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

Agenda

Audit Committee

Date: **Tuesday 22 September 2015**

Time: **5.30 pm**

Place: **Committee Room**

For any further information please contact:

Lyndsey Parnell

Senior Elections and Members' Services Officer

0115 901 3910

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Audit Committee

Membership

Chair	Councillor Paul Feeney
Vice-Chair	Councillor Bob Collis
	Councillor Sandra Barnes
	Councillor Chris Barnfather
	Councillor Boyd Elliott
	Councillor Helen Greensmith
	Councillor Viv McCrossen

AGENDA

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3	**Declaration of Interests.**	
4	**KPMG Annual Governance Report** Report of KPMG, external auditors.	9 - 24
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MINUTES
AUDIT COMMITTEE

Tuesday 23 June 2015

Councillor Bob Collis (Chair)

Councillor Sandra Barnes	Councillor Helen Greensmith
Councillor Boyd Elliott	Councillor Viv McCrossen

Apologies for absence: Councillor Chris Barnfather

Officers in Attendance: H Lee, V Rimmington and C Garrett

1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS.

None received.

2 TO APPROVE, AS A CORRECT RECORD, THE MINUTES OF THE MEETING HELD ON 25 MARCH 2015.

RESOLVED:

That the minutes of the above meeting, having been circulated, be approved as a correct record.

3 DECLARATION OF INTERESTS.

None.

4 ANNUAL FRAUD REPORT

The, Senior Benefit Liaison Officer, Revenues Section, presented the report, which had been circulated prior to the meeting. This provided information on all investigated cases of fraud and irregularities identified during the 2014-15 financial year, informing Members of the actions taken, sanctions imposed and level of recovery achieved in identified cases of fraud and irregularities.

Members requested information regarding the recovery rate for identified overpaid Housing and Council Tax Benefit to be presented at the next committee.

RESOLVED:

To note the report.

5 THE ANNUAL INTERNAL AUDIT REPORT

Vince Rimmington, Service Manager – Audit and Asset Management, presented the report that had been circulated prior to the meeting summarising the activity of the Internal Audit section during the 2014 – 15 financial year.

RESOLVED:

To note the report.

6 RISK MANAGEMENT REVIEW

The Service Manager, Audit and Asset Management, presented the report, which has been circulated prior to the meeting, summarising the findings from the review of the Council's Risk Management arrangements undertaken by the risk management consultancy arm of the insurers Zurich Municipal.

The review undertook a health-check of the current processes and procedures identifying areas where the risk management arrangements could be improved.

Due to the technical nature of the reports Members requested training to assist them address the roles and responsibilities of Audit Committee.

RESOLVED:

To note the report.

7 FOLLOW-UP OF PREVIOUS AUDIT RECOMMENDATIONS

The Service Manager, Audit and Asset Management, presented a report, which had been circulated previously, 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.

8 INTERNAL AUDIT REPORTS ISSUED APRIL - JUNE 2015

The Service Manager, Audit and Asset Management, presented the report, which had been circulated prior to the meeting informing the

committee about the outcome of the Internal Audit activity for the period April to June 2015.

RESOLVED:

To note the report

9 ANY OTHER ITEM WHICH THE CHAIR CONSIDERS URGENT.

None.

The meeting finished at 6.30 pm

Signed by Chair:
Date:

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KPMG

cutting through complexity

Report to those charged with governance (ISA 260) 2014/15

Gedling Borough Council

September 2015

Agenda Item 4

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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 issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.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.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andrew Bush, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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Introduction

This document summarises:

- **the key issues identified during our audit of the financial statements for the year ended 31 March 2015 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 2014/15 financial statements; and
- the work to support our 2014/15 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 2014/15*, presented to you in March 2015, set out the four stages of our financial statements audit process.

This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during August 2015.

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 2014/15* explained our risk-based approach to VFM work. We have now completed the work to support our 2014/15 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 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2014/15 financial statements of the Authority.
- Section 4 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.

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Headlines

This table summarises the headline messages for the Authority. The remainder of this report provides further details on each area.

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

Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2015. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.
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
Key financial statements audit risks	We review risks to the financial statements on an ongoing basis. We identified no significant risks specific to the Authority during 2014/15 with respect to the financial statements.
Accounts production and audit process	The Authority has good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.
Completion	At the date of this report our audit of the financial statements is substantially complete. Before we can issue our opinion we will need to perform our accounts finalisations and disclosure procedures and also ensure that any review queries have been fully addressed. We will also require a signed management representation letter. 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.
VFM conclusion and risk areas	We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2015.

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Financial Statements
Proposed opinion and audit differences

We have not identified any issues in the course 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 2015.

The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007

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 22 September 2015.

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.

The final materiality (see Appendix 2 for more information on materiality) level for this year's audit was set at £1 million. Audit differences below £50k are not considered significant.

We did not identify any material misstatements.

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.

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Financial Statements (continued)
Significant risks and key areas of audit focus

In our *External Audit Plan 2014/15* we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition.

The table below sets out the outcome of our audit procedures and assessment on these risk areas.

Areas of significant risk	Summary of findings
Management override of controls Audit areas affected ■ All areas	Our audit methodology incorporates the risk of management override as a default significant risk. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit. In line with our methodology, we carried out appropriate 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. There are no matters arising from this work that we need to bring to your attention.
Fraud risk of revenue recognition Audit areas affected ■ None	Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. In our External Audit Plan 2014/15 we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue. This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

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Financial Statements (continued)
Accounts production and audit process

The Authority has a well established and strong accounts production process. This operated well in 2014/15, and the standard of accounts and supporting working papers was high.

Officers dealt promptly and efficiently with audit queries and the audit process was 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	The Authority continues to maintain a strong financial reporting process and produce statements of accounts to a good standard. The Authority has been pro-active during this year's financial reporting process in taking steps to declutter some areas of the accounts by removing disclosure notes which were either not applicable to the Authority or deemed to be immaterial in nature or value. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 30 June 2015.
Quality of supporting working papers	Our *Accounts Audit Protocol*, which we issued in March 2015 and discussed with Financial Services Manager and Principal Accountant, set out our working paper requirements for the audit. The quality of working papers provided was good and met the standards specified in our *Accounts Audit Protocol*.
Response to audit queries	Officers resolved audit queries in a timely manner. All key staff were available to respond to queries during the audit.

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Financial Statements (continued)

Completion

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 A*nnual 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 2015, 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 Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity. There is a technical matter concerning independence that we have identified and this is described in Appendix 1.

We have provided a detailed declaration in Appendix 1 in accordance with ISA 260. This includes on pages 9-11 our review of one engagements for tax services. We have concluded that our objectivity has not been compromised, and we have set out the background and reasoning.

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 Corporate Director and 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.

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VFM conclusion

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

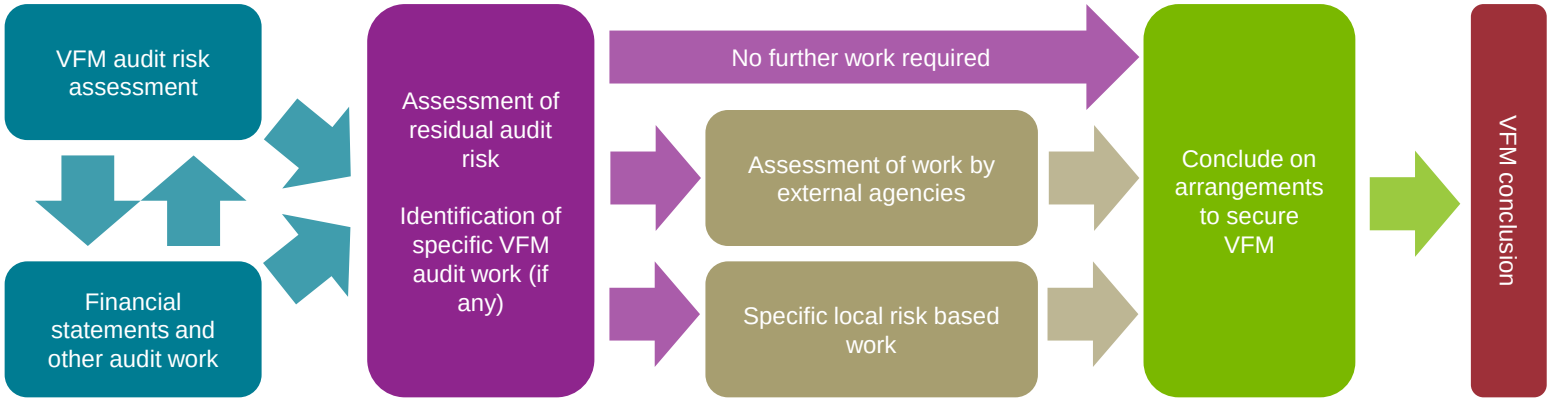
We performed a risk assessment earlier in the year and have reviewed this throughout the year.

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	✓



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Appendix 1: Declaration of independence and objectivity

The *Code of Audit Practice* requires us to exercise our professional judgement and act independently of both Public Sector Audit Appointments Ltd and the Authority.

Requirements

Auditors appointed by Public Sector Audit Appointments Ltd 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 Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd 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. Public Sector Audit Appointments Ltd 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.

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Appendix 1: Declaration of independence and objectivity (continued)

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.

Disclosure of action concerning tax engagement

KPMG member firms and KPMG professionals are required to comply with independence standards that meet or exceed those set out in the IESBA Code of Ethics. In addition, the UK firm and our professionals are also required to comply with the requirements of the APB Ethical Standards. We also adhere to the Public Sector Audit Appointment's (PSAA) specific requirements regarding non-audit services.

These professional standards require that where the firm has determined that a breach of an audit independence standard has occurred, we discuss this and the actions we have taken or propose to take with you as soon as possible, communicate with you in writing all matters discussed and obtain your concurrence that action can be, or has been, taken to satisfactorily address the issue. This section of the report summarises such an instance requiring action.

In May 2011 the Council engaged KPMG to provide services to assist you with the recovery of VAT in respect of sports fields and related facilities. The fee agreed for these services was a success fee of 15% of any amounts recovered from HMRC if the claim was ultimately successful. Subsequently, November 2012, KPMG LLP was appointed as auditor of the 2012/13 year of account and subsequent financial years.

Prior to 2010, the APB Ethical Standards did not prohibit such contingent fee arrangements, however in 2010 the standards were changed and paragraph 95 of APB Ethical Standard Number 5 now provides that an audit firm cannot provide services on a wholly or partly contingent basis where the outcome of those services is dependent upon the proposed application of tax law which is uncertain or has not been established. As the tax law applying to the subject matter of this engagement was and remains uncertain, following KPMG LLP's appointment as auditor the fee basis should have been revised to remove the contingent element in order to comply with this requirement. Action was therefore required to ensure compliance with the ethical standards.

We have therefore proposed that a revised fixed fee of £42,500 is charged and the success fee element of our remuneration is removed. PSAA is fully aware of this position and in line with its usual rules on the acceptance of non-audit work we will be seeking its approval for this fee.

This position was identified as our firm undertook a special exercise to ensure that any grandfathered tax contingent fee arrangements that were entered into with audit clients prior to the change in rules in 2010 had been correctly dealt with before 31 December 2014 which was the end of the grandfathering period provided for in the standard.

(continued overleaf)

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Appendix 1: Declaration of independence and objectivity (continued)

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.

We have considered this matter, and given the following factors we have determined this to be a less than significant breach of the APB Ethical Standards because:

- no amounts are recognised in the Council's accounts for the potential recovery of this tax;
- the amount of tax that is potentially recoverable is, in any event, not material to the Council;
- KPMG has not received any contingent fee income in respect of this; and
- the potential contingent fee that KPMG could have received in respect of this engagement of is not material to our firm.

Based on the above in our professional judgment we concluded that our objectivity has not been compromised and the firm and the engagement team are independent of the Council.

Auditor declaration

In relation to the audit of the financial statements of Gedling Borough Council for the financial year ending 31 March 2015, 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 Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

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Appendix 2: Materiality and reporting of audit differences

For 2014/15 our materiality is £1 million for the Authority's accounts.

We have reported all audit differences over £1 million for the Authority's accounts to the Audit Committee.

Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

Materiality for the Authority's accounts was set at £1m which equates to around 2 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £50k for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

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Appendix 3: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

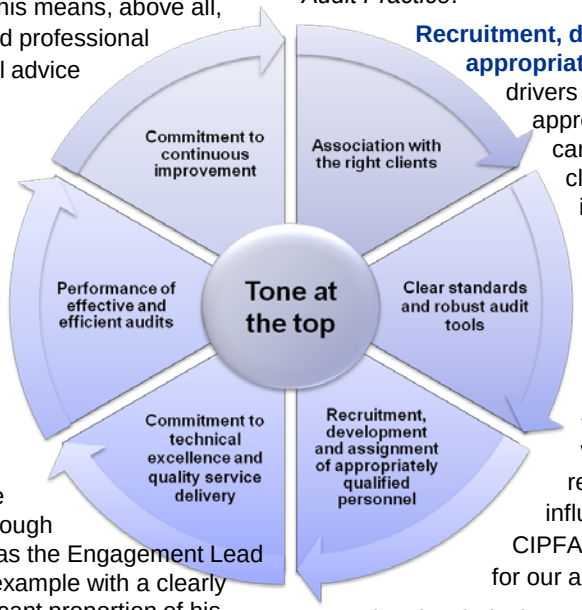
KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.



Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. Andrew Bush as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

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Appendix 3: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery: Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

Public Sector Audit Appointments Ltd publishes information on the quality of work provided by us (and all other firms) for audits undertaken on behalf of them (http://www.psaa.co.uk/audit-quality/principal-audits/kpmg-audit-quality/).

The latest Annual Regulatory Compliance and Quality Report (issued June 2015) showed that we are meeting the overall audit quality and regulatory compliance requirements.

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cutting through complexity™

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Report to Audit Committee

Subject: Statement of Accounts 2014/15

Date: 22 September 2015

Author: Corporate Director (Chief Financial Officer)

1. Purpose of the Report

To seek approval of the Council's Statement of Accounts for 2014/15.

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 2015.

The regulations further require that by 30 September 2015 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 2014/15 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

2014/15 continued the challenging financial environment of recent years, with investment returns remaining low and risk levels heightened. The original expectation that bank rate would start to rise in Q1 of 2015 receded during the year and by 31 March 2015 a first rise around Q3 of 2016 was anticipated. Bank rate ended the year unchanged at 0.5%. Economic growth in the UK remained strong during the year, and prospects for 2015 and beyond are good. CPI inflation is expected to remain low for some time.

The Government maintained its tight fiscal policy stance, with the aim of eradicating the budget deficit, and generating a surplus in 2019/20.

The Council's 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. The Council will continue to monitor the external environment and develop and refine strategies to counter threats from the wider economy. Ongoing pressures on costs, income streams and funding have necessitated critical reviews of services during the 2015/16 budget process, and further significant expenditure reductions are planned over the next few years.

2.3 Accounting Practice Changes

There were no major changes to the Code of Practice on Local Authority Accounting in 2014/15, however there were a number of minor amendments including the ongoing changes associated with accounting for the Business Rates Retention Scheme.

3. Proposal

3.1 General Fund Capital and Revenue Outturn 2014/15

General Fund outturn figures for 2014/15 were reported to Cabinet on 25 June 2015. Net expenditure totalled £12,905,043, representing an underspending of £182,457 or 1.39% when compared with the current approved estimate for 2014/15, as detailed below. Revenue budget carry forward requests of £97,800 were approved.

Portfolio	**Current Estimate 2014/15 £**	**Actual Exp 2014/15 £**	**Variance £**
Community Development	1,656,500	1,549,950	(106,550
Health & Housing	1,079,100	981,705	(97,395)
Public Protection & Communication	1,497,600	1,460,720	(36,880)
Environment	4,762,900	4,509,958	(252,942)
Leisure & Development	1,927,900	2,126,938	199,038
Finance & Performance	2,163,500	2,275,772	112,272
Total	**13,087,500**	**12,905,043**	**(182,457)**

The General Fund Balance at 31 March 2015 was £6.575m. 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 £6.575m, £97.8k will be required to fund revenue carry forwards and £801k will be required for the Council's share of the Business Rates Collection Fund deficit.

Total capital investment during 2014/15 totalled £2.636m and this was

financed by the use of capital receipts, grants and contributions, and General Fund revenue contributions. The council's total external debt at 31 March 2015 was £9.812m.

3.2 Major Variations 2014/15

Full details of budget variances were reported to members on 25 June 2015, however items in excess of £50k are repeated below for information.

- Savings of £51.5k were made on rent allowances. This was due to significant volatility in both the level of eligible overpayments and the associated loss of subsidy, and the profile of some types of overpayment recoveries.
- Net savings of £98k were made against the original estimate for utilities. Savings made at leisure centres were partly offset by increased usage at the civic centre.
- Savings of £384k against the original estimate were made in respect of employee expenses, as a result of positive vacancy management. These were partly offset by additional staffing requirements for hackney carriage licencing, planning and waste services. The underspending against the final approved estimated was £53k, in addition to a vacancy provision target of £90k.
- Leisure centre fees and charges were lower than the original estimate by £120k due to a number of factors including falls in the number of users at swimming sessions and in theatre bookings, together with a promotion offering reduced joining fees for the DNA leisure membership scheme.
- A knowledge test for taxi drivers was introduced in July 2014 and whilst it was anticipated that this would reduce demand for licencing in the borough, this was not the case and net income was higher than the original estimate by £119,300.

3.3 Balance Sheet Variances

The balance sheet shows a movement in net worth of £9.423m, from negative £2.917m at 31 March 2014 to negative £12.340m at 31 March 2015. Of this, £11.538m is due to technical actuarial valuation requirements of the Pension Fund under IAS 19, Retirement Benefits, partially offset by a net increase in long term asset values of £1.460m.

The increase of £11.538m 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.

During 2014/15 there were two significant revaluation losses due to falls in market value. The value of car park assets decreased by £0.954m due to the

introduction of a new parking order which reduced income yields, and the value of an investment property development land asset decreased by £1.260m following the recognition of current market conditions specific to the plot.

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

Earmarked reserves increased by £1.006m during 2014/15. A transformation reserve of £189,600 was established to provide for future change management costs, and an additional contribution of £189,900 was made to the Risk Management Reserve to manage future risks in the delivery of the budget reduction programme. An Economic Development Reserve of £274,000 was established to provide for committed and future economic development projects.

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 2014/15 (appendix 1).
2. Note the letter of representation (appendix 2).

6. Appendices

1. Statement of Accounts 2014/15
2. Letter of Representation

Gedling Borough Council Annual Statement of Accounts 2014/15

Gedling Borough Council

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GEDLING BOROUGH COUNCIL

ANNUAL STATEMENT OF ACCOUNTS 2014/15

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ANNUAL STATEMENT OF ACCOUNTS 2014/15

EXPLANATORY FOREWORD

INTRODUCTION

The Accounting Statements for the year 2014/15 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 79 to 82.

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
- 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

2014/15 saw further significant reductions in government funding for Local Government, together with increasing cost pressures such as the implementation of the living wage and reduced fees and charges. A significant budget review was undertaken and budget reduction proposals totalling £2.458m were approved, to be delivered over the 5 year period of the Council's Medium Term Financial Plan. This together with continuing uncertainty surrounding the future funding of local government ensured that 2014/15 was another challenging 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 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.

ANNUAL STATEMENT OF ACCOUNTS 2014/15

EXPLANATORY FOREWORD

During 2014/15 Gedling's share of the business rates growth above its Baseline Funding Level of £2,739,887 was £63,930, of which 50% is payable to the Nottinghamshire Rates Pool (see below), 9% to Nottinghamshire County Council and 1% to the Combined Fire Authority, leaving retained growth for Gedling of £25,572.

Gedling has entered into a pooling arrangement with several other Nottinghamshire authorities, led by Nottinghamshire County Council. Under this, members makes levy payments, if applicable, into the Pool, rather than to the government. Pool funds are then distributed by the lead authority in accordance with a Memorandum of Understanding. This ensures that no member is worse off by being in the Pool by offering a safety net mechanism equivalent to that offered by central government, and then shares any remaining surplus. The Pool outturn figures for 2014/15 have been finalised and the sum identified for redistribution to Gedling is £50,085. This has been transferred to a reserve earmarked for spending on future projects, which are to be agreed by the members of the Nottinghamshire Pool.

Financial Outturn

The financial outturn for 2014/15 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 25 June 2015 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 2014/15 totalled £12.905m, representing an underspending of £0.182m 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 £0.381m to General Fund Balances to be made, compared to the revised estimate of a £0.176m contribution from balances. Accordingly, the closing balance on the General Fund is £6.575m. 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, £0.8m will be required to fund the Council's share of the Business Rates Collection Fund deficit at 31 March 2015, which under regulations does not impact on the General Fund until 2015/16. In addition, £0.1m will be required to finance budgets carried forward to 2015/16.

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

- Development Management

  Additional expenditure of £37,400 was incurred due to higher than anticipated court costs in respect of a judicial review of planning cases relating to a wind turbine and to crematoria.

- Rent Allowances

  The outturn on rent allowances was favourable by £51,500 against the approved estimate. This is partly due to volatility in the level of eligible overpayments and the associated loss of subsidy, and also to significant volatility in the profile of some types of overpayment recoveries.

- Employee Expenses

  Savings of £384,100 were identified by positive vacancy management during 2014/15 and were recognised in the budgets during quarterly monitoring. These were partly offset by additional staffing requirements for hackney carriage licencing, planning and waste services. The underspending against the final approved estimate was £53,000, and this is in addition to the vacancy provision target of £90,000.

- Utilities

  Net savings of £97,800 were made against the original estimate due to savings at leisure centres, partly offset by increased usage at the civic centre.

- Income

  A fall in the number of major planning applications resulted in a reduction in income of £35,700.

  Leisure Centre fees and charges were lower than the original estimate by £119,800, the main contributory factors being a fall in the number of users of swimming sessions, a reduction in the number of theatre bookings at Arnold Leisure Centre, and a promotion offering reduced joining fees for the DNA leisure membership scheme.

  A knowledge test for taxi drivers was introduced in July 2014 and whilst it was anticipated that this would reduce demand for licencing in the borough, evidence indicates that this has not been the case. Net income was higher than the original estimate by £119,300 and this includes a revenue contribution of £50,000 to capital expenditure facilitate customer improvements at the depot.

  HMRC confirmed in February 2011 that as section 45 of the Environmental Protection Act created a special legal regime for VAT purposes, trade waste services operated by local authorities were to be treated as non-business supplies. In conjunction with its advisers the Council submitted a claim for the reimbursement of output tax previously paid. Following a lengthy process to assess the large number of claims and the potential for unjust enrichment, HMRC adopted a generic approach to reimbursement and subsequently settled 20% of the Council's claim. This resulted in net income to the General Fund of £34,100.

- Earmarked Reserves and Provisions

  Reserve and provision requirements have been reviewed. The closing position on earmarked reserves is a balance of £3.722m a net increase of £1.006m in the year. The most significant movements are detailed below.

  A Transformation Reserve of £189,600 was established to provide for future change management costs.

  An additional contribution of £189,900 was made to the Risk Management Reserve to manage future risks in the delivery of the budget reduction programme.

  An Economic Development Reserve was established. Remaining economic development monies totalling £274,000 were set aside to provide for committed and future projects.

  The Earmarked Grants reserve contains grants which are received for specific purposes to fund qualifying expenditure in future financial years. Notable grants added during 2014/15 included £140,600 New Burdens grant, £85,800 Severe Weather Recovery grant and £30,200 Domestic Violence Grant.

b) **Capital Expenditure and Financing**

Total capital investment during 2014/15 totalled £2.636m and this was financed by the use of capital receipts, grants and contributions and General Fund revenue contributions as set out at note 29 on page 65. The major elements of the capital programme included private sector housing improvement grants, the refurbishment of Arnold Leisure Centre, the purchase of replacement vehicles and equipment, and the development of Gedling Country Park.

The capital programme was financed by capital receipts, revenue contributions and grants and contributions, the most significant being Disabled Facilities Grant in respect of private sector housing improvements grants, and S106 Developer Contributions for Gedling Country Park. The

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

The Council continues to take advice from its treasury advisers with regard to the timing of borrowing and no new borrowing was undertaken during 2014/15. Following the maturity of a £1m loan the total external debt at 31 March 2015 was £9.812m. The Council minimises its net cash surpluses as a response to uncertainties in the investment market.

c) **Balance Sheet**

Net Worth on the balance sheet moved by £9.423m in the year, from negative £2.917m at 1 April 2014 to negative £12.340m at 31 March 2015. 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 £11.538m is due to the specific technical calculations required under IAS19 which measure the net present value of future assets and liabilities based on actuarial assumptions. This technical valuation bears no resemblance to the cash position on the fund which remains healthy. Full details of the pension valuations and assumptions are included in note 31 to the financial statements, on pages 66 to 72. The total pension liability of £43.630m reflects the Authority's underlying commitment to pay retirement benefits. Whilst this has a substantial impact on the net worth of the Authority, the deficit will be made good by increasing contributions over the remaining working life of employees, as assessed by the scheme actuary.

During 2014/15 there were two significant revaluation losses due to falls in market value. Property, Plant and Equipment car park asset values decreased by £954,000 due to the introduction of a new parking order, reducing income yields, and an Investment Property development land asset decreased by £1.26m following the recognition of current market conditions specific to the plot. However, the value of the Council's other non-current assets reflected an improvement in market conditions, with net revaluation gains of £3.2m being recognised.

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

REVENUE TAX COLLECTION

The Collection Fund accounts are set out on pages 74-77. During the year 98.2% of the Council Tax due was collected and 99.0% of the National Non Domestic Rate.

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

The Council Tax account shows a deficit of £0.559m, 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 £55,000. 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 £2.002m, 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 £801,000. 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.

ANNUAL STATEMENT OF ACCOUNTS 2014/15

EXPLANATORY FOREWORD

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 and refine strategies to counter threats from the wider economy. Ongoing pressures on costs, income streams and funding have necessitated critical reviews of services during the 2015/16 budget process, and further significant expenditure reductions are planned over the next few 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 2015

ANNUAL STATEMENT OF ACCOUNTS 2014/15

STATEMENT OF ACCOUNTING POLICIES

FOR GEDLING BOROUGH COUNCIL

ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. 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 2014/15 (the 2014/15 Code) and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

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

2. Accruals of Income and Expenditure

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

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

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

3. Cash and Cash Equivalents

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

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

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

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

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

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

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

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

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

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or 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.

STATEMENT OF ACCOUNTING POLICIES

Post Employment Benefits

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

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

The Local Government Pension Scheme

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

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

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

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

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

Discretionary Benefits

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

7. Events After the Reporting Period

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

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

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

8. Financial Instruments

Financial Liabilities

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

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

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has not undertaken any repurchase of early settlement of borrowing during 2014/15.

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 2014/15.

Loans and Receivables

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

However, the Council has provided car loans to employees at less than market rates (soft loans). In normal circumstances soft loans would be recognised and measured in the accounts at fair value, in accordance with the Code as disclosed in notes 11 to 12 to the financial statements on pages 42 to 46. However, car loans to employees have been considered at length and it has been concluded that the sum outstanding of £34,902 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.

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.

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 2014/15.

The Authority as Lessee:

Finance Leases

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

Lease payments are apportioned between:

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

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

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

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

Operating Leases

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

The Authority as Lessor:

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

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

Operating Leases

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

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 2014/15 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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

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

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 minimis level of £5,000 in recognising and valuing assets.

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

The costs of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

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

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

Assets are then carried in the Balance Sheet using the following measurement 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.

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

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

Provisions

Provisions are made where an event has taken place that gives the authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or

service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

Reserves

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

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

17. **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.

STATEMENT OF ACCOUNTING POLICIES

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'.

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 2015 and its income and expenditure for the year then ended.

Signed:

MS Kimberley CPFA
Chief Financial Officer
22 September 2015

This Statement was approved by the Audit Committee at its meeting on 22 September 2015, 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
22 September 2015

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Financial Statements

ANNUAL STATEMENT OF ACCOUNTS 2014/15

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 26 to 27), 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 25. 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.

2014/15 Statement

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

2013/14 Comparatives

	General Fund Balance	Earmarked Gen. Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	TOTAL RESERVES
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2013 per Balance Sheet	**4,940**	**2,389**	**0**	**244**	**7,573**	**(10,957)**	**(3,384)**
Surplus/(Deficit) on the Provision of Services (accounting basis)	226	0	0	0	**226**	0	**226**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	241	**241**
Total Comprehensive Income and Expenditure	**226**	**0**	**0**	**0**	**226**	**241**	**467**
Adjs between accg. basis and funding basis under regulations (note 5)	1,355	0	375	607	**2,337**	(2,337)	**0**
Net increase/(decrease) before transfers to Earmarked Reserves	**1,581**	**0**	**375**	**607**	**2,563**	**(2,096)**	**467**
Transfers (to)/from Earmarked Reserves (note 6)	(327)	327	0	0	**0**	0	**0**
Increase or (Decrease) in the year 2013/14	**1,254**	**327**	**375**	**607**	**2,563**	**(2,096)**	**467**
Balance at 31 March 2014 per Balance Sheet	**6,194**	**2,716**	**375**	**851**	**10,136**	**(13,053)**	**(2,917)**

ANNUAL STATEMENT OF ACCOUNTS 2014/15

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amounts to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations, which may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement on page 24.

2013/14				2014/15		
Gross Exp £000s	**Total Inc. £000s**	**Net Exp. £000s**		**Gross Exp £000s**	**Total Inc. £000s**	**Net Exp. £000s**
			Net Cost of Services:			
2,335	(1,280)	**1,055**	Central Services to the Public	2,111	(1,110)	**1,001**
7,205	(2,999)	**4,206**	Cultural & Related Services	7,025	(3,102)	**3,923**
6,269	(1,957)	**4,312**	Environmental & Regulatory Services	6,110	(2,250)	**3,860**
1,941	(804)	**1,137**	Planning Services	1,895	(673)	**1,222**
540	(334)	**206**	Highways & Transport Services	1,453	(312)	**1,141**
29,186	(28,127)	**1,059**	Housing Services (Incl Rent Allws)	29,503	(28,498)	**1,005**
1,789	(4)	**1,785**	Corporate & Democratic Core	1,726	(3)	**1,723**
18	0	**18**	Non Distributed Costs	76	0	**76**
49,283	**(35,505)**	**13,778**	**Cost of Services**	**49,899**	**(35,948)**	**13,951**
			Other Operating Expenditure:			
472	0	**472**	Payment of Precepts to Parishes	519	0	**519**
16	0	**16**	Drainage Board Levy	16	0	**16**
4	0	**4**	Pensions Administration Cost	10	0	**10**
1	0	**1**	Payments of Housing capital receipts to Government Pool	1	0	**1**
22	(541)	**(519)**	(Gain)/Loss on disposal of PPE	305	(571)	**(266)**
515	**(541)**	**(26)**		**851**	**(571)**	**280**
			Financing and Investment I&E:			
393	0	**393**	Interest Payable on Debt	393	0	**393**
1,287	0	**1,287**	Net Pensions Interest Cost	1,377	0	**1,377**
0	(194)	**(194)**	Interest Receivable and similar income	0	(163)	**(163)**
44	(109)	**(65)**	Income & Exp re. Investment properties & changes in their fair value (note 9)	1,261	(113)	**1,148**
3	(63)	**(60)**	(Gain)/Loss on disposal of Inv't Assets	0	0	**0**
1,727	**(366)**	**1,361**		**3,031**	**(276)**	**2,755**
			Taxation and Non Specific Grants:			
0	(5,773)	**(5,773)**	Council Tax Income	0	(5,926)	**(5,926)**
0	(2,935)	**(2,935)**	Non Domestic Rates	0	(2,954)	**(2,954)**
0	(5,235)	**(5,235)**	Non Ring-fenced Government Grants	0	(4,730)	**(4,730)**
0	(1,255)	**(1,255)**	Capital grants and contributions (note 7)	0	(708)	**(708)**
0	(141)	**(141)**	Donated Assets (note 7)	0		**0**
0	**(15,339)**	**(15,339)**		**0**	**(14,318)**	**(14,318)**
51,525	**(51,751)**	**(226)**	**(Surpl)/Def on Provision of Services**	**53,781**	**(51,113)**	**2,668**
		(909)	(Surplus) / Deficit on revaluation of non current assets (PPE)			**(3,212)**
		668	Actuarial re-measurements on Pension assets and liabilities			**9,967**
		(241)	**Other Comprehensive Income and Expenditure**			**6,755**
		(467)	**Total Comprehensive Income and Expenditure**			**9,423**

ANNUAL STATEMENT OF ACCOUNTS 2014/15

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 2014			31 March 2015	
£000s	£000s		£000s	£000s
		Property, Plant & Equipment (note 8)		
17,536		Land and Buildings	20,611	
2,179		Vehicles, Plant and Equipment	2,666	
62		Infrastructure	381	
2,622		Community Assets	2,813	
1,362		Assets Under Construction	1	
	23,761			26,472
	6,192	**Investment Property** (note 9)		4,936
	96	**Intangible Assets** (note 10)		109
	2,063	**Long Term Debtors** (note 13)		2,055
	32,112	**LONG TERM ASSETS**		33,572
6,532		Short Term Investments	7,532	
129		Inventories	111	
4,104		Short Term Debtors (note 14)	3,743	
1,557		Cash and Cash Equivalents (note 15)	610	
	12,322	**CURRENT ASSETS**		11,996
(1,001)		Short Term Borrowing (under 1year)	(2,001)	
(2,349)		Short Term Creditors (note 16)	(2,398)	
(68)		Provisions under 1 year (note 17)	(66)	
	(3,418)	**CURRENT LIABILITIES**		(4,465)
(322)		Provisions over 1 year (note 17)	(811)	
(9,812)		Long term Borrowing (PWLB)	(7,812)	
(32,092)		Net Pensions Liability (note 31)	(43,630)	
(194)		Deferred Liabilities	(177)	
(1,410)		Capital Grants & Contributions Received in Advance (note 27)	(898)	
(103)		Revenue Grants & Contributions Received in Advance (note 27)	(115)	
	(43,933)	**LONG TERM LIABILITIES**		(53,443)
	(2,917)	**NET ASSETS / (LIABILITIES)**		(12,340)

ANNUAL STATEMENT OF ACCOUNTS 2014/15

BALANCE SHEET

31 March 2014			31 March 2015	
£000s	£000s		£000s	£000s
	(2,917)	**NET ASSETS / LIABILITIES FROM ABOVE**		(12,340)
		Usable Reserves (MiRS p 24)		
6,194		General Fund	6,575	
2,716		Earmarked Reserves (note 6)	3,722	
375		Capital Receipts Reserve	61	
851		Capital Grants and Contributions Unapplied	309	
	10,136			10,667
		Unusable Reserves (note 19)		
2,407		Revaluation Reserve	5,509	
(32,092)		Pensions Reserve	(43,630)	
17,277		Capital Adjustment Account	16,177	
4		Deferred Capital Receipts	1	
(62)		Collection Fund Adjustment Account - CTax	(55)	
(384)		Collection Fund Adjustment Account - NDR	(801)	
(203)		Short-term Accumulating Compensated Absences Account	(208)	
	(13,053)			(23,007)
	(2,917)	**TOTAL RESERVES**		(12,340)

ANNUAL STATEMENT OF ACCOUNTS 2014/15

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.

2013/14		2014/15
£000s		£000s
226	**Net Surplus / (Deficit) on the Provision of Services per the Comprehensive Income and Expenditure Statement**	**(2,668)**
3,965	Total of adjustments to net Surplus/(Deficit) on Provision of Services for non-cash movements	5,643
(1,902)	Total of adjustments to the net Surplus/(Deficit) on Provision of Services for items that are investing and financing activities	(1,360)
2,289	**Net cash flow from operating activities** (see note 20)	**1,615**
1,037	Investing activities (see note 21)	**(2,063)**
(1,344)	Financing activities (see note 22)	**(499)**
1,982	**Net Increase / (Decrease) in Cash & Cash Equivalents**	**(947)**
(425)	Cash and Cash Equivalents at the beginning of the reporting period	**1,557**
1,557	**Cash and Cash Equivalents at the End of the Reporting Period**	**610**

Analysis of Cash and Cash Equivalents at Balance Sheet dates:	**31 March 2014**	**31 March 2015**
	£000s	**£000s**
Bank Account balances and cash in transit	(900)	**(751)**
Imprest accounts	7	**11**
Cash equivalents (call accounts)	2,450	**1,350**
Total Cash and Cash Equivalents per Balance Sheet	1,557	**610**

ANNUAL STATEMENT OF ACCOUNTS 2014/15

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Please refer to the full Statement of Accounting Polices, which can be found on pages 8 to 20.

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 2015/16 Code includes the adoption from 1 April 2015 of amendments to:

IFRS 13 - Fair Value Measurement

It is not anticipated that IFRS13, which defines fair value, will have a material impact on the financial statements. It is to be applied prospectively, ie. only to transactions after the date of the policy change, and will not require the publication of a third balance sheet.

Annual improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle

It is not anticipated that these improvements will have a material impact on the financial statements.

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

It is not anticipated that these amendments will have a material impact on the financial statements.

Other

It is not anticipated that IFRIC21 - Levies, or changes to the Code in relation to Heritage Assets, will have a material impact on the financial statements.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out on pages 8 to 20, the authority may have to make certain judgements about complex transactions or those involving uncertainty about future events. The only critical judgement in 2014/15 is the ongoing uncertainty about future levels of funding for local government, however the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service.

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

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

The estimated items in the Authority's Balance Sheet at 31 March 2015 for which there is a significant risk of causing a material adjustment in the forthcoming financial year are as follows:

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements in relation to the discount rate used, the rate at which salaries are projected to increase, changes in the retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £1.806m. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. See note 31 on pages 66 to 72 for further details.
Property Plant and Equipment	Depreciation and amortisation is provided to write down the assets to their residual values over their estimated useful lives. The selection of these residual values and useful lives requires the exercise of management judgements considering anticipated usage levels in service provision and levels of repairs and maintenance. A review of balance sheet values is undertaken each year end to assess if any of the assets have not been used at the estimated rates and if any impairment charges are required.	If the useful lives of assets are reduced, depreciation increases and the carrying amount of the asset falls. If assets lives were 10% lower than estimated the annual depreciation charge would be increased by approximately £173,800. However, as the asset values are reviewed on an annual basis this level of incorrect estimation is unlikely. See note 8 on pages 38 to 40 for further details.
Provisions	The Authority has made provisions of £50,000 each for Transferred Housing Stock Repairs and Transferred Housing Stock Environmental Warranty Excesses. These provide amounts to cover for an estimated number of future claims. It is possible the actual number may exceed the estimate. The Business Rate Retention scheme introduced a requirement to maintain a provision for rating appeals. The system is complex and neither the number of successful appeals nor the percentage reduction in rateable value achieved can be pre-determined. The current provision totals £1,777,200 of which the Council's share as billing authority is £710,900.	A change of 5% in the assumed success rate for NDR appeals could increase or decrease the provision requirement by around £400,000. Of this, the Council's share as billing authority would be £160,000. See note 17 on page 48 for further details on Provisions.
Arrears	An estimate of the impairment of sundry debtors is based upon the age and type of each debt. The percentages for impairment applied reflect an assessment of the recoverability of each debt based on past experience and a view of the impact of the prevailing economic climate. The provision for impairment at 31 March 2015 is £1,636,100.	If collection rates were to deteriorate, a 10% increase on the impairment percentage would require an additional £149,000 to be set aside as an allowance.

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

5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2014/15 (Continued)	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	**2,611**	**0**	**(542)**	**2,069**	**(2,069)**
Adjustments primarily involving the Capital Receipts Reserve					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**(510)**	**510**	**0**	**0**	**0**
Transfer of capital grant repayments in excess of £10,000 credited to Income and Expenditure Statement	**(33)**	**33**	**0**	**0**	**0**
Use of Capital Receipts Reserve to finance new capital expenditure	**0**	**(859)**	**0**	**(859)**	**859**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	**1**	**(1)**	**0**	**0**	**0**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash (note 19)	**0**	**3**	**0**	**3**	**(3)**
Adjustments primarily involving the Pensions Reserve (note 19)					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	**3,250**	**0**	**0**	**3,250**	**(3,250)**
Employers pension contributions and direct payments to pensioners payable in the year	**(1,679)**	**0**	**0**	**(1,679)**	**1,679**
Adjustments primarily involving the Collection Fund Adjustment A/C (note 19)					
Amount by which council tax & NNDR income credited to the Comprehensive Income & Expenditure Statement differs to that income calculated for the year in accordance with statutory requirements	**410**	**0**	**0**	**410**	**(410)**
Adjustments primarily involving the Accumulated Absences Account (note 19)					
Amount by which officer remuneration credited to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**5**	**0**	**0**	**5**	**(5)**
Total Net adjs between Accounting basis and Funding basis under regulation (per Movement in Reserves Statement on p24)	**4,055**	**(314)**	**(542)**	**3,199**	**(3,199)**

NOTES TO THE FINANCIAL STATEMENTS

5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2013/14 Comparatives	Usable Reserves			Total Mov't on Usable Reserves	Mov't on Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		
	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account (note 19)					
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement					
Charges for depreciation & impairment of non-current assets	1,542	0	0	1,542	(1,542)
Revaluation losses/(reversals) on Property Plant and Equipment	(29)	0	0	(29)	29
Movement in market value of investment properties	36	0	0	36	(36)
Amortisation of intangible assets	58	0	0	58	(58)
Capital grants & contributions applied	(574)	0	0	(574)	574
Revenue Expenditure Funded from Capital Under Statute	160	0	0	160	(160)
Carrying Amounts debited as part of the gain or loss on disposals of non-current assets	21	0	0	21	(21)
Income from Donated Assets	(141)	0	0	(141)	141
Insertion of items NOT debited or credited to the Comprehensive Income & Expenditure Statement					
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	(532)	0	0	(532)	532
Capital expenditure charged against General Fund Balance	(356)	0	4	(352)	352
Adjustments primarily involving the Capital Grants Unapplied Account					
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	0	0	(78)	(78)	78
Sub-total of items adjusted	(496)	0	607	111	(111)

5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2013/14 Comparatives contd.	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)**
Adjustments primarily involving the Capital Receipts Reserve					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**(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 19)	**0**	**2**	**0**	**2**	**(2)**
Adjustments primarily involving the Pensions Reserve (note 19)					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	**3,631**	**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**
Adjustments primarily involving the Collection Fund Adjustment A/C (note 19)					
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement differs to the council tax income calculated for the year in accordance with statutory requirements	**399**	**0**	**0**	**399**	**(399)**
Adjustments primarily involving the Accumulated Absences Account (note 19)					
Amount by which officer remuneration credited to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**2**	**0**	**0**	**2**	**(2)**
Total Net adjs between Accounting basis and Funding basis under regulation (per Movement in Reserves Statement on p24)	**1,355**	**375**	**607**	**2,337**	**(2,337)**

6. TRANSFERS TO/FROM EARMARKED RESERVES

Contributions to Earmarked Reserves provide financing for future expenditure plans, and contributions posted back from such reserves helped to meet General Fund expenditure during 2013/14 and 2014/15.

	Balance 31 Mar 2013	Transfers out during 2013/14	Transfers in during 2013/14	Balance 31 Mar 2014	Transfers out during 2014/15	Transfers in during 2014/15	Balance 31 Mar 2015
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Arnold Master Plan	177	(177)	0	**0**	0	0	**0**
IT Equipment Replacement Reserve	289	(61)	124	**352**	(104)	169	**417**
Community and Crime	110	(60)	13	**63**	0	25	**88**
Disabled Adaptations	22	0	0	**22**	0	0	**22**
Risk Management	150	(6)	40	**184**	(30)	190	**344**
Housing and Housing Benefits Reserve	342	(21)	105	**426**	0	24	**450**
Insurance Fund	231	(1)	50	**280**	(21)	14	**273**
Efficiency & Innovation	163	0	31	**194**	(50)	0	**144**
Asset Management	101	(22)	0	**79**	(9)	75	**145**
Local Development Framework & Planning Reserve	68	0	80	**148**	(61)	31	**118**
S106 Revenue Reserve	127	(16)	0	**111**	(15)	0	**96**
Earmarked Grants Reserve	323	(165)	227	**385**	(149)	305	**541**
Joint Use Maintenance Reserve	194	(156)	106	**144**	(144)	105	**105**
CCTV Reserve	71	0	51	**122**	0	92	**214**
Local Authority Mortgage Scheme Reserve	21	0	22	**43**	0	23	**66**
Rural Broadband Resv.	0	0	90	**90**	0	0	**90**
Apprentice Resv.	0	0	48	**48**	0	6	**54**
Land Charges Resv.	0	0	25	**25**	0	0	**25**
NNDR Pool Reserve	0	0	0	**0**	0	67	**67**
Transformation Reserve	0	0	0	**0**	0	189	**189**
Economic Development Reserve	0	0	0	**0**	0	274	**274**
Total Earmarked Reserves per Balance Sheet p26-27	**2,389**	**(685)**	**1,012**	**2,716**	**(583)**	**1,589**	**3,722**
Net Movement in Year per MiRS p24		**327**			**1,006**		

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.

6. TRANSFERS TO/FROM EARMARKED RESERVES (Continued)

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

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

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

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

Asset Management Reserve - to provide for 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 13).

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

	2013/14	2014/15
Capital Grants and Contributions	**£000s**	**£000s**
Department for Communities and Local Government:		
Growth Point Grant	**(438)**	**0**
Travellers Site Grant	**(647)**	**0**
Department for Environment and Rural Affairs:		
WREN Grant (Waste Recycling Environmental)	**(14)**	**(34)**
Other Grants and Contributions:		
Developers' Section 106 Contributions	**(1)**	**(570)**
DWP (Department for Works & Pensions)	**(20)**	**0**
Sport England	**(131)**	**(104)**
CENEX	**(4)**	**0**
Total Capital Grants & Contributions per CIES on page 25	**(1,255)**	**(708)**
Donated Assets		
Gedling Homes - Community Facilities	**(141)**	**0**
Total Donated Assets per CIES on page 25	**(141)**	**0**

8. PROPERTY, PLANT & EQUIPMENT

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

8. PROPERTY, PLANT & EQUIPMENT (Continued)

Comparative Movements in 2013/14	**Other Land & Bldgs. £000s**	**Vehicles Plant & Equipm't £000s**	**Infra-Struct. Assets £000s**	**Comm'y Assets £000s**	**Assets Under Constrn. £000s**	**Total £000s**
Cost or Valuation:						
As at 1 April 2013	17,906	9,298	453	6,245	372	**34,274**
Additions	316	175	0	0	1,010	**1,501**
Donations	0	0	0	141	0	**141**
Revaln incr/(decr) recognised in the Revaluation Reserve	705	0	0	0	0	**705**
Revaln incr/(decr) recognised in the Surplus/Deficit on Provision of Services	13	0	0	0	0	**13**
Derecognition-Disposals	0	(494)	0	0	0	**(494)**
Other movements in cost or valuation	20	0	0	0	(20)	**0**
As at 31 March 2014	**18,960**	**8,979**	**453**	**6,386**	**1,362**	**36,140**
Accumulated Depreciation and Impairment:						
As at 1 April 2013	(1,247)	(6,556)	(384)	(3,346)	0	**(11,533)**
Depreciation Charge	(397)	(720)	(7)	(418)	0	**(1,542)**
Depreciation written out to the Revaluation Reserve	205	0	0	0	0	**205**
Depreciation written out to the Surplus/Deficit on Provision of Services	15	0	0	0	0	**15**
Derecognition-Disposals	0	476	0	0	0	**476**
As at 31 March 2014	**(1,424)**	**(6,800)**	**(391)**	**(3,764)**	**0**	**(12,379)**
Net Book Value 31/3/13	16,659	2,742	69	2,899	372	22,741
Net Book Value 31/3/14	**17,536**	**2,179**	**62**	**2,622**	**1,362**	**23,761**

8. PROPERTY, PLANT & EQUIPMENT (Continued)

Depreciation

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

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

Revaluation

The authority carries out a rolling programme which ensures that all Property, Plant and Equipment required to be measured at 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. Walters MRICS, the Council's in-house valuer, who is a chartered surveyor.

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

Significant Capital Contracts

The following capital contracts had been entered into but not fully completed as at 31 March 2015. The figures represent the estimated value of works still to be completed in 2015/16, and not the full contract values.

	2014/15
	£000s
Arnold Leisure Centre Refurbishment	**23**
Gedling Colliery site works	**48**
Gedling Country Park	**159**
Total	**230**

9. INVESTMENT PROPERTIES

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

	2013/14	2014/15
	£000s	£000s
Rental from Investment Property	(109)	**(113)**
Direct operating expenses arising from Investment Property	9	**5**
Net (Gain)/Loss	(100)	**(108)**

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:

	2013/14	2014/15
	£000s	£000s
Balance at the start of the year	6,230	**6,192**
Additions (purchase, construction & subsequent expenditure)	0	**0**
Disposals	(3)	**0**
Net gain/(loss) from fair value adjustments	(35)	**(1,256)**
Transfers (to)/from Property, Plant and Equipment	0	**0**
Balance at the end of the year per Balance Sheet	6,192	**4,936**

10. INTANGIBLE ASSETS

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

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

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £49,439 charged to revenue in 2014/15 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.

	2013/14	2014/15
	£000s	£000s
Gross carrying amount	745	**745**
Accumulated amortisation	(591)	**(649)**
Net carrying amount at start of year	154	**96**
Additions - purchases	0	**62**
Amortisation for the year	(58)	**(49)**
Net carrying amount at end of year per Balance Sheet	96	**109**
Represented by:		
Gross carrying amount	745	**807**
Accumulated amortisation	(649)	**(698)**
Total	96	**109**

11. FINANCIAL INSTRUMENTS

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

Initial Recognition

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

Initial Measurement

Financial assets and liabilities are initially measured at fair value, less 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 2014/15 were car loans to employees. It is the Council's view that the outstanding sum of £34,902 is not material, and accordingly, no calculation for fair value has been undertaken. Car loans are therefore recognised in the balance sheet at the value of the sums loaned, less repayments made.

11. 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 to be not material, 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 2014/15.

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 2015 is £9.813m, split between long term debt (repayable within periods beyond one year) and short term (repayable within one year), which includes accrued interest. The "fair value" of the total debt has been calculated by PWLB as £12.966m. However, 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, subject to the prevailing early repayment discount rates, on 31 March 2015.

(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 £1.013m. Short-term creditors outstanding at 31 March 2015, which are classed as financial instruments, totalled £2.102m.

Fair Value through Profit and Loss:

No Liabilities Held for Trading are used by the Council.

11. 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. The sum outstanding at 31 March 2015 was £34,902, which is not material. The Council has made two advances of £1m each to Lloyds Bank in respect of the Local Authority Mortgage Scheme and these are held on the balance sheet as long-term debtors. Interest is paid on these advances at rates that were fixed at inception, and no formal calculations of EIR are deemed necessary, the carrying amounts representing a reasonable approximation of fair value.

(ii) **Long Term Investment** - The Council held no investments with maturities of over 12 months at 31 March 2015.

(iii) **Short Term Investment** - Investments held at 31 March 2015 amounted to £7.532m, 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 2015, which are classed as financial instruments, totalled £2.032m 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 2015 totalled £0.751m, however these are combined on the Balance Sheet as part of the overall Cash and Cash Equivalents balance of £0.610m in hand. As this overdrawn position is only a result of daily cashflow management, the net position continues to be shown with current assets (note 15).

Available-for-Sale:

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

Fair Value through Profit and Loss:

No assets are held for trading by the Council.

Held to Maturity:

The Code prohibits the use of this category.

Summary

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

Summary of Financial Instruments	**Long Term**		**Short Term**	
	2013/14	**2014/15**	**2013/14**	**2014/15**
	£000s	**£000s**	**£000s**	**£000s**
Liabilities at Amortised Cost:				
Borrowing	(9,812)	**(7,812)**	(1,000)	**(2,001)**
Creditors and Receipts in Advance	(1,513)	**(1,013)**	(1,772)	**2,102**
Assets at Amortised Cost:				
Short Term Investments (up to 12 months)	0	**0**	6,532	**7,532**
Debtors	2,039	**2,035**	2,611	**2,032**
Cash and Cash Equivalents	0	**0**	1,557	**610**

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

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

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

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

Credit Risk:

Credit risk arises from deposits with banks and financial institutions. The Council's Treasury Management Policy is to select counterparties by the use of a creditworthiness methodology provided by its treasury advisers. This is based on a sophisticated model that incorporates credit ratings from all three main rating agencies, supplemented by information relating to positive and negative outlooks and other technical market information. The result is a banding for the suggested duration of investments with any given counterparty, from "do not use" to 60 months. Any deviation from these suggested durations must be specifically approved by the Chief Financial Officer and reported to Full Council at the earliest opportunity. Full credit rating information is received from the 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 2014/15.

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	**2013/14 £000s**	**2014/15 £000s**
Short Term Borrowing		
Repayable within 1 year:		
Principal	(1,000)	**(2,000)**
Interest accruals	(1)	**(1)**
Short Term Borrowing per Balance Sheet	(1,001)	**(2,001)**
Long Term Borrowing		
Repayable in 1 to 2 years	(2,000)	**(1,000)**
Repayable in 2 to 5 years	(1,000)	**0**
Repayable in 5 to 10 years	0	**0**
Repayable in over 10 years	(6,812)	**(6,812)**
Long Term Borrowing per Balance Sheet	(9,812)	**(7,812)**

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.

12. 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.

13. LONG TERM DEBTORS

	2013/14	2014/15
	£000s	£000s
Car Loans	38	**35**
Local Loan to Voluntary Group	1	**0**
Local Authority Mortgage Scheme	2,000	**2,000**
Other	24	**20**
Total Long Term Debtors per Balance Sheet	2,063	**2,055**

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

14. SHORT TERM DEBTORS

	2013/14	2014/15
	£000s	£000s
Central Government Departments	553	**188**
Other Local Authorities	1,221	**780**
Other Entities and Individuals	2,330	**2,775**
Net Short Term Debtors per Balance Sheet	4,104	**3,743**

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

15. CASH AND CASH EQUIVALENTS

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

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

The balance of cash and cash equivalents is made up as follows:	31/03/14	31/03/15
	£000s	£000s
Cash balance at bank and cash in transit	(900)	**(751)**
Imprest Accounts	7	**11**
	(893)	**(740)**
Call Accounts	2,450	**1,350**
Total Cash and Cash Equivalents per Balance Sheet	1,557	**610**

16. SHORT TERM CREDITORS AND RECEIPTS IN ADVANCE

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

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

	2013/14	2014/15
	£000s	£000s
Central Government Departments	(367)	**(109)**
Other Local Authorities	(372)	**(666)**
Other Entities and Individuals	(1,610)	**(1,623)**
Total Short Term Creditors per Balance Sheet	(2,349)	**(2,398)**

17. PROVISIONS

	Transf'd Stock Env. Warranties	Transf'd Stock Repairs	Land Charges	NNDR Appeals	Total Provisions
	£000s	£000s	£000s	£000s	£000s
Over one year:					
Balance at 1 April 2014	**(50)**	**(50)**	**0**	**(222)**	**(322)**
Additional Provisions made in 2014/15	0	0	0	(489)	**(489)**
Used in 2014/15	0	0	0	0	**0**
Reversed in 2014/15	0	0	0	0	**0**
Balance at 31 March 2015	**(50)**	**(50)**	**0**	**(711)**	**(811)**
Under one year:					
Balance at 1 April 2014	**0**	**0**	**(68)**	**0**	**(68)**
Additional Provisions made in 2014/15	0	0	0	0	**0**
Used in 2014/15	0	0	2	0	**2**
Reversed in 2014/15	0	0	0	0	**0**
Balance at 31 March 2015	**0**	**0**	**(66)**	**0**	**(66)**

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 involved in proceedings brought by groups of Property Search Companies for refunds of fees paid to the Council to access land searches data. One claim has been settled, however a second group of companies is also seeking refunds, and the Council remains in negotiations with regard to these claims. The latest estimate of the value of outstanding claims is £59,000 plus costs. It is still possible that additional claimants may come forward, and a reserve of £25,000 has been earmarked for any such future claims, see note 6.

NNDR Appeals - The Business Rate Retention regime places a liability on the Council to refund ratepayers who successfully appeal against the rateable value of their properties on the rating list. A provision of £710,900 has been made, representing the Council's estimated share of such liabilities at 31 March 2015.

18. USABLE RESERVES

Movements in the authority's Usable Reserves are detailed in the Movement in Reserves Statement on page 24, and in note 5 on pages 31 to 34.

19. UNUSABLE RESERVES

	31/03/14	31/03/15
	£000s	£000s
Revaluation Reserve	2,407	**5,509**
Capital Adjustment Account	17,277	**16,177**
Deferred Capital Receipts Reserve	4	**1**
Pensions Reserve	(32,092)	**(43,630)**
Collection Fund Adjustment Account - Council Tax	(62)	**(55)**
Collection Fund Adjustment Account - Non Domestic Rates	(384)	**(801)**
Accumulated Absences Account	(203)	**(208)**
Total Unusable Reserves	(13,053)	**(23,007)**

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.

	2013/14	2014/15
	£000s	£000s
Balance at 1st April	1,578	**2,407**
Upward revaluation of assets	918	**3,278**
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(9)	**(66)**
Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services	909	**3,212**
Difference between fair value depreciation and historic cost depreciation	(80)	**(110)**
Accumulated gains on assets sold or scrapped	0	**0**
Amount written off to the Capital Adjustment Account	(80)	**(110)**
Balance at 31st March	2,407	**5,509**

19. UNUSABLE RESERVES (Continued)

Capital Adjustment Account

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

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

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 5 on pages 31 to 34 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2013/14	2014/15
	£000s	£000s
Balance at 1st April	17,135	**17,277**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(1,542)	**(1,331)**
Revaluation (losses)/reversals on Property, Plant and Equipment	29	**(954)**
Amortisation of Intangible Assets	(58)	**(49)**
Revenue Expenditure funded from Capital under Statute (REFCUS)	(160)	**(119)**
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	(21)	**(299)**
	(1,752)	**(2,752)**
Adjusting amount written out of the Revaluation Reserve	80	**110**
Net written out amount of non-current assets consumed in the year	(1,672)	**(2,642)**
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	173	**859**
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	574	**594**
Applications of grants to capital financing from the Capital Grants Unapplied Account	78	**694**
Statutory provision for the financing of capital investment charged against the General Fund	532	**533**
Capital expenditure charged against the General Fund	352	**118**
	1,709	**2,798**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(36)	**(1,256)**
Donated Assets credited to the Comprehensive Income and Expenditure Statement	141	**0**
Balance at 31st March	17,277	**16,177**

19. UNUSABLE RESERVES (Continued)

Pensions Reserve

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

	2013/14	2014/15
	£000s	£000s
Balance at 1 April	(29,428)	**(32,092)**
Actuarial gains or losses on pensions assets and liabilities	(668)	**(9,967)**
Reversal of items relating to benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,631)	**(3,250)**
Employer's pension contributions and direct payments to pensioners payable in the year	1,635	**1,679**
Balance at 31 March	(32,092)	**(43,630)**

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.

	2013/14	2014/15
	£000s	£000s
Balance at 1 April	6	**4**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	**0**
Transfer to the Capital Receipts Reserve on the receipt of cash	(2)	**(3)**
Balance at 31 March	4	**1**

19. UNUSABLE RESERVES (Continued)

Collection Fund Adjustment Accounts

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

Council Tax:

	2013/14	2014/15
	£000s	£000s
Balance at 1 April	(47)	**(62)**
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	(15)	**7**
Balance at 31 March	(62)	**(55)**

Non Domestic Rates:

	2013/14	2014/15
	£000s	£000s
Balance at 1 April	0	**(384)**
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	(384)	**(417)**
Balance at 31 March	(384)	**(801)**

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.

	2013/14	2014/15
	£000s	£000s
Balance at 1 April	(201)	**(203)**
Settlement or cancellation of accrual made at the end of the preceding year	201	**203**
Amounts accrued at the end of the current year	(203)	**(208)**
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	(2)	**(5)**
Balance at 31 March	(203)	**(208)**

NOTES TO THE FINANCIAL STATEMENTS

20. CASH FLOW STATEMENT - OPERATING ACTIVITIES

	2013/14	2014/15
	£000s	£000s
Net Surplus / (Deficit) on the Provision of Services per CIES on p25	226	**(2,668)**
Adjustments to the net surplus / (deficit) on the Provision of Services for non-cash movements:		
Depreciation	1,542	**1,331**
Impairment and downward revaluations/(reversals)	(29)	**954**
Amortisation	58	**49**
Increase / (Decrease) in revenue creditors	316	**(55)**
(Increase) / Decrease in revenue debtors	(209)	**(188)**
(Increase) / Decrease in stocks and works in progress	24	**18**
Pension liability	1,996	**1,571**
Carrying amount of non current assets sold	21	**299**
Increase / (Decrease) in Collection Fund Adjustment Account	399	**410**
Other non-cash items charged to net surplus/(deficit) on provision of services	(153)	**1,254**
	3,965	**5,643**
Adjustments to the net surplus / (deficit) on the Provision of Services for items that are investing and financing activities:		
Proceeds from sales of property, plant and equipment, and other investment property receipts and payments	(1,902)	**(1,360)**
Net cash flow from Operating Activities per Cash Flow Statement on p28	2,289	**1,615**

Cash flows for operating activities include the following items:	2013/14	2014/15
	£000s	£000s
Interest Received	(239)	**(163)**
Interest Paid	393	**393**

NOTES TO THE FINANCIAL STATEMENTS

21. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2013/14	2014/15
	£000s	£000s
Purchase of property, plant and equipment, investment property and intangible assets	(1,623)	**(2,121)**
Purchase of short term and long term investments	0	**(1,000)**
Other payments for investing activities	(1,009)	**(5)**
Proceeds from sale of property, plant and equipment, investment property and intangible assets	530	**265**
Proceeds from short-term and long term investments	1,500	**0**
Other receipts from investing activities	109	**113**
Capital grants	477	**282**
Capital contributions	1,053	**403**
Net cash flows from Investing Activities per Cash Flow Statement on p28	1,037	**(2,063)**

22. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2013/14	2014/15
	£000s	£000s
Cash receipts of short-term and long-term borrowing	0	**0**
Other receipts from financing activities	47	**52**
Repayment of short-term and long-term borrowing	(600)	**(1,000)**
Movement on NDR creditor with CLG - pre Business Rates Retention Scheme	(349)	**0**
Movement on NDR debtor with preceptors and CLG	(379)	**236**
NDR Deferrals income	72	**0**
Movement on Council Tax debtors with Preceptors	(106)	**95**
Domestic Violence Partnership grant held for Principal	0	**181**
Other payments for financing activities	(29)	**(63)**
Net cash flows from Financing Activities per Cash Flow Statement on p28	(1,344)	**(499)**

NOTES TO THE FINANCIAL STATEMENTS

23. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

2014/15 Statement	**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	(272)	(1,144)	(908)	(2,766)	(3,479)	(1,408)	**(9,977)**
Government grants	0	(27,414)	(371)	(86)	0	(184)	**(28,055)**
Total Income	**(272)**	**(28,558)**	**(1,279)**	**(2,852)**	**(3,479)**	**(1,592)**	**(38,032)**
Employee expenses	474	926	1,819	3,385	3,041	2,617	**12,262**
Other service expenses	842	27,973	1,815	3,836	1,886	2,323	**38,675**
Support service recharges	506	640	(894)	141	679	(1,072)	**0**
Total Expenditure	**1,822**	**29,539**	**2,740**	**7,362**	**5,606**	**3,868**	**50,937**
Net Expenditure	**1,550**	**981**	**1,461**	**4,510**	**2,127**	**2,276**	**12,905**

23. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (Continued)

2013/14 Statement	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	(165)	(1,247)	(734)	(2,542)	(3,731)	(1,405)	**(9,824)**
Government grants	0	(27,058)	(494)	0	(5)	(112)	**(27,669)**
Total Income	**(165)**	**(28,305)**	**(1,228)**	**(2,542)**	**(3,736)**	**(1,517)**	**(37,493)**
Employee expenses	372	989	1,841	3,474	3,072	2,605	**12,353**
Other service expenses	849	27,463	1,818	3,844	2,654	978	**37,606**
Support service recharges	451	702	(1,001)	89	773	(1,014)	**0**
Total Expenditure	**1,672**	**29,154**	**2,658**	**7,407**	**6,499**	**2,569**	**49,959**
Net Expenditure	**1,507**	**849**	**1,430**	**4,865**	**2,763**	**1,052**	**12,466**

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.

	2013/14 £000s	2014/15 £000s
Net Expenditure in the Portfolio Analysis	**12,466**	**12,905**
Amounts in the Comprehensive Income and Expenditure Statement but not reported to Management in the Portfolio Analysis:	**678**	**1,142**
Amounts included in the Portfolio Analysis but not included in the Comprehensive Income and Expenditure Statement:	**634**	**(96)**
Cost of Services in the Comprehensive Income and Expenditure Statement (see page 25)	**13,778**	**13,951**

23. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (Continued)

Reconciliation to Subjective Analysis

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

2014/15 Statement	Service Analysis	Amounts not reported to Mgt.	Amounts in Analysis but not incl. in CIES to COS	Net Cost of Services	Corporate Amounts	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(9,977)	0	550	**(9,427)**	0	**(9,427)**
Interest & other Investment Income	0	0	163	**163**	(163)	**0**
Income from Council Tax	0	0	0	**0**	(5,926)	**(5,926)**
Income from Non Domestic Rates	0	0	116	**116**	(2,954)	**(2,838)**
Government Grants & Contributions	(28,055)	0	0	**(28,055)**	(5,438)	**(33,493)**
Donated Assets	0	0	0	**0**	0	**0**
Investment Property income and gains on fair value	0	0	113	**113**	(113)	**0**
Total Income	**(38,032)**	**0**	**942**	**(37,090)**	**(14,594)**	**(51,684)**
Employee expenses	12,262	188		**12,450**	0	**12,450**
Other service expenses	38,675	0	(2,178)	**36,497**	0	**36,497**
Depreciation, amortisation and impairment	0	954	1,499	**2,453**	0	**2,453**
Interest payments	0	0	(393)	**(393)**	393	**0**
Pensions Interest & Administration Costs (IAS19)	0	0	0	**0**	1,387	**1,387**
Precepts and Levies	0	0	(16)	**(16)**	535	**519**
Payments to Housing Capital Receipts Pool	0	0	(1)	**(1)**	1	**0**
Net (Gain)/Loss on disposal of non current assets	0	0	55	**55**	(266)	**(211)**
Investments Property expenditure and losses on fair value	0	0	(4)	**(4)**	1,261	**1,257**
Total Expenditure	**50,937**	**1,142**	**(1,038)**	**51,041**	**3,311**	**54,352**
(Surplus) or Deficit on the Provision of Services (page 25)	**12,905**	**1,142**	**(96)**	**13,951**	**(11,283)**	**2,668**

23. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (Continued)

Reconciliation to Subjective Analysis

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 fixed 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 25)	**12,466**	**678**	**634**	**13,778**	**(14,004)**	**(226)**

24. MEMBERS' ALLOWANCES

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

	2013/14	2014/15
	£000s	£000s
Allowances:		
Basic	184	**185**
Special Responsibility	83	**86**
Expenses:		
Car mileage and public transport	5	**7**
Conferences and subsistence	5	**6**
	277	**284**

25. 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.

	2013/14	2014/15
	£	£
Audit Services carried out by the appointed auditor	55,860	**55,860**
Additional charges for NNDR work	0	**900**
Grant Certification	17,100	**13,750**
Refund in respect of previous year grant certification	0	**(3,018)**
National Fraud Initiative	1,150	**1,150**
Rebate of Charges by the Audit Commission	(6,370)	**(5,741)**
Total External Audit Costs	67,740	**62,901**

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 further rebate of charges was made in October 2014. In addition, a refund was received from KPMG in respect of previous year grant certification work. This was as a result of fewer issues arising during the audit than in previous years.

26. 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)	**2013/14 Number**	**2014/15 Number**
£50,000 to £54,999	1	**1**
£55,000 to £59,999	1	**1**
£60,000 to £64,999	0	**0**
£65,000 to £69,999	0	**0**
£70,000 to £74,999	3	**0**
£75,000 to £79,999	1	**3**
£80,000 to £84,999	0	**0**
£85,000 to £89,999	0	**0**
£90,000 to £94,999	0	**0**
£95,000 to 99,999	1	**2**
Total number of employees whose remuneration exceeds £50,000	7	**7**

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

The remuneration paid to the Authority's senior employees in 2014/15 and 2013/14 is detailed in the table below.

26. OFFICERS' REMUNERATION (Continued)

Individual Posts in receipt of a basic salary exceeding £50,000:	Salary, Fees & All'wces	Exps All'wces	Benefits in Kind	Comp'n for loss of Office	Total exc Pension Contribs	Employer Pension Contribs	Total
	£	£	£	£	£	£	£
2014/15							
Chief Executive	**98,334**	**649**	**104**	**0**	**99,087**	**12,095**	**111,182**
Corporate Director	**76,000**	**360**	**58**	**0**	**76,418**	**9,385**	**85,803**
Corporate Director	**75,375**	**17**	**3**	**0**	**75,395**	**9,271**	**84,666**
Corporate Director	**74,810**	**369**	**59**	**0**	**75,238**	**0**	**75,238**
Corporate Director	**66,652**	**0**	**0**	**30,000**	**96,652**	**7,798**	**104,450**
Council Solicitor & Monitoring Officer	**55,585**	**144**	**23**	**0**	**55,752**	**6,837**	**62,589**
Service Mgr-Planning & Economic Development	**54,439**	**51**	**8**	**0**	**54,498**	**6,569**	**61,067**
2013/14							
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

27. GRANTS, CONTRIBUTIONS AND DONATED ASSETS

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

	2013/14	2014/15
	£000s	£000s
Credited to Taxation and Non-Specific Grant Income:		
Revenue Support Grant (including redistributed sums)	(4,084)	**(3,073)**
New Homes Bonus	(1,116)	**(1,564)**
Council Tax Freeze Grant	0	**(61)**
New Burden Grants	(35)	**(32)**
Non Ring-fenced Grants shown on CIES p25	(5,235)	**(4,730)**
Capital Grants and Contributions shown on CIES p25	(1,255)	**(708)**
Donated Assets shown on CIES p25	(141)	**0**
Total Non Ring-fenced Grants included in CIES	(6,631)	**(5,438)**
Credited to Services:		
Housing Benefits	(27,058)	**(27,414)**
Grants for Revenue Expenditure funded from Capital	(486)	**(371)**
Other Grants & Contributions	(215)	**(297)**
Total grants & contributions credited to Services	(27,759)	**(28,082)**
Total Grants, Contributions and Donated Assets	(34,390)	**(33,520)**

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:

	2013/14	2014/15
Capital	£000s	£000s
Developers' Section 106 Contributions	(1,410)	**(898)**
	(1,410)	**(898)**
Revenue		
Developers' Section 106 Contributions	(92)	**(115)**
Other grants and contributions	(11)	**0**
	(103)	**(115)**

28. RELATED PARTIES

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

Central Government

The UK Central Government has significant influence over the Council's general operations, being responsible for providing the statutory framework within which the Council operates, providing the majority of its funding in the form of grants, and prescribing the terms of many of the transactions that the Council has with other parties (eg. council tax bills, housing benefits etc). Grants received from government departments are included in note 27 on page 62.

Members

Elected members of the council, and potentially close members of their families, exert direct control over the Council's financial and operating policies and as such must be identified as related parties. The statutory disclosure requirements in respect of members allowances are satisfied by note 24 on page 59. 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 2014/15 no interests were declared by members of SLT and the statutory disclosure requirements in respect of officer remuneration are satisfied by note 26 on pages 60 to 61.

Other Public Bodies

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

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

Letters were sent to all elected members, members of the Senior Leadership Team and to the deputy S151 and Monitoring Officers, explaining the requirements of IAS24, and seeking declarations to assist the demonstration of compliance with the standard. The information provided has been used in the preparation of the disclosures below. Details of outstanding debtors and creditors in respect of related parties are included within notes 14 and 16 on pages 47 and 48 respectively. The Council also maintains a register of members' interests, together with a record of interests declared at Cabinet and Council meetings.

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

28. RELATED PARTIES (Continued)

Organisation/Body	Nature of relationship	Receipts £000s	Payments £000s
APSE Midlands	Elected member is a representative	**0**	**13**
Citizens' Advice Bureau	Elected members are trustees and/or representatives	**0**	**53**
Derwent Living	Elected member is a director	**0**	**17**
East Midlands Council	Elected member is a representative	**(32)**	**10**
Gedling CVS	Elected members are trustees and/or representatives	**0**	**30**
Gedling Homes	Elected member is a director and/or representative	**(364)**	**2**
Gedling Conservation Trust	Elected member is a trustee and/or representative	**0**	**29**
Groundwork Greater Nottingham	Elected member is a representative	**0**	**23**
Local Government Association	Elected members are board members and/or representatives	**0**	**21**
Mapperley Golf Club	Elected members are representatives and/or have a management interest	**(64)**	**0**
Netherfield Primary School	Elected member is a governor	**(11)**	**0**
NHS Trust	Elected members are trustees, members and/or representatives	**(63)**	**0**
Nottinghamshire Police & Crime Commissioner's Office	Elected member is a member of the Crime Panel	**(20)**	**16**
Redhill Academy	Elected member is a trustee and governor	**(43)**	**2**
Rural Community Action Nottingham (RCAN)	Elected member is a representative	**0**	**11**
Other local authorities	Material employee relationships	**(499)**	**871**
Parish Council grant aid	GBC elected members on parish councils	**0**	**29**

29. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2013/14	2014/15
	£000s	£000s
Opening Capital Financing Requirement (CFR)	11,436	**12,384**
Additions:		
Property, Plant & Equipment (note 8)	1,501	**2,084**
Intangible assets (note 10)	0	**62**
Revenue expenditure funded from capital under statute (REFCUS)	646	**490**
Long Term Debtor - Local Authority Mortgage Scheme	1,000	**0**
Total Capital Investment	3,147	**2,636**
Financing:		
Capital receipts	(173)	**(860)**
Government Grants	(925)	**(371)**
Other Grants and Contributions	(566)	**(1,405)**
Minimum Revenue Provision (MRP)	(535)	**(534)**
Total Sources of Finance	(2,199)	**(3,170)**
Closing Capital Financing Requirement (CFR)	12,384	**11,850**
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	948	**(534)**
Increase/(Decrease) in Capital Financing Requirement (CFR)	948	**(534)**

30. TERMINATION BENEFITS

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

Five compulsory redundancies were made during 2014/15, incurring liabilities of £44,606. There were also four voluntary redundancies, incurring total liabilities of £101,784.

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 £	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£0 to £20,000	1	**4**	1	**2**	2	**6**	17,474	**46,128**
£20,000 to £40,000	0	**1**	0	**1**	0	**2**	0	**45,560**
£40,000 to 60,000	0	**0**	0	**1**	0	**1**	0	**54,702**
	1	**5**	1	**4**	2	**9**	17,474	**146,390**

31. POST-EMPLOYMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME

(i) Participation in the Pension Scheme:

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

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

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

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

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

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

(ii) 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 and expected early retirements under the scheme rules, discounted to present values.

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

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

Service cost - comprising:

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

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

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

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

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

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

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

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

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

Benefits paid - payments to discharge liabilities directly to pensioners.

(iii) 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 25) 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 24). Transactions affecting the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement are shown below.

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

	2013/14	2014/15
	£000s	£000s
Comprehensive Income and Expenditure Statement (CIES):		
Cost of Services:		
a) Service cost comprising:		
Current service cost	2,322	**1,787**
Past service cost	18	**76**
b) Other Operating Expenditure:		
Administration Cost	4	**10**
c) Financing & Investment Income & Expenditure:		
Net Interest Cost	1,287	**1,377**
Total Post Employment benefits charged to the Surplus or Deficit on the Provision of Services	3,631	**3,250**
Re-measurement of the net defined liability comprising:		
Return on plan assets in excess of interest (gain)	(843)	**(3,682)**
Other actuarial (gains) and losses on assets	1,753	**0**
Actuarial (gains) and losses on changes in financial assumptions	1,413	**13,649**
Actuarial (gains) and losses on changes in demographic assumptions	3,951	**0**
Experience (gains) and losses on defined benefit obligation	(5,606)	**0**
Total Re-measurements (See Comprehensive Income and Expenditure Statement on page 25)	668	**9,967**
Total Post Employment benefits charged to the Comprehensive Income and Expenditure Statement	4,299	**13,217**
Movement in Reserves Statement:		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code (see note 5)	(3,631)	**(3,250)**

Actual amount charged against the General Fund Balance for pensions in the year:	2013/14 £000s	2014/15 £000s
Employer's contributions payable to the scheme	1,504	**1,523**
Discretionary payments (added years, pension strain etc)	131	**156**
Total	1,635	**1,679**

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

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

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

	2010/11 £000s	2011/12 £000s	2012/13 £000s	2013/14 £000s	2014/15 £000s
Present value of the funded defined benefit obligation	62,036	74,351	81,735	85,195	**102,219**
Fair value of assets	(46,816)	(47,208)	(54,160)	(55,010)	**(60,581)**
Net liability arising from the funded defined benefit obligation (LGPS)	**15,220**	**27,143**	**27,575**	30,185	**41,638**
Present value of the unfunded obligation (Discretionary Benefits)	1,620	1,792	1,853	1,907	**1,992**
Net Pension Liability on the Balance Sheet	**16,840**	**28,935**	**29,428**	**32,092**	**43,630**

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits. These total £104.211m, including funded and unfunded obligations.

The net pension liability of £43.630m has a substantial impact on the net worth of the authority, as recorded in the Balance Sheet, reducing it by 139%. 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:	2013/14 £000s	2014/15 £000s
Opening defined benefit obligation	83,588	**87,102**
Current service cost	2,322	**1,787**
Interest Cost	3,710	**3,786**
Change in financial assumptions	1,413	**13,649**
Change in demographic assumptions	3,951	**0**
Experience loss/(gain) on defined benefit obligation	(5,606)	**0**
Estimated Benefits Paid (net of transfers in)	(2,670)	**(2,555)**
Past Service Cost including curtailments	18	**76**
Contributions by Scheme Participants	507	**496**
Unfunded Pension Payments	(131)	**(130)**
Closing defined benefit obligation	87,102	**104,211**

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

Reconciliation of the movements in the fair value of scheme assets:	**2013/14 £000s**	**2014/15 £000s**
Opening fair value of scheme assets	54,160	**55,010**
Interest on assets	2,423	**2,409**
Return on plan assets in excess of interest	843	**3,682**
Other actuarial gains/(losses)	(1,753)	**0**
Administration expenses	(4)	**(10)**
Contributions by Employer including Unfunded Benefits	1,635	**1,679**
Contributions by Scheme Participants	507	**496**
Estimated Benefits paid including Unfunded Benefits	(2,801)	**(2,685)**
Closing fair value of scheme assets	55,010	**60,581**

LGPS assets allocated to Gedling Borough Council by asset class	**2012/13**	**2013/14**	**2014/15**	
	£000s	**£000s**	**£000s**	**%**
Equities	39,537	40,157	**42,705**	**70**
Gilts	3,791	4,401	**1,893**	**3**
Other Bonds	3,250	2,751	**4,276**	**7**
Property	6,499	6,051	**7,071**	**12**
Cash	1,083	1,650	**2,946**	**5**
Inflation-linked Pooled Fund	n/a	n/a	**1,690**	**3**
Total assets allocated to Gedling Borough Council	54,160	55,010	**60,581**	**100**

It is estimated that Gedling Borough Council's share of the total assets in the fund is approximately 2%.

Information regarding the detail of the total assets held in the Fund at 31 December 2014 is summarised in the table below. This represents the percentages of the total Fund held in each asset class, split by those that have a quoted market price in an active market, and those that do not. Further information regarding the Fund's precise asset allocations is available from Nottinghamshire County Council Pension Fund as administering authority.

Asset Class		**Quoted %**	**Unquoted %**	**Total %**
Fixed Interest Gov't Securities	UK	3.1	0.0	**3.1**
	Overseas	0.0	0.0	**0.0**
Corporate Bonds	UK	6.7	0.0	**6.7**
	Overseas	0.3	0.0	**0.3**
Equities	UK	32.7	0.1	**32.8**
	Overseas	36.0	0.0	**36.0**
Property	All	0.0	11.7	**11.7**
Others:	Private equities	0.0	1.8	**1.8**
	Inflation-linked pooled fund	2.8	0.0	**2.8**
	Cash/temporary investments	0.0	4.8	**4.8**
Total		**81.6**	**18.4**	**100.0**

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

(v) Basis for estimating Liabilities and Assets:

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

Significant assumptions used by the actuary as at 31 March 2015 are as follows:

Expected return on assets:

For accounting years beginning on or after 1 January 2013, the expected return on assets and interest cost were 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 Merill Lynch AA rated corporate bond yield curve which has been chosen to meet the requirements of IAS19 and with the consideration of the Council's liabilities. This is consistent with the approach used at the last accounting date.

Mortality assumptions:

Assumed life expectations from the age of 65 are as follows:		**31 Mar 13 Years**	**31 Mar 14 Years**	**31 Mar 15 Years**
Retiring today-	Male	18.7	22.0	**22.1**
	Female	22.8	25.1	**25.2**
Retiring in 20 years-	Male	20.7	24.1	**24.2**
	Female	24.6	27.4	**27.6**

Financial Assumptions

The financial assumptions used for IAS19 purposes are as follows, and were set with reference to market conditions at 31 March 2015.

	31 March 2013		**31 March 2014**		**31 March 2015**	
	% pa	**Real %**	**% pa**	**Real %**	**% pa**	**Real %**
Retail Price Index increase	3.4	-	3.5	-	**3.2**	**-**
Consumer Price Index increase	2.6	-0.8	2.7	-0.8	**2.4**	**-0.8**
Salary Increase	4.8	1.4	4.5	1.0	**4.2**	**1.0**
Pension Increase	2.6	-0.8	2.7	-0.8	**2.4**	**-0.8**
Discount rate for liabilities	4.5	1.1	4.4	0.9	**3.3**	**0.1**

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

As future pension increases are expected to be based on CPI rather than RPI, the actuary has made a further assumption that CPI will be 0.8% below RPI, ie. 2.4%. 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.

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

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

Sensitivity analysis:	**£000s**	**£000s**	**£000s**
Adjustment to discount rate:	+0.1%	**0%**	-0.1%
Present value of total obligation	102,405	**104,211**	106,050
Projected service cost	2,188	**2,240**	2,293
Adjustment to long term salary increase:	+0.1%	**0%**	-0.1%
Present value of total obligation	104,508	**104,211**	103,915
Projected service cost	2,241	**2,240**	2,239
Adjustment to pension increase and deferred revaluation	+0.1%	**0%**	-0.1%
Present value of total obligation	105,767	**104,211**	102,683
Projected service cost	2,293	**2,240**	2,189
Adjustment to mortality age rating assumption	+ 1 Year	**None**	- 1 Year
Present value of total obligation	100,500	**104,211**	107,956
Projected service cost	2,162	**2,240**	2,318

Asset and liability matching strategy

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

Impact on the Council's cash flows

The objectives of the pension scheme are to keep employers contributions at as constant a rate as possible. Contributions are set every three years as a result of the actuarial valuation of the fund, as required by the regulations. The next triennial valuation will be carried out as at 31 March 2016 and will take account of 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 2016 is £3,665,000. Service cost is estimated to be £2,240,000, net interest on the defined liability £1,414,000, and administration expenses £11,000. Expected contributions for discretionary benefits are £134,400, as per the Council's own budget for 2015/16.

32. CONTINGENT LIABILITIES

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

33. 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. The Appeal Court has supported the taxpayers' right to compound interest, however in view of the amounts involved it is likely that HMRC will seek permission to appeal to the Supreme Court. Should this ongoing legal action be successful, the Council may benefit from a significant additional sum of interest.

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

In conjunction with its advisers, the Council has submitted claims for the reimbursement of output tax accounted for on the supply of sporting services, on the basis that it is not a taxable person in providing them and the services are therefore outside the scope of VAT. Should these claims be successful the General Fund may potentially benefit from over £1m, however HMRC have as yet not accepted the non-business principle and indeed has put forward an argument for sporting services to be classed as exempt.

Preserved Right to Buy Receipts

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

34. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised and issued by Mark Kimberley CPFA, Chief Financial Officer, on 30 June 2015. 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 2015, 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 2014/15

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.

2013/14				2014/15		
Council Tax £000s	NNDR £000s	Total £000s		Council Tax £000s	NNDR £000s	Total £000s
			INCOME:			
(55,682)	0	(55,682)	Council Tax Receivable	(57,872)	0	(57,872)
0	(20,810)	(20,810)	Business Rates Receivable	0	(20,878)	(20,878)
(55,682)	(20,810)	(76,492)		(57,872)	(20,878)	(78,750)
			Apportionment of previous year deficits			
0	0	0	Central Government	0	(329)	(329)
0	0	0	Nottinghamshire County Council	0	(59)	(59)
0	0	0	Notts. Police and Crime Commissioner	0	0	0
0	0	0	Combined Fire Authority	0	(6)	(6)
0	0	0	Gedling Borough Council	0	(263)	(263)
0	0	0		0	(657)	(657)
			EXPENDITURE:			
			Apportionment of previous year surpluses			
0	0	0	Central Government	0	0	0
386	0	386	Nottinghamshire County Council	416	0	416
54	0	54	Notts. Police and Crime Commissioner	58	0	58
23	0	23	Combined Fire Authority	24	0	24
52	0	52	Gedling Borough Council	56	0	56
515	0	515		554	0	554
			Precepts, Demands and Shares			
0	10,381	10,381	Central Government	0	10,530	10,530
41,041	1,868	42,909	Nottinghamshire County Council	42,486	1,895	44,381
5,835	0	5,835	Notts. Police and Crime Commissioner	6,039	0	6,039
2,397	208	2,605	Combined Fire Authority	2,481	211	2,692
5,265	8,304	13,569	Gedling Borough Council	5,344	8,424	13,768
472	0	472	Parish Councils	519	0	519
55,010	20,761	75,771		56,869	21,060	77,929

ANNUAL STATEMENT OF ACCOUNTS 2014/15

COLLECTION FUND STATEMENT (Continued)

2013/14				2014/15		
Council Tax £000s	NNDR £000s	Total £000s		Council Tax £000s	NNDR £000s	Total £000s
			Other Charges to Collection Fund			
216	52	268	Sums written off	157	184	341
126	115	241	Incr/(Decr) in Bad Debt Provisions	155	(80)	75
0	556	556	Incr/(Decr) in Provision for Appeals	0	1,221	1,221
0	183	183	Transitional Protection Payments due	0	89	89
0	102	102	Costs of Collection	0	102	102
0	0	0	Interest	0	2	2
342	1,008	1,350		312	1,518	1,830
185	959	1,144	**Net Deficit/(Surplus) for Current Yr.**	(137)	1,043	906
511	0	511	Add Balance BFwd from Previous Yr.	696	959	1,655
696	959	1,655	**Balance CFwd (Surplus) / Deficit (notes 2 and 4 to the Collection Fund Accounts)**	559	2,002	2,561

ANNUAL STATEMENT OF ACCOUNTS 2014/15

NOTES TO THE COLLECTION FUND ACCOUNTS

1. COUNCIL TAX BASE

		2013/14 Number	2014/15 Number
Chargeable Dwellings in each Band at Band D equivalent and after allowing for discounts, disregards, exemptions etc.	Band A*	14	**14**
	Band A	5,763	**5,798**
	Band B	8,582	**8,712**
	Band C	7,274	**7,327**
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 D	5,631	**5,812**
	Band E	4,006	**4,102**
	Band F	1,749	**1,762**
	Band G	1,232	**1,242**
	Band H	145	**143**
Council Tax Base		34,396	**34,912**

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 £0.696m. By 31 March 2015, this deficit had reduced to £0.559m.

Balance Sheet Debtors:	2013/14 £000s	2014/15 £000s
Nottinghamshire County Council (Local Authority Debtors)	527	**420**
Nottinghamshire Police & Crime Commissioner (General Debtors)	76	**60**
Combined Fire Authority (General Debtors)	31	**24**
	634	**504**
Council Tax Deficit attributable to Gedling BC	62	**55**
TOTAL	696	**559**

3. NATIONAL NON DOMESTIC RATES (NNDR)

	2013/14	2014/15
(a) Non Domestic Rateable Value at 31 March	£52,434,333	**£52,643,168**
(b) Multiplier for General Businesses	47.1p	**48.2p**
(c) Multiplier for Small Businesses	46.2p	**47.1p**

NOTES TO THE COLLECTION FUND ACCOUNTS (Continued)

4. 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 2015, the deficit on the NNDR Collection Fund was £2.002m.

Balance Sheet Debtors:	**2013/14 £000s**	**2014/15 £000s**
Central Government	480	**1,001**
Nottinghamshire County Council (Local Authority Debtors)	86	**180**
Combined Fire Authority (General Debtors)	9	**20**
	575	**1,201**
NNDR Deficit attributable to Gedling BC	384	**801**
TOTAL	959	**2,002**

5. 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 percentages for impairment applied reflect an assessment of the recoverability of each debt based on past experience and a view of the impact of the prevailing economic climate. The total Collection Fund provision for impairment at 31 March 2015 is £1,205,200, of which £51,200 and £109,200 represent Gedling's shares of NNDR and Council Tax respectively.

Effect if actual results differ from assumptions

If collection rates were to deteriorate, a 10% increase on the impairment percentage would require an additional £278,900 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.

Appeals:

Uncertainties

The Business Rates Retention scheme introduced a requirement to maintain a provision for rating appeals. The system is complex and neither the number of successful appeals nor the percentage reduction in rateable value achieved can be pre-determined. The current provision totals £1,777,200 of which the Council's share as billing authority is £710,900.

Effect if actual results differ from assumptions

A change of 5% in the assumed success rate could increase or decrease the provision required by around £400,000. Of this, the Council's share as billing authority would be £160,000.

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Audit Statements

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 2015 on pages 24 to 77. 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 2014/15.

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 2015 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 2014/15.

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:

- the annual governance statement set out on pages 84 to 88 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 2014, 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 arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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 2014, 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 2015.

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.

Andrew Bush
for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants
St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

25 September 2015

Accompanying Statements

ANNUAL STATEMENT OF ACCOUNTS 2014/15

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 priorities 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 2015 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 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 are incorporated within the Corporate Governance Framework. This records the process and results for identifying, assessing, managing and monitoring strategic risks. These documents are updated and reviewed by senior management regularly. Control issues identified within Internal Audit reviews are integrated within the Risk Management process, providing an holistic and integrated source of assurance.

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

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

- Annual review of the effectiveness of the Authority's Corporate Governance Framework, including signed Assurance Statements from Corporate Directors and Service Managers,
- An established anti-fraud strategy, including whistle-blowing procedures, communicated to members, officers and the public and available on the Council's website,
- Audit Committee established to undertake the core functions as identified in CIPFA guidance,
- The Terms of Reference for the Audit Committee have been reviewed and previously updated to include specific responsibility for reviewing risk management procedures, including the reporting arrangements on strategic risks via a corporate risk scorecard.
- The development of a risk register to include the identification of strategic partnership 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 ensure that professional standards are maintained,
- A Risk Management Strategy that is led by Senior Management for the identification and evaluation of Corporate Risks, and integrated with the work of Internal Audit to provide an holistic source of assurance aligned to corporate objectives,
- Departmental operational risk registers, subject to regular departmental review,

- 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 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 to each of them individually and collectively. Annual statements are made by the Chief Officers confirming compliance within their respective areas of responsibility and highlighting areas of concern if appropriate.

Measures to address the weaknesses and issues identified in the above reviews are included in the service plans for 2015-16.

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.

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.

ANNUAL GOVERNANCE STATEMENT

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 External Auditor's annual audit and inspection letter and governance report and other inspectorate reports.

The CIPFA statement on the "Role of the Head of Internal Audit" outlines 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.

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

SIGNIFICANT GOVERNANCE ISSUES: There were no significant issues identified within the Governance process to warrant inclusion in the 2014-15 Annual Governance Statement. The Council's external auditors did not identify any significant risks for consideration within their 2014-15 audit plan.

EMERGING GOVERNANCE ISSUES: The following issues are not highlighted as current control or risk concerns, 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 uncertain economic and political climate. Despite ongoing pressures and squeezes on costs, income streams and funding, effective planning has resulted in the Council's 2015-16 budget having no significant reductions in service.

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

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

- **Employee Pay & Rewards** – as a consequence of the improving economic climate, the job market is becoming increasingly buoyant with employees becoming increasingly confident to change employers.

  This may become a specific issue for the Council if they fail to remain competitive with respect to pay and benefits, particularly where recruitment competes with the private sector. This

may pose a specific problem with respect to experienced technically qualified professional staff.

The Council has responded to this risk and is in the process of undertaking an independent review to consider the competitiveness of its current pay and rewards policy.

In addition to the above emerging issues, during 2015-16 the Council will need to manage particular challenges arising from welfare reform and the introduction of Universal Credit and the associated transfer of the fraud investigation team.

Furthermore the Council, whilst having developed internal procedures to ensure compliance with the Transparency Code, will need to monitor the robustness of procedures to address the inherent risk associated with full compliance.

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 2015-16 have been developed.

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

Signature of the Chief Executive: Date:

John Robinson **24 June 2015**

Signature of Leading Member: Date:

John Clarke **24 June 2015**

This is the Audited Version, published on 30 September 2015 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

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Our Ref: MSK/SMH

Please ask for: Mark Kimberley

Date: 23 September 2015

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

Dear Sir,

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 2015, 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 2015 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 2014/15.

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 and 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 2015 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 2014/15.

   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.

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.

4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

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.

    Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

    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:

    a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's and the ability to continue as a going concern as required to provide a true and fair view.

    b) 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 22 September 2015.

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.

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Report to Audit Committee

Subject: **Follow-up of Audit Recommendations**

Date: **22nd September 2015**

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

Recommendations made in the following audit report were followed-up during the period July – September 2015.

- IAR1415-04 Banking

IAR1415-04 Banking

The report, issued in October 2014, provided **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed. Three low risk recommendations were made.

A review of progress of management action against these recommendations was undertaken in August 2015. The review confirmed that two recommendations had been fully implemented. Significant progress had been made against the remaining recommendation which, whilst being classed as partially implemented, was not reiterated in the recently issued Banking report (IAR1516-03).

4. Resource Implications

To be delivered within existing budgets.

5. Recommendation

Members are requested to note the report.

Report to Audit Committee

Subject: **Summary of Audit Activity**

Date: **22nd September 2015**

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 2015.

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.

- IAR1516-01 Civic Centre Cashiers
- IAR1516-02 (a-e) Leisure Centre Cashiers
- IAR1516-03 Banking

IAR1516-01 Civic Centre Cashiers

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

IAR1516-02 (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.

IAR1516-03 Banking

The report provided substantial assurance with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed. There were no recommendations made within the report.

In addition to the above reviews, the final report from the Trade Waste review has now been issued. The issues raised in the report were highlighted previously to the Committee in June. Due to the nature of the risks highlighted in the report, the level of assurance provided was limited.

A high risk recommendation was made requiring a valid Duty of Care Waste Transfer Note is in place for all trade waste customers.

In addition three medium risk recommendations were made relating to a lack of an up to date Trade Waste policy and supporting procedures and also a lack of effective management information and monitoring particularly in respect of performance and arrears management.

The full report is provided below for member consideration.

Work in Progress

Audit fieldwork and testing has commenced on the Debtors review.

4. Resource Implications

To be delivered within existing budgets.

5. Recommendation

Members are requested to note the report.

INTERNAL AUDIT

FINAL REPORT

Title: Waste Income

Report Distribution

For Action:	Caroline McKenzie	Service Manager – Waste Services
For Information:	Mark Kimberley	Corporate Director & Chief Financial Officer
	David Wakelin	Corporate Director
	Colleen Warren	Principal Accountant
	Thomas Tandy	KPMG

Prepared By:	Sheila Patel, Lead Auditor, Baker Tilly Caitlin Stubbs, Auditor, Baker Tilly
Draft Issued:	15 April 2015
Final Issued:	08 June 2015

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Executive Summary

Introduction

An audit of Bulky and Trade Waste was undertaken as part of the approved internal audit periodic plan for 2014/15.

The Bulky and Trade Waste Service is provided by the in house Waste Services Team, led by the Waste Services Manager.

The Council provides a Trade Waste service to business and organisations situated within the Borough. The service is provided to approximately 800 customers which include any kind of business or profit making organisation, charities, shops, colleges, offices, homes for the elderly, hospitals and schools.

The fee charged is based on the size and number of waste containers required and the frequency of collection. Four different bin sizes are available; 240 litres, 360 litres, 770 litres and 1100 litres.

A commercial hazardous waste collection service is not provided, and the Council does not provide a trade recycling collection service to businesses however customers who do not pay disposal costs (such as schools) can receive a recycling collection service as part of the domestic rounds. Any school in Gedling Borough can recycle their paper, cardboard, plastic bottles, tins and cans by requesting a recycling bin.

All Trade Waste customers are required to sign an agreement and a Duty of Care Waste Transfer Note. This is a legal requirement and must be in place before any transfer of waste can take place between the customer and the Council. At the Council the Duty of Care Waste Transfer Note is valid for a year and has to be renewed and signed by each customer annually.

The Trade Waste accounts are maintained on the Civica system and Trade Waste customers are billed quarterly (except for schools which are billed annually). Arrears management for Trade Waste is carried out by a designated member of the Finance Team.

Bulky waste is a one off service for the collection of unwanted bulky household goods. It costs £14 for one item, £17 for up to three items, £22 for up to five items and £33 for up to ten items. The two collection types are:

- Domestic fridges / freezers and electrical items, e.g. television, washing machine, microwave, cooker; and
- Bulky non-electrical items, e.g. mattresses, sofas, carpets, wardrobes, etc.

Payment for this service can be made via the Council's website and through the customer centre.

Principal Findings

	High	Medium	Low
Number of recommendations	1	3	1

The detailed findings and associated recommendations are provided in the second part of this report.

The High recommendation raised relates to:

- Ensuring that a valid Duty of Care Waste Transfer Note is in place for all trade waste customers.

The medium recommendation raised relates to:

- Lack of a Trade Waste Policy.
- Trade Waste Procedures are not up to date and do not reflect current working practices.
- Arrears management on trade waste customers not always being carried out in accordance to the Council's procedures.

Assurance Statement

Internal Audit can provide **limited assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed.

Areas of good practice include:

- An up to date list of charges is in place for the collection of Trade and Bulky Waste. This is updated on an annual basis and is approved by the Portfolio Holder for Environment.
- Fees and charges are determined based upon all costs relating to the service and an inflationary increase is applied each year.
- A Service Plan is in place for Waste Services which includes actions relating to improving the efficiency of Trade and Bulky Waste activities.
- All customers are required to sign a Trade Waste Agreement which outlines the service to be provided and is signed by the customer.
- For all refunds, a form is completed by the Waste Services Team and is authorised by the Waste Services Manager before being passed to Finance for processing.
- The Council issues a letter to all Trade Waste customers in February each year notifying them of the increase in charges. A Duty of Care Waste Transfer Note is also sent for completion with this letter.
- Customers are able to pay for bulky waste collections on the website or through Customer Services.
- When a payment is received for a bulky collection an automated email is received by the Waste Services Team. On receipt of the email arrangements are made for the collections to be made.
- Grace periods are not offered for trade waste and the only discount that is offered is on multiple bins.

- Regular arrears management reports are provided to the Waste Services Team to enable them to either arrange for the bins to be collected or for the service to be stopped until payment is made.

Introduction

Objective & Scope

The purpose of the audit review was to evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion.

The objective of the area under review was to ensure that the provision of Bulky and Trade Waste Services within the Borough is adequate and well controlled and that all income due to the Council is received and accounted for.

The control areas included within the scope of the review were:

- Trade Waste Strategy (including Bulky Waste).
- Policies and procedures.
- Charging policies and schedule of rates (including review and authorisation).
- The allocation of discounts, grace periods, etc.
- Operational efficiency and effectiveness (including the use of automated processing).
- Income collection and reconciliation.
- Compliance with Health & Safety legislation.
- Allocation of income and budget monitoring.
- Management information and reporting.

The following limitations to scope of the audit were agreed when planning the audit:

- We will not provide assurance that all aspects of Health and Safety are complied with.
- We will undertake an assessment of the adequacy of aspects of the control framework and we will undertake limited testing to confirm its operation in practice.
- Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.
- Testing will be on a sample basis only based on transactions during this financial year.

This audit report is presented on an exception basis.

The detailed findings include only those areas where controls should be enhanced to improve their effectiveness and mitigate the risks that affect the Authority's objectives for the system reviewed. Controls and risks identified in the scope that are not mentioned in the detailed findings were considered to be adequate and operating effectively.

Acknowledgement

A number of staff gave their time and co-operation during the course of this review. We would like to record our thanks and appreciation to all the individuals concerned.

Detailed Findings

Observation	Risks	Recommendation	Management's Response
Recommendation 1 - Trade Waste Policy **Level of Risk - Medium**			
We were informed by the Waste Services Manager that a Trade Waste Strategy / Policy is in place. However this was put in place some years ago and has not been subject to regular review. We were also not provided with a copy for review to confirm this contains the appropriate information. As a copy was unable to be provided, this also indicates that the policy is not readily available for all staff to access and refer to as appropriate.	There is a risk that up to date guidance is not in place for staff leading to incorrect processing in relation to trade waste.	The Trade Waste Policy should be reviewed to ensure this contains up to date information regarding the Trade Waste Service. This should be disseminated to all the relevant staff and retained in an accessible place. A review cycle should be established to ensure the policy is reviewed on a regular basis. **Action: Caroline McKenzie – Service Manager – Waste Services**	**Management Comment:** We used to have a waste strategy/policies but these have not been updated for some time. I was not aware that the auditors hadn't received a copy of our commercial and industrial waste policy. **Planned Corrective Action:** Will revisit waste strategy and review any waste policies and update as necessary. **Timescale:** 30th September 2015

Observation	Risks	Recommendation	Management's Response
Recommendation 2 - Procedures **Level of Risk - Medium**			
A review of the Trade Waste procedures in place found that these include guidance on requests for Trade Waste sacks, a service no longer provided by the Council, as all business customers are now provided with bins for the collection of trade waste. It was also noted that there were no documented procedures for Bulky Waste.	There is a risk that complete and up to date procedural guidance is not in place for the staff leading to incorrect processes being followed.	Trade Waste procedures should be updated to reflect current practices, and to specifically include: • Updated procedures around no longer using Trade Waste sacks; • To include procedures for the administration of Bulky Waste should be documented. **Action: Caroline McKenzie – Service Manager – Waste Services**	**Management Comment:** We do still have sacks for some customers who cannot have bins. Procedures for bulky waste are on our help centre which customer services use and service support staff use, however procedures embedded but not updated for some time. **Planned Corrective Action:** Will review and update Trade Waste procedures. **Timescale:** 30th September 2015

Observation	Risks	Recommendation	Management's Response
Recommendation 3 - Website **Level of Risk - Low**			
A review of the GBC website found that it provides information on the Trade Waste service and includes a link to the Trade Waste and Recycling leaflet. A review confirmed that as from July 2013 the Council ceased to provide a recycling service to trade customers and this is documented on the Council's website. It was identified that this Trade Waste and Recycling leaflet was updated in December 2013; however, the link on the website has not been updated and still takes readers to the previous leaflet which includes information on recycling.	There is a risk that up-to-date information is not being provided on the Councils Website in relation to the Trade Waste Service.	The information provided on the Council's website should be reviewed and updated to ensure that the most up to date information is provided to the Council's customers. **Action: Caroline McKenzie – Service Manager – Waste Services**	**Management Comment:** An oversight which should have been addressed last year. **Planned Corrective Action:** Email sent to the Communications team to correct 9th March 2015. **Timescale:** Immediate

Observation	Risks	Recommendation	Management's Response
Recommendation 4 - Duty of Care Waste Transfer Note **Level of Risk - High**			
The Waste (England and Wales) Regulations 2011 require that all collections are covered by a valid Duty of Care. Testing was carried out to confirm that a valid Duty of Care note was in place for each customer. For a sample of 15 new customers it was confirmed that a valid Duty of Care note was in place. For a sample of 15 existing customers, it was noted that in three cases a valid Duty of Care was not in place. For a sample of 15 schools, it was noted that: • In four cases a valid Duty of Care was not in place. • In three cases, collections had been made without a valid Duty of Care being in place, e.g. 'valid from' dates are recorded as 1st April 2014 however the Duty of Care was not signed until May, June and October 2014.	There is risk of the Council incurring financial fines/penalties where a valid Duty of Care note is not in place when collections are made.	A complete review should be undertaken to ensure that a valid Duty of Care Waste Transfer Note is in place for all customers. A monitoring system should be put into place to ensure that all customers have completed and signed and dated a valid Duty of Care Waste Transfer Note before the expiry of the previous note. **Action: Caroline McKenzie – Service Manager – Waste Services**	**Management Comment:** Control measure in place to ensure information returned but not being used. Will investigate and take necessary action. **Planned Corrective Action:** Instruction given to ensure checked on a weekly basis and followed up. Also in future will amend paperwork to include a deadline date. **Timescale:** 30th June 2015

Observation	Risks	Recommendation	Management's Response
Recommendation 5 - Management Information **Level of Risk - Medium**			
No management information is produced for monitoring the Trade Waste Service. We found that no information relating to performance to analyse the service and identify potential improvements is undertaken.	There is a risk that monitoring information is not produced for Trade waste and as a result monitoring of arrears management is not carried out at management level as well as monitoring on success or effectiveness of the services provided.	Management information including arrears management and general performance analysis reports should be produced on a regular basis. These should include a set of agreed KPIs / metrics to monitor on-going performance. The Arrears Management reports should be monitored by the Waste Services Team Leader each month. **Action: Caroline McKenzie – Service Manager – Waste Services**	**Management Comment:** The agreement spreadsheet has data on such as number of bins, bin sizes and customers. There is also a marketing spreadsheet for information. This information is updated regularly and used for quarterly budget monitoring and budget preparation. The staff who work on Trade Waste monitor and manage their side of the arrears report on a weekly basis before producing the rounds for the following week. Trade waste has also been separated on the financial management system.

			Planned Corrective Action: To review the current array of performance management, marketing and financial data and assess the need for additional/amended reports to support management decision making. The review will include the appropriateness and use of arrears management reports and processes as outlined above in rec 5. **Timescale:** 30th September 2015

Annex A

Risk & Assurance - Standard Definitions

Audit Recommendations

Audit recommendations are categorised, depending upon the level of associated risk, as follows:

Level	Category	Definition
1	High	Action is essential to manage exposure to fundamental risks.
2	**Medium**	Action is necessary to manage exposure to significant risks.
3	**Low**	Action is desirable and should result in enhanced control or better value for money.

Assurance Statement

Each report will provide an opinion on the level of assurance that is provided with respect to the risks emanating from the controls reviewed. The categories of assurance are as follows:

Category	Definition
No	The majority of the significant risks relating to the area reviewed are not effectively managed.
Limited	There are a number of significant risks relating to the area reviewed that are not effectively managed.
Substantial	The risks relating to the objectives of the areas reviewed are reasonably managed and are not cause for major concern.

What Happens Now?

The final report is distributed to those involved with discharging the recommended action, the Chief Financial Officer, External Audit and, where applicable, the relevant Corporate Director.

A synopsis of the audit report is provided to the Authority's Audit Committee. Internal Audit will carry out a follow-up exercise approximately six months after the issue of the final audit report. The on-going progress in implementing each recommendation is reported by Internal Audit to each meeting of the Audit Committee.

Any Questions?

If you have any questions about the audit report on any aspect of the audit process please contact the auditor responsible for the review or Vince Rimmington, Service Manager - Audit & Asset Management on telephone number 0115 9013850 or via e-mail to vince.rimmington@gedling.gov.uk

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