategies to be undertaken.

SB11	2007-08	Failure to effectively implement self service for resourcelink leading to failure to secure efficiencies.	5	1	2	2	1	1	1	Project plan drafted. Resource requirements identified and programmed for implementation.	1	2	2	-1	Resource issues – may need to re-prioritise activities.
PD71	2012-13	'Failure to deliver Capital project to refurbish Arnold Leisure Centre.	6	2	2	4	2	1	2	Project team established including Project Manager and various technical disciplines.	2	2	4	-2	Emerging risk, project team established, monitor project risks/issues.
PD56	2004-05	Inability to finalise/ maintain Joint Use Agreements for all 3 sites, potentially resulting in reduced income, loss of maintenance funding and reduction in provision / service delivery.	7	1	3	3	1	1	1	Enter into new agreements. Ongoing management review. Included in medium term plan.	1	2	2	-1	'New, separate agreement now in place for Calverton with Seely School Governors and with NCC. New Joint Use agreement for all sites are needed. Academy Status at Redhill School and Wheldon School require variations to the existing agreement due to ownership issues. NB - third party reliance (NCC legal services).
PD65	2007-08	Potential breach of DPA relating to transfer of personal data held within DNA and GP referral schemes.	8	3	1	3	1	1	1	Advice sought from legal services/IT. Working with partner agencies to review working practices. Corporate Data Security group established.	2	1	2	-1	Continue to identify instances of transfer of personal data and seek DPA advice from legal services / IT security.

S19	2008-09	Failure to deliver housing numbers, including affordable housing.	11	2	3	6	2	2	4	'Continue to engage with HaCA. Review current affordable housing policy (c/f SP15). Progress local development scheme work with conurbation parties and RSL's. In spite of all these measures, current market conditions mean that in short term, target numbers unlikely to be delivered even with all measures in place. Keep under review. Further uncertainty arising from new government policy, including abolition of RSS. Unlikely to be resolved until Localism Bill published at earliest.	2	3	6	-2	Future housing numbers assessment being commissioned. Considering review of Commuted Sum Policy.
DW46	2009-10	Failure to secure ongoing Home Office funding for CCTV and ASB co-ordinator.	11	2	2	4	2	1	2	Monitoring funding source. Consider alternative funding sources.	2	2	4	-2	Monitoring funding source Consider alternative funding sources.
Page 149 70	2012-13	'Failure to implement Community Infrastructure Levy.	11	2	2	4	1	1	1	'Resulting in reduced ability to secure s106 contributions to mitigate the impact of new development. Reviewing introduction of CIL whilst not compromising the viability of the local housing market.	2	2	4	-3	Emerging risk, project developed.
PD72	2012-13	'Failure to develop arrangements for ongoing management and development of Bonnington Theatre.	11	2	2	4	1	1	1	Continue to work with Theatre User Forum and Theatres Trust to establish feasible options. Establish sustainable management structure.	2	1	2	-1	Emerging risk, review options and discussion outcomes.
PD76	2013-14	Impact of budget reductions.	11	1	2	2	1	1	1	Communication plan. Monitoring of complaints and feedback.	1	2	2	-1	Monitor impact on morale, reputation and ability to meet service targets.
PD77	2013-14	Inability to maintain current levels and standards of service as a result of budget reductions.	11	2	3	6	1	2	2	Communication plan. Monitoring of complaints and feedback.	1	3	3	-1	Monitor impact on morale, reputation and ability to meet service targets.

PD78	2013-14	Inability to maintain staff morale due to reductions in budgets, services and staff.	11	2	2	4	1	1	1	Communication plan. Monitoring of complaints and feedback.	1	2	2	-1	Increase communication and monitor feedback.
SB22	2013-14	Damage to the Council's reputation using social media.	11	2	3	6	1	2	2	Social Media guidelines written in 2013. Dedicated officers who keep a close watch on social media and use management tools which highlight many issues as soon as they arise, giving us the ability to deal with them/ respond if necessary.	2	3	6	-4	



Report to Audit Committee

Subject: Follow-up of Audit Recommendations

Date: 23rd September 2014

Author: Service Manager – Audit & Asset Management

1. Purpose of the Report

To monitor departmental progress in the implementation of Internal Audit recommendations.

To identify to members where additional action needs to be considered in relation to any outstanding recommendations.

2. Background

Internal Audit follow-up on the implementation of recommendations on a quarterly basis. The results of the initial follow-up are reported to the Corporate Director & Chief Financial Officer, who requests any outstanding recommendations are actioned immediately.

Any recommendations remaining outstanding following this instruction are reported to this committee.

3. Summary of Findings

There were no audit recommendations followed-up during the period July – September 2014.

4. Resource Implications

To be delivered within existing budgets.

5. Recommendation

Members are requested to note the report.

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Report to Audit Committee

Subject: Summary of Audit Activity

Date: 23rd September 2014

Author: Service Manager – Audit & Asset Management

1. Purpose of the Report

To summarise the outcome of Internal Audit activity for the period July to September 2014.

The report will highlight all final reports issued and associated key findings, concerns identified in any work in progress, details of liaison with management and External Audit and provide details of any changes to the Annual Audit Plan.

2. Background

The report highlights all final reports issued and associated key findings, concerns identified in any work in progress, details of liaison with management and External Audit and provide details of any changes to the Annual Audit Plan.

3. Summary of Findings

Final Reports Issued

The following reports have been finalised for the period July – September 2014.

- IAR1415-01 Civic Centre Cashiers
- IAR1415-02 (a-e) Leisure Centre Cashiers

IAR1415-01 Civic Centre Cashiers

Unannounced spot checks of the cash held at the Civic Centre were undertaken. There were no material discrepancies found.

IAR1415-02 (a-e) Leisure Centre Cashiers

Unannounced spot checks of the cash held at the Council's five leisure Centre's were undertaken. There were no material discrepancies found.

Work in Progress

Audit fieldwork and testing has been completed for the Creditors process. A draft report is being prepared for management consideration. No significant issues of concern have been highlighted.

4. Resource Implications

To be delivered within existing budgets.

5. Recommendation

Members are requested to note the report.