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Gedling Borough Council

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

Agenda

Audit Committee

Date: **Tuesday 12 September 2017**

Time: **5.30 pm**

Place: **Committee Room**

For any further information please contact:

Lyndsey Parnell

Senior Democratic 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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MINUTES
AUDIT COMMITTEE

Tuesday 21 March 2017

Councillor Paul Feeney (Chair)

Councillor Bob Collis	Councillor Boyd Elliott
Councillor Sandra Barnes	Councillor Helen Greensmith
Councillor Chris Barnfather	Councillor Viv McCrossen

Officers in Attendance: A Ball, M Hill and L Parnell

Also in Attendance: A Ali (RSM), A Bush (KPMG), T Tandy (KPMG) C Williams (RSM)

23 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS.

None received.

24 TO APPROVE, AS A CORRECT RECORD, THE MINUTES OF THE MEETING HELD ON 13 DECEMBER 2016.

RESOLVED:

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

1. That “The meeting finished at 4.05pm” be amended to read, “The meeting finished at 6.05pm”.

25 DECLARATION OF INTERESTS.

None.

26 KPMG CERTIFICATION OF GRANTS ANNUAL REPORT 2015/16

Mr Tandy (KPMG) presented the report, which had been circulated prior to the meeting, summarising the high level messages and recommendations arising from the report.

RESOLVED:

To note the report.

27 KPMG 2016-2017 EXTERNAL AUDIT PLAN

Mr Bush (KPMG) presented the report, which had been circulated prior to the meeting, setting out the External Audit Plan and associated key deliverables in respect of the audit/review and report on the 2016/17 Financial Statements (including the Annual Governance Statement) and the Value for Money Arrangements of the Council.

RESOLVED:

To note the report.

28 SUMMARY OF INTERNAL AUDIT ACTIVITY - GBC IN-HOUSE SERVICE

The Deputy Chief Executive (Chief Finance Officer) presented a Summary of Internal Audit Activity.

RESOLVED:

To note the report.

29 RSM INTERNAL AUDIT PROGRESS REPORT

Mr Ali (RSM) presented the Internal Audit Progress Report, which had been circulated prior to the meeting, providing a summary update on progress against the planned reviews and summarising the results of work to date.

RESOLVED:

To note the report.

30 RSM'S CONFORMANCE WITH THE IIA STANDARDS

Mr Williams (RSM) presented a report, which had been circulated prior to the meeting, which outlined RSMs conformance with the IIA Standards.

RESOLVED:

To note the report.

31 INTERNAL AUDIT STRATEGY 2017/18 - 2019/20

Mr Williams (RSM) presented a report that had been circulated prior to the meeting, summarising the internal audit strategy for 2017/18 – 2019/20.

RESOLVED

To note the report.

32 ANY OTHER ITEM WHICH THE CHAIR CONSIDERS URGENT.

None.

The meeting finished at 6.00 pm

Signed by Chair:
Date:

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Gedling Borough Council

Report to Audit Committee

Subject: **Annual Internal Audit Report 2016/17**

Date: **12 September 2017**

Author: **Deputy Chief Executive and Director of Finance**

1. Purpose of the Report

1.1 To report on the activities of Internal Audit during the 2016/17 financial year that includes, amongst other matters, an opinion on the overall adequacy and effectiveness of the Council's internal control environment.

2. Background

The role of Internal Audit

2.1 The role of internal audit is to provide management with an objective assessment of the adequacy and effectiveness of internal control, risk management and governance arrangements. Internal audit is therefore a key part of Gedling Borough Council's assurance cycle, and if used properly, can help to inform and update the organisation's risk profile. Internal audit is just one of the sources of assurance available to the Council and the Audit Committee.

Governance Statement

2.2 Under Regulation 6(1) of the Accounts and Audit (England) Regulations 2015, which amended the 2011 Regulations, authorities are required to publish an Annual Governance Statement in line with the CIPFA/SOLACE Framework *"Delivering Good Governance in Local Government"*, to meet with that statutory requirement.

2.3 As the Council's Head of Internal Audit retired on 31 March 2017 with no direct replacement, the Deputy Chief Executive and Director of Finance (as the Acting Head of Internal Audit) has issued an opinion that forms part of the framework of assurances that assist the Council in preparing an informed Annual Governance Statement. However, the annual audit work programme for 2016/17 and the finalisation of those audits were all completed under the supervision, control and guidance of the Head of Internal Audit during the year.

Annual Internal Audit Report

2.4 The report includes, based on the work undertaken by the internal team and RSM, an opinion regarding the adequacy and effectiveness of Gedling Borough Council's arrangements for governance, risk management and internal control.

2.5 The report summarises the work undertaken by Internal Audit during the financial year 2016/17 to formulate that opinion.

2.6 The overall opinion issued to Gedling Borough Council for 2016/17 is as follows:

"Internal audit are satisfied that sufficient internal audit activity has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of Gedling Borough Council's risk management, governance and control processes.

It is internal audit's opinion that, for the 12 months ending 31 March 2017, Gedling Borough Council has adequate and effective risk management, governance and internal control processes to manage and achieve the organisation's objectives."

2.7 The Council has an established Risk Management Strategy in place. The risks identified are recorded at both a strategic level in the Corporate Risk Register, and an operational level in Service Risk Registers. This two tier approach ensures that the highest level of strategic risks, those which present the greatest challenge to the Council, are identified, evaluated and closely monitored by the Senior Leadership Team and the Audit Committee.

2.8 To inform the governance opinion for 2016/17, consideration was taken of the governance and oversight-related elements of each of the reviews delivered as part of the 2016/17 Internal Audit Plan. The end-of-year processes in regard to the signed Assurance Statements were also reviewed. It was concluded that there is a sound governance framework in place and the Audit Committee is effective in monitoring and challenging management.

2.9 In total, 11 internal audit reviews were undertaken during 2016/17. These comprised of 10 assurance reviews and 1 follow-up. Of these, 10 resulted in Substantial Assurance being provided, and 1 resulted in Reasonable Assurance being provided.

2.10 In conclusion, the Council has maintained progress within the areas of governance, risk management and control arrangements.

3. Recommendations

3.1 Members are requested to receive and accept the Report as presented.

Appendix 1

GEDLING BOROUGH COUNCIL

ANNUAL INTERNAL AUDIT REPORT 2016/17

Definition of Internal Audit

1.1 The definition of internal audit, as described in the CIPFA's "*Code of Practice for Internal Audit in Local Government in the United Kingdom"* is set out below.

1.2 *"Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, internal control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper economic, efficient and effective use of resources."*

Annual Governance Statement

1.3 Since 2007/08, authorities have been required to publish an Annual Governance Statement (AGS) in line with the CIPFA/SOLACE *"Delivering Good Governance Framework"* to meet that statutory requirement. The statement brings a number of benefits to government organisations, including:

- Increased awareness of internal controls and control weaknesses, and risk management among Section 151 Officers, Councillors and senior management,
- Greater awareness of the importance of risk identification and monitoring amongst staff at all levels,
- Better appreciation of the benefits of a strong internal audit function,
- Greater awareness of other internal and third party assurance sources that operate within the organisation and the importance of the role that they fulfil, and
- Increased and encouraged Audit Committee activity.

1.4 The Internal Audit team(s) issue assurance opinions for each audit review undertaken throughout the year, and these form part of the framework of assurances that assist in the preparation of the Annual Governance Statement.

1.5 The work of the Internal Audit team(s) for the 2016/17 financial year is summarised in this report.

Significant Events / Factors During the Year

1.6 There have not been any significant events or factors during the financial year that have affected the extent of the internal audit work or needed to be addressed as an additional part of the Internal Audit Plan.

The Statement of Assurance

1.7 The Head of Internal Audit is required to provide the Council with assurance on the whole system of internal control. In providing the opinion, it should be noted that the level of assurance given can never be absolute. The Internal

Audit service can only provide reasonable assurance that there are no major weaknesses in risk management, governance and internal control processes.

1.8 In arriving at the audit opinion, consideration has been given to:

- The results of all audits undertaken during the financial year;
- The results of follow-up action taken in respect of audits from previous years;
- Whether or not any high or medium risk recommendations have not been accepted by management and the consequential risks;
- The effects of any material changes in the organisation's objectives and activities;
- Any limitations that have been placed on the scope of internal audit;
- Whether there have been any resource constraints imposed upon internal audit which may have impinged on the ability to meet the full internal audit needs of the organisation;
- The proportion of the organisation's internal audit requirements that have been covered to date.

Internal Audit Opinion

1.9

Internal Audit are satisfied that sufficient internal audit activity has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of Gedling Borough Council's risk management, governance and control processes.

It is internal audit's opinion that, for the 12 months ending 31 March 2017, Gedling Borough Council has adequate and effective risk management, governance and internal control processes to manage and achieve the organisations objectives.

1.10 In reaching this opinion the following factors were taken into particular consideration:

Risk Management

1.11 The Authority has developed and implemented a Risk Management Strategy, which defines a standard approach (common language) to risk terminology, the formalisation of reporting procedures and the introduction of Key Performance Indicators to measure how effectively risks are being managed and the extent to which risk management procedures are embedded across the organisation.

1.12 Strategic and operational risk registers are reviewed bi-annually by management. All identified risks are aligned to the 11 corporate risks identified against the Authority's objectives. All audit recommendations are also aligned to these corporate risks, which, when considered with other internal and external sources of assurance, provide the Authority with an integrated and holistic assurance process.

1.13 The outcomes from these multiple assurance sources are consolidated into the Authority's Corporate Risk Scorecard and reported into the Senior Leadership Team and Audit Committee.

1.14 This approach provides a well-organised system and methodology to underpin the arrangements made by the organisation to address and mitigate the risks arising from its environment.

1.15 Overall, it is Internal Audit's opinion that Gedling Borough Council has adequate and effective risk management processes to manage the achievement of its business objectives.

Governance

1.16 The CIPFA/SOLACE guidance note and framework – *"Delivering Good Governance in Local Government"* defined corporate governance in local authorities as *"the system by which local authorities direct and control their functions and relate to their communities".* The guidance issued a framework for local authorities and recommended that they draw up a Local Code of Corporate Governance.

1.17 Gedling Borough Council has established a Local Code of Corporate Governance and developed a Governance Framework based on the principles within the CIPFA/SOLACE guidance.

1.18 In addition to the Governance Framework review, signed Assurance Statements are obtained from Corporate Directors and Service Managers. The statements are based directly on assurances given with respect to compliance with the Authority's Financial Regulations. Service Manager's are encouraged to involve their line reports in the process, particularly where day-to-day responsibilities are delegated.

1.19 Overall, it is Internal Audit's opinion that Gedling Borough Council has adequate and effective governance processes to manage the achievement of its business objectives.

Internal Control

1.20 Overall, it is Internal Audit's opinion that Gedling Borough Council has adequate and effective control processes to manage the achievement of its business objectives.

1.21 The overall internal audit opinion statement provided in section 1.9 should be used by the Authority in the preparation of the Annual Governance Statement.

1.22 During the year 11 audit reports were undertaken to provide formal assurance statements with respect to the adequacy of the control environment. Substantial Assurance was provided on 10 of these reports, with 1 given a

Reasonable Assurance. In addition there were 2 cash-ups undertaken for which no issues were identified.

1.23 There are no audit reviews being carried forward to the 2017/18 Audit Plan.

Title	Audit Recommendations			Assurance Level
	High	Medium	Low	
Audits provided by Internal Resource:				
1.Civic Centre Cashiers	n/a	n/a	n/a	n/a
2.Leisure Centre Cashiers	n/a	n/a	n/a	n/a
3.Banking	0	0	2	Substantial
4.Follow-up Standby and Callout Policy	0	3	1	Reasonable
5.Lending and Borrowing	0	0	1	Substantial
6.Member Disbursements	0	0	0	Substantial
7.Officer Disbursements	0	0	1	Substantial
Audits provided by RSM:				
8.Debtors	0	0	6	Substantial
9.Payroll	0	1	1	Substantial
10.Creditors	0	0	2	Substantial
11.NNDR	0	2	1	Substantial
12.Council Tax	0	2	1	Substantial
13.Housing Benefits	0	1	5	Substantial
Overall Total	**0**	**9**	**21**	

Trend Analysis of Audit Activity

1.24 The table below highlights the trend in assurance levels provided from internal audit reviews completed over the last 10 financial years. The assurance provided from internal audit activity shows a sustained improvement since 2007/08 in the control environment reviewed.

Assurance	Substantial	Reasonable / Limited	None
2016-17	10	1	0
	91%	9%	0%
2015-16	13	0	0
	100%	0%	0%
2014-15	13	1	0
	93%	7%	0%
2013-14	12	1	0
	92%	8%	0%

2012-13	13	2	0
	87%	13%	0%
2011-12	15	1	0
	94%	6%	0%
2010-11	16	0	0
	100%	0%	0%
2009-10	16	2	0
	89%	11%	0%
2008-09	14	2	0
	88%	12%	0%
2007-08	17	4	0
	81%	19%	0%

1.25 The table below summarises the total number of audit recommendations by risk category emanating from completed audit reviews over the last 10 financial years.

Recommendations	**High**	**Medium**	**Low**
2016-17	0	9	21
	0%	30%	70%
2015-16	0	4	30
	0%	12%	88%
2014-15	1	12	32
	2%	27%	71%
2013-14	0	12	31
	0%	28%	72%
2012-13	2	12	35
	4%	25%	71%
2011-12	0	11	46
	0%	19%	81%
2010-11	0	6	46
	0%	12%	88%
2009-10	0	17	62
	0%	22%	78%
2008-09	0	14	39
	0%	26%	74%

2007-08	2	40	76
	2%	34%	64%

1.26 The table highlights an overall decrease in the total number of recommendations (30 in comparison to 34 during 2015/16), but with an increase in the number of medium recommendations – these will be addressed during 2017/18. It is pleasing to note that there was no high risk recommendations raised, giving confidence in the overall control environment.

Effectiveness of Internal Audit

1.27 The CIPFA statement on the *"Role of the Head of Internal Audit (HIA)"* details best practice and recommends that authorities assess their existing HIA arrangements against the criteria within the statement. It should be noted that the statement does not have the status of a CIPFA code nor does it replace the sector specific guidance, codes or professional standards.

1.28 The statement sets out the following 5 principles:

- *"Championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments;*
- *Giving an objective and evidence based opinion on all aspects of governance, risk management and internal control;*
- *Must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and Audit Committee;*
- *Must lead and direct an internal audit service that is resourced to be fit for purpose;*
- *Must be professionally qualified and suitably experienced."*

1.29 For each principle, the statement sets out the governance arrangements required to ensure that the HIA is able to operate effectively and perform their core duties. The HIA role at Gedling Borough Council is considered robust when assessed against each of the five core principles.

1.30 The Public Sector Internal Audit Standards (PSIAS) require a formal independent assessment against the revised standard at least once every five years. As RSM are now delivering the Internal Audit service from April 2017, such an assessment is no longer required for Gedling Borough Council as RSM fully conform to these standards of operation.

Conclusion

1.31 Internal Audit can confirm that adequate resources have been made available to allow sufficient internal audit activity to be undertaken so as to provide reasonable assurance regarding the adequacy and effectiveness of Gedling Borough Council's risk management, governance and control processes.

1.32 Overall, internal audit activity identifies a sustained improvement compared to previous years in the control environment during 2016/17.

Appendix 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 the risk emanating from the controls reviewed. The categories of assurance are as follows:

Category	Definition
None	The majority of the significant risks relating to the area reviewed are not effectively managed.
Reasonable / 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.

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Gedling Borough Council

Report to Audit Committee

Subject: KPMG External Audit Report 2016/17

Date: 12 September 2017

Author: Deputy Chief Executive and Director of Finance

1. Purpose of the Report

To inform Members of the key findings arising from KPMG's (the Council's external auditors) audit work in respect of 2016/17.

2. Background

It is a requirement that the Council's financial statements are audited on an annual basis and that in addition the auditors undertake all work necessary to support their conclusion on value for money (VFM).

3. Proposal

As external auditors, KPMG have concluded the audit of the Council's financial statements for 2016/17 and their report, summarising their key findings, is attached at Appendix 1. The report also summarises the work done to support KPMG's conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources (the VFM conclusion). It is proposed that the report is noted.

4. Resource Implications

There are no specific resource implications arising from this report.

5. Recommendation

Members are recommended to note the KPMG External Audit Report for 2016/17 (Appendix 1).

6. Appendices

1. KPMG External Audit Report 2016/17.

KPMG

External audit report 2016/17

Gedling Borough Council

—

September 2017

Summary for Audit Committee

Financial statements

This document summarises the key findings in relation to our 2016-17 external audit at Gedling Borough Council ('the Authority').

This report focusses on our on-site work which was completed in July 2017 on the Authority's significant risk areas, as well as other areas of your financial statements. Our findings are summarised on page 5.

Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Authority's financial statements before the deadline of 30 September.

We have identified no audit adjustments, although we have agreed a small number of presentational adjustments.

Based on our work, we have raised five recommendations. Details on our recommendations can be found in Appendix 1.

We are now in the completion stage of the audit and anticipate issuing our completion certificate and Annual Audit letter in September 2017.

Use of resources

We have completed our risk-based work to consider whether in all significant respects the Authority has proper arrangements to ensure it has taken properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. 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 value for money opinion.

See further details from page 13.

Acknowledgements

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

We ask the Audit Committee to note this report.

The key contacts in relation to our audit are:

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Contents

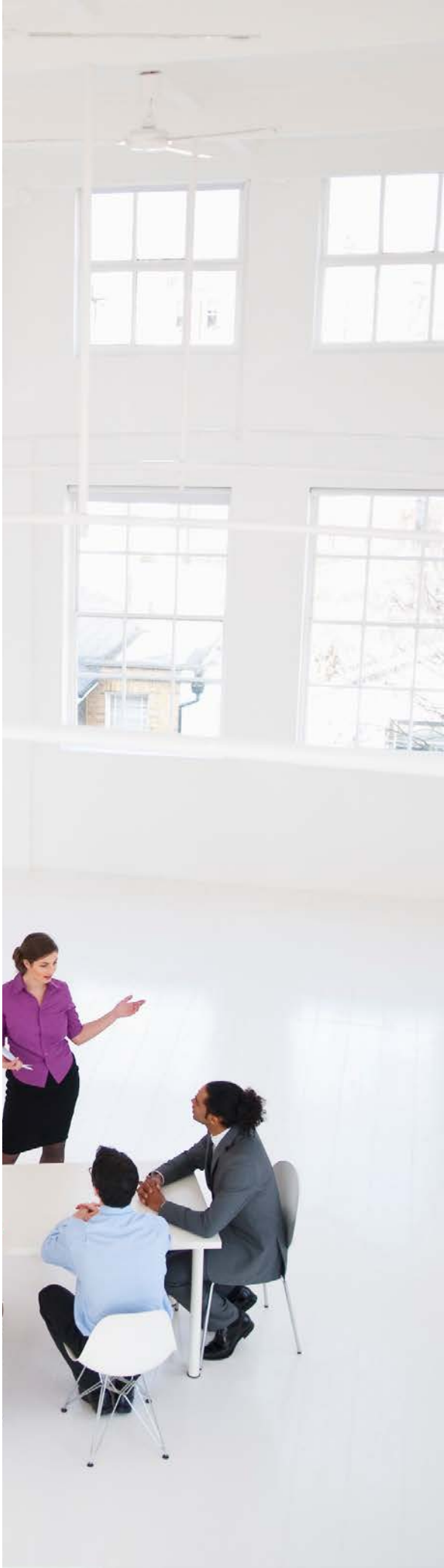
Section one

Financial Statements

We anticipate issuing an unqualified audit opinion on the Authority's 2016/17 financial statements by 30 September 2017. We will also report that your Annual Governance Statement complies with the guidance issued by CIPFA/SOLACE (*'Delivering Good Governance in Local Government'*) published in April 2016.

For the year ending 31 March 2017, the Authority has reported a deficit of £1.75m on the provision of services and total Other Comprehensive Expenditure of £8.76m.

Overall there has been a £0.18m reduction on the General Fund balance.



Significant audit risks

Our *External Audit Plan 2016/17* sets out our assessment of the Authority's significant audit risks. We have completed our testing in these areas and set out our evaluation following our work:

Significant audit risks	Work performed
1. Significant changes in the pension liability due to LGPS Triennial Valuation	**Why is this a risk?** During the year, the Local Government Pension Scheme for Nottinghamshire County (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2016 in line with the Local Government Pension Scheme (Administration) Regulations 2013. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation. The pension liability numbers to be included in the financial statements for 2016/17 will be based on the output of the triennial valuation rolled forward to 31 March 2017. For 2017/18 and 2018/19 the actuary will then roll forward the valuation for accounting purposes based on more limited data. There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Nottinghamshire County Council, who administer the Pension Fund. **Our work to address this risk** We have agreed the data provided by the Authority to the Actuary, back to relevant systems and reports and in turn agreed the total figures as per the IAS19 report received from the Actuary to the accounts. Our KPMG Actuary team have reviewed the assumptions used by the Scheme Actuary to assess whether the assumptions, such as the discount rate are appropriate. Our KPMG Actuary team have not raised any issues with the assumptions used, although they have noted that two key assumptions in regards to the discount factor and CPI (inflation) are towards the upper end of the acceptable range, which increases the value of the pension liability. Additionally, we have engaged with the Pension Fund auditors to gain further assurance over the pension figures. There are no issues to note.

Considerations required by professional standards

Fraud risk of revenue recognition

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 2016/17* 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.

Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant because 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.

Our audit methodology incorporates the risk of management override as a default significant risk. 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.

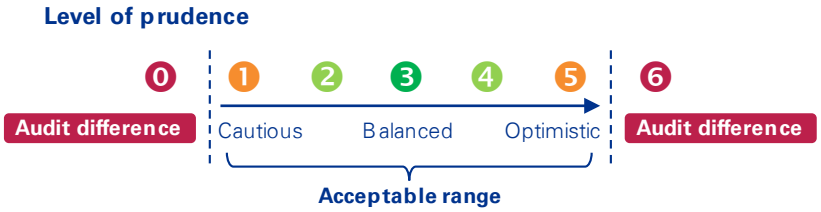
Other areas of audit focus

We identified one other area of audit focus. This is not considered a significant risk as it is less likely to give rise to a material error. Nonetheless it is an area of importance where we would carry out substantive audit procedures to ensure that there is no risk of material misstatement.

Other areas of audit focus	Our work to address the areas
1. Disclosures associated with retrospective restatement of CIES, EFA and MiRS	**Background** CIPFA has introduced changes to the 2016/17 Local Government Accounting Code (Code): — Allowing local authorities to report on the same basis as they are organised by removing the requirement for the Service Reporting Code of Practice (SeRCOP) to be applied to the Comprehensive Income and Expenditure Statement (CIES); and — Introducing an Expenditure and Funding Analysis (EFA) which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the CIES. This analysis is supported by a streamlined Movement in Reserves Statement (MiRS) and replaces the current segmental reporting note. The Authority was required to make a retrospective restatement of its CIES (cost of services) and the MiRS. New disclosure requirements and restatement of accounts require compliance with relevant guidance and correct application of applicable accounting standards. **What we have done** For the restatement, we have obtained an understanding of the methodology used to prepare the revised statements. We have also agreed figures disclosed to the Authority's general ledger and found no issues to note.

Judgements

We have considered the level of prudence within key judgements in your 2016/17 financial statements and accounting estimates. We have set out our view below across the following range of judgements.



Subjective areas	2016/17	2015/16	Commentary
Provisions (excluding NDR)	3	3	The Authority's provision balance is predominantly made up of the provision for business rate appeals (£1.04 million) representing outstanding business rate appeals. For 2016/17 the Authority have used Local Analyse (an external service) to calculate the balance. We have not identified any issues with the value of provisions.
Property, Plant and Equipment (valuations / asset lives)	3	3	The Authority has utilised an internal valuation expert to provide valuation estimates. We have agreed PPE valuations carried out in 2016/17 back to the internally generated valuation certificates. Additionally, we have reviewed the instructions provided by the Authority to the Valuer and deem that the valuation exercise is in line with the instructions. We also made inquiries of the Valuer concerning the judgements over the valuations as at 31 March 2017. In line within accounting standards and the Code, the Authority values its operational land and buildings using either Existing Use Valuation or Depreciation Replacement Cost – depending on the specialised nature of the building. We have raised a low priority recommendation in regards to the PPE valuation, and whether in line with best practice, the Authority should consider undertaking valuations at 31 March, as opposed to the start of the year (1 April).
Pensions	2	3	The pension deficit within the funded LGPS has increased over the year by £11.7 million. Our Actuarial team have reviewed the assumptions used to determine this calculation and have not raised any issues with the assumptions used, although they have noted that two key assumptions in regards to the discount factor and CPI (inflation) are towards the upper end of the acceptable range, which increases the value of the pension liability.

Proposed opinion and audit differences

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's 2016/17 financial statements following approval of the Statement of Accounts by the Audit Committee on 12 September 2017.

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 4 for more information on materiality) level for this year's audit was set at £0.8 million. Audit differences below £40,000 are not considered significant.

We did not identify any misstatements, as illustrated on the tables to the right.

We did however identify a small number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ('the Code'). We understand that the Authority will be addressing these.

Annual governance statement

We have reviewed the Authority's 2016/17 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. We did identify one amendment which management have made.

Narrative report

We have reviewed the Authority's 2016/17 Narrative Report and have confirmed that it is consistent with the financial statements and our understanding of the Authority.

We have made a small number of comments in respect of its format and content which the Authority has agreed to amend where significant.

Movements on the general fund 2016/17

£m	Pre-audit	Post-audit
Deficit on the provision of services	(1.75)	(1.75)
Adjustments between accounting basis and funding basis under Regulations	1.16	1.16
Transfers from earmarked reserves	0.41	0.41
Decrease in General Fund	**(0.18)**	**(0.18)**

Balance sheet as at 31 March 2017

£m	Pre-audit	Post-audit
Property, plant and equipment	28.93	28.93
Other long term assets	6.01	6.01
Current assets	14.47	14.47
Current liabilities	(4.49)	(4.49)
Long term liabilities	(62.28)	(62.28)
Net worth	**(17.36)**	**(17.36)**
General Fund	5.98	5.98
Other usable reserves	5.06	5.06
Unusable reserves	(28.38)	(28.38)
Total reserves	**(17.36)**	**(17.36)**

Accounts production and audit process

The Accounts and Audit Regulations 2015 introduces a statutory requirement to produce a draft set of financial statements earlier for the year 2017/18. It also shortens the time available for the audit.

Our audit standards (*ISA 260*) require us to communicate our views on 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. The efficient production of the financial statements and good-quality working papers are critical to meeting the tighter deadlines.

Accounting practices and financial reporting

The Authority has recognised the additional pressures which the earlier closedown in 2017/18 will bring. We have been engaging with the Authority in the period leading up to the year end in order to proactively address issues as they emerge.

We consider the Authority's accounting practices appropriate.

Completeness of draft accounts

We received a complete set of draft accounts by 30 June 2017, which is the statutory deadline.

Quality of supporting working papers

We issued our *Accounts Audit Protocol 2016/17* ("Prepared by Client" request) in April 2017 which outlines our documentation request. This helps the Authority to provide audit evidence in line with our expectations.

The quality of working papers provided was high and met the standards specified in our Accounts Audit Protocol.

Response to audit queries

Officers dealt with our audit queries efficiently, responding within appropriate timescales. As a result of this, we were able to complete our on-site work in the agreed timescales with only minor queries outstanding.

Additional findings in relation to the Authority's control environment for key financial systems

After our interim visit we reported that there were a number of year end controls that we will be testing during our year end audit.

We have since completed the testing of these controls and have found no significant issues to note.

We also concluded our General IT controls testing, in which one minor issue was identified in relation to the payroll system and password lengths. However, this has since been addressed by the Authority.

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendation in last year's ISA 260 report.

The Authority has implemented the recommendation in our ISA 260 Report 2015/16.

Appendix two provides further details.

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's 2016/17 financial statements.

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

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

Declaration of independence and objectivity

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

In relation to the audit of the financial statements of Gedling Borough Council for the year ending 31 March 2017, we confirm that there were no relationships between KPMG LLP and the Authority, 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.

We have provided a detailed declaration in Appendix 5 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to Deputy Chief Executive and Director of Finance for presentation to the Audit Committee.

We require a signed copy of your management representations before we issue our audit opinion.

We are seeking specific management points in regards to the Land and Building Valuations, Grenfell Tower related disclosure, and Erasmus Grant and the eligibility of cash holdings.

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

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2016/17 financial statements.

Section two

Value for money

Our 2016/17 VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

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

VFM conclusion

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

Our VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We follow a risk based approach to target audit effort on the areas of greatest audit risk.

1 Identification of significant VFM risks (if any)

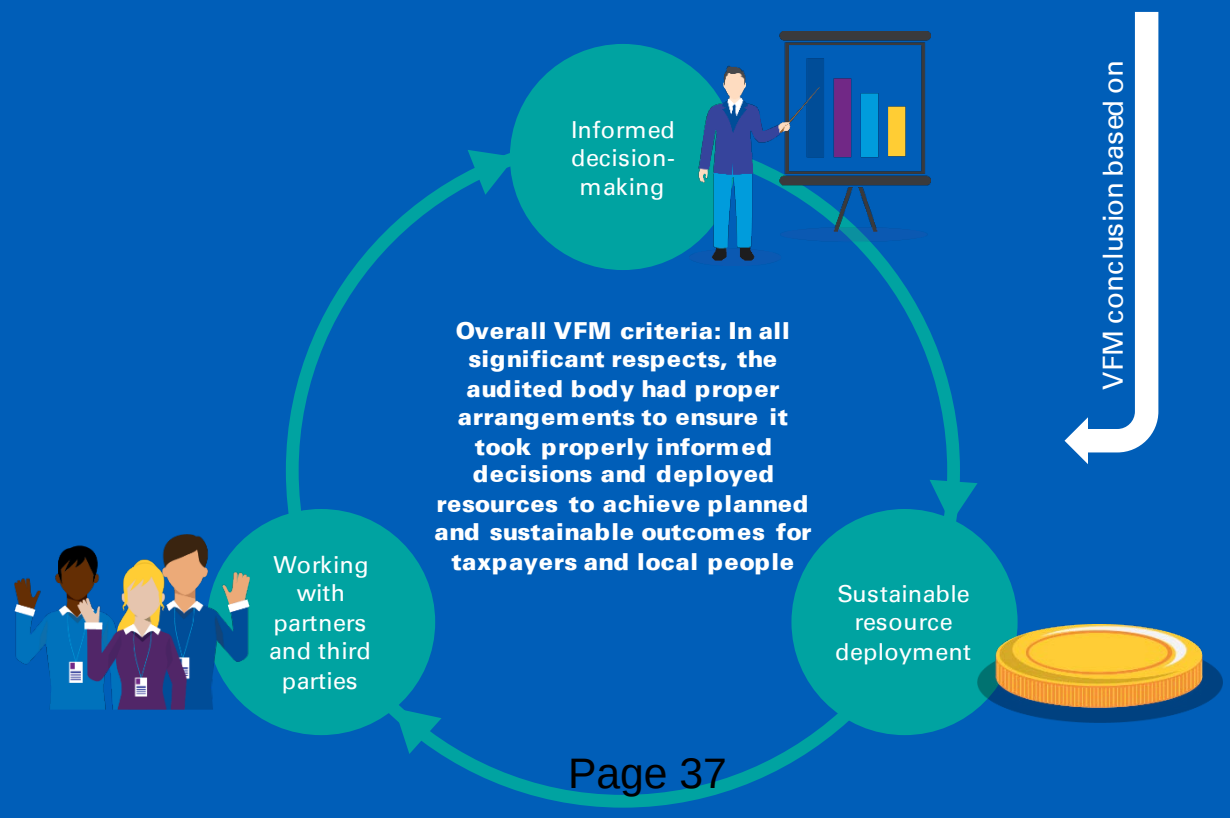
- VFM audit risk assessment
- Financial statements and other audit work

2 Continually re-assess potential VFM risks

- Assessment of work by other review agencies
- Specific local risk-based work

3 VFM conclusion

- **Conclude on arrangements to secure VFM**



The table below summarises our assessment of the individual VFM risk identified against the three sub-criteria. This directly feeds into the overall VFM criteria and our value for money opinion.

VFM assessment summary

VFM risk	Informed decision-making	Sustainable resource deployment	Working with partners and third parties
1. Financial resilience in the local and national economy	✓	✓	✓
Overall summary	✓	✓	✓

In consideration of the above, we have concluded that in 2016/17, the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Further details on the work done and our assessment are provided on the following pages.

Significant VFM risks

We have identified one significant VFM risks, as communicated to you in our *2016/17 External Audit Plan*. In this case we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to this risk area is adequate.

Significant VFM risks	Work performed
1. Financial resilience in the local and national economy	**Why is this a risk?** The Authority continues to face medium term financial pressures, a combination of reduced funding and cost pressures. As reported in the Gedling Plan 2016-19, the Authority has accepted a four year funding settlement, along with 97% of other local authorities. The funding settlement outlines the income the Authority will receive from the Revenue Support Grant and Business Rates. The settlement sets out a £1.9m cash reduction for the Authority over the four years. There will also be further reduced funding from the New Homes Bonus. To help manage these cost pressures the Authority implemented an Efficiency/Budget Reduction Programme in 2014-15, designed to deliver savings of c.£2.5m by 2018/19. Furthermore, the Authority approved a new efficiency target of £1.15m for the period 2017/18 to 2020/21. **Summary of our work** In line with the rest of the sector, the Authority faces a challenging future driven by funding reductions and an increase in demand for services. In reaching our VFM conclusion we have considered the Authority's arrangements for making properly informed decisions, sustainable resource deployment and working with partners and third parties. This has included detailed reviews of key documents including the Medium Term Financial Plan, The Gedling Plan, the 2016/17 General Fund Budget and corresponding outturn report, and the Local Government Funding Settlement. We have reviewed the Authority's financial performance and position for the 2016/17 year, not noting any specific short term issues or concerns regarding its financial position. The Authority has a good track record of delivering savings plans to date. The Authority has delivered its financial plan for 2016/17 and required savings for the year. Granular budget information and variances are provided to Cabinet for scrutiny, and there is transparency over the future financial challenges the Authority faces in the medium term. Most notably, the Authority is required to generate a further £1.9m of savings, and at present has not worked up detailed plans, which inherently presents a risk to achievement. The Authority is cognisant of these challenges and is subsequently driving initiatives, including a commercialism agenda, housing development and also a leisure strategy.

Appendices

Appendix 1

Key issues and recommendations

Our audit work on the Authority's 2016/17 financial statements has identified five recommendation. We have listed this in our appendix together with our recommendations which we have agreed with Management. We have also included Management's responses to these recommendations.

The Authority should closely monitor progress in addressing the risks, including the implementation of our recommendations. We will formally follow up these recommendations next year.

Each issue and recommendation have been given a priority rating, which is explained below.

High priority — Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.

Medium priority — Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.

Low priority — Issues that would, if corrected, improve internal control in general but are not vital to the overall system. These are generally issues of good practice that we feel would benefit if introduced.

The following is a summary of the issues and recommendations raised in the year 2016/17.

2016/17 recommendations summary	
Priority	**Total raised for 2016/17**
High	**-**
Medium	**4**
Low	**1**
Total	**5**

Medium priority

1. Savings Plans

The Authority updates its Medium Term Financial Plan (MTFP) on an annual basis, the most recent, for 2017/18 –2021/22, was presented to Council on 1 March 2017. This annual refresh of the MTFP, re-assesses budgets, progress on savings, and emerging risks facing the Authority. The most recent MTFP has highlighted that the Authority needs to deliver a further £1.9m of cumulative efficiency savings from 2018/19 onwards. The Authority has a good track record of both delivering and monitoring its savings plans, however at present has not worked up detailed plans for the £1.9m, which inherently presents a risk to achievement. The Authority is cognisant of these challenges as reported to both Cabinet and Council and is subsequently driving initiatives, including a commercialism agenda, housing development and also a leisure strategy. If these savings are realised, there remains a planned reduction in the General Fund balance from £5.01m in 2017/18, reducing to £1.59m by 2020/21.

Recommendation

The Authority should continue to refresh savings plans to ensure they are achievable as well as minimise overspends against budget to reduce further savings required.

Management Response

Accepted

The development of the detailed plans for delivery of the £1.9m savings target for 2018/19 to 2020/21 is currently underway and will be presented to Council for approval in March 2018. The ongoing monitoring and refresh of approved savings plans and budgets is a well-developed and embedded process with regular quarterly performance and budget setting reports submitted to Cabinet, as evidenced by the delivery of previous budget reduction programmes. This monitoring process will continue to ensure saving plans are constantly refreshed and targets are achieved within required timescales.

Owner

Service Manager, Financial Services

Deadline

On-going

Low priority

2. PPE Valuations

In line with the previous year, the Authority's in-house valuer revalued the Authority's land and buildings on 01 April 2016, and then carried out a further review on 31 March 2017 to assess if there had been any material movements in the valuations.

Recommendation

In line with best practice, the Authority should consider undertaking land and building valuations to coincide with the balance sheet date, which we also consider will help ensure accurate and timely valuations are reflected on the year-end balance sheet.

Management Response

Accepted

The process and timing of the land and property valuations will be reviewed.

Owner

Service Manager, Property

Deadline

31 March 2018

Medium priority

3. Discretionary Redundancy Costs

Statutory redundancy payments are based on a number of weeks' pay, the actual number being determined in law by a combination of age and length of continuous service. The Authority has in place a policy which allows for additional payment up to the same amount again as the statutory payment, in effect doubling the redundancy payment to be made. Given the financial challenges facing the Authority in the medium term, challenge should be applied to discretionary redundancies, and evidence retained to support why it is considered to offer value for money.

Recommendation

The Authority should consider its policy for discretionary redundancy and ensure discretionary redundancy is appropriately challenged and evidence retained which sets out why discretionary redundancy is considered to represent value for money.

Management Response

Accepted

The policy for redundancy payments will be reviewed.

Owner

Service Manager, Organisational Development

Deadline

31 March 2018

Medium priority

4. Pension Strain Costs

To meet the financial challenges facing the Authority, there were two key department restructures undertaken in year, Audit and Asset Management, and Housing Management Arrangements, both of which led to subsequent redundancies as the Authority looks to streamline services and reduce costs. Whilst we could see that all such decisions were subject to correct approval, our review of the consultation papers for both restructures noted that the papers did not contain estimates for pension strain costs associated with potential redundancies. This was due to the redundancy proposals being incomplete at the time of writing as posts remained open for redeployment.

Recommendation

As part of future restructures, documentation should be retained which evidences that decision makers were provided with details of the final pension strain costs associated with restructures prior to final approval.

Management Response

Accepted

Owner

Service Manager, Organisational Development

Deadline

Immediate

Medium priority

5. IT Controls

As part of our review of your General IT controls, we identified three IT issues as follows:

— The Authority does not perform a regular review of user access to Agresso (the general ledger) and Northgate (the payroll system);

— There are weak password settings on Northgate (the payroll system); and

— We identified two redundant powerful accounts on Agresso.

Despite the gaps in the control environment, we identified the following compensating controls:

— There were appropriate controls over starters and leavers on Agresso and Northgate;

— There are strong network access password parameters; and

— None of the redundant powerful user accounts accessed Agresso in year.

As all the controls had mitigating factors, there was no impact on our audit, however, strengthening these controls would be appropriate.

Recommendation

The Authority should review the issues identified above, and address them appropriately, considering putting the following in place:

— Performing an annual review of all Agresso and Northgate user accounts and the level of access granted;

— Reviewing powerful user accounts in Agresso, and considering whether these accounts are required. Where the accounts are required, consider locking the accounts until they are required; and

— Increasing the complexity of password controls to access the Northgate system.

Management Response

Accepted

Owner

Service Manager, Financial Services

Deadline

Immediate

Appendix 2

Follow-up of prior year recommendations

In the previous year, we raised one recommendation which we reported in our *External Audit Report 2015/16 (ISA 260)*. The Authority has implemented the recommendation.

Each issue and recommendation have been given a priority rating, which is explained below.

High priority — Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.

Medium priority — Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.

Low priority — Issues that would, if corrected, improve internal control in general but are not vital to the overall system. These are generally issues of good practice that we feel would benefit if introduced.

Each recommendation is assessed during our 2016/17 work, and we have obtained the recommendation's status to date.

Below is a summary of the prior year's recommendations;

2015/16 recommendations status summary

Priority	Number raised	Number implemented / superseded	Number outstanding
High	0	0	**0**
Medium	0	0	**0**
Low	1	1	**0**
Total	**1**	**1**	**0**

Low priority	**1. Narrative Statement** This is the first year that local authorities have been asked to include within their accounts a narrative statement, which replaces the previous explanatory foreword. The narrative statement is intended to be an effective guide to support the accounts but also reflect upon the performance of the Authority. The Authority provided a good draft narrative statement and we have worked with officers to ensure it meets the minimum requirements of the Code. Going forward, we have agreed with officers that it can be enhanced further for 2016/17 to further complement the accounts and adopt good practice. **Recommendation** The Authority should enhance the narrative statement in 2016/17 based on feedback provided by External Audit in 2015/16 and best practice.	**Management original response** Agreed. The Authority will work to enhance its Narrative Statement for the 2016/17 Accounts. *Owner* Financial Services Manager *Original deadline* 30 June 2016 **KPMG's July 2017 assessment** Implemented We have found that the Authority's Narrative Statement has been significantly improved with regards to more in depth explanations. It meets the minimum requirements of the Code and complements the Statement of Accounts.

Appendix 3

Audit differences

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

A number of minor amendments focused on presentational improvements have also been made to the 2016/17 draft financial statements. The Finance team is committed to continuous improvement in the quality of the financial statements submitted for audit in future years.

In addition to this, we identified within Note 28 "Officers' Remuneration" that two service managers had not been included within the disclosure. This does not have a material effect on the accounts but due to the nature of the note this has been adjusted by management.

Adjusted audit differences

We are pleased to report that our audit of your financial statements did not identify any material adjustments.

Appendix 4

Materiality and reporting of audit differences

The assessment of what is material is a matter of professional judgement 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.

We used the same planning materiality reported in our External Audit Plan 2016/17, presented to you in March 2017.

Materiality for the Authority's accounts was set at £0.8 million which equates to around 1.5 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 £40,000 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.

Appendix 5

Declaration of independence and objectivity

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice (the 'Code') which states that:

> *"The auditor should carry out their work with integrity, objectivity and independence, and in accordance with the ethical framework applicable to auditors, including the ethical standards for auditors set by the Financial Reporting Council, and any additional requirements set out by the auditor's recognised supervisory body, or any other body charged with oversight of the auditor's independence. The auditor should be, and should be seen to be, impartial and independent. Accordingly, the auditor should not carry out any other work for an audited body if that work would impair their independence in carrying out any of their statutory duties, or might reasonably be perceived as doing so."*

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 this. 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 LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings.

Our Ethics and Independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through: Instilling professional values, Communications, Internal accountability, Risk management and Independent reviews.

We would be happy to discuss any of these aspects of our procedures in more detail.

Auditor declaration

In relation to the audit of the financial statements of Gedling Borough Council for the financial year ending 31 March 2017, we confirm that there were no relationships between KPMG LLP and the Authority, 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.

Non-audit work and independence

Below we have listed the non-audit work performed and set out how we have considered and mitigated (where necessary) potential threats to our independence.

Summary of non-audit work		
Description of non-audit service	**Fees Billed in 2016/17**	**Potential threat to auditor independence and associated safeguards in place**
In May 2011 the Council engaged KPMG to provide services to assist with the recovery of VAT in respect of sports fields and related facilities. The fee was originally contingent however following our appointment as external auditor in 2012/13 was converted to an agreed fixed fee basis which was approved by Public Sector Appointments Limited (PSAA) in January 2016. 2015/16 billed fees totalling £33,000, of this £30,000 was in respect of work carried out up to 31 March 2015, and £3,000 to that undertaken during 2015/16. No fees have been billed since this time, however the claim remains open.	£0	**Self-interest**: This engagement is entirely separate from the audit through a separate contract, engagement team and lead partner. In addition, the audit fee scale rates were set independently to KPMG by the PSAA. Therefore, the proposed engagement will have no perceived or actual impact on the audit team and the audit team resources that will be deployed to perform a robust and thorough audit. **Self-review:** In May 2011 the Authority engaged KPMG to provide services to assist with the recovery of VAT in respect of sports fields and related facilities. Therefore, it does not impact on our opinion and we do not consider that the outcome of this work will be a threat to our role as external auditors. The existence of a separate team for this work is a further safeguard. Consequently, we consider we have appropriately managed this threat. **Management threat:** This work will be advice and support only – all decisions will be made by the Authority. **Familiarity**: This threat is limited given the scale, nature and timing of the work. The existence of the separate team for this work is the key safeguard. **Advocacy**: We will not act as advocates for the Authority in any aspect of this work. **Intimidation**: not applicable

Appendix 6

Audit fees

Audit fees

As communicated to you in our External Audit Plan 2016/17, our scale fee for the audit is £42,570 plus VAT *(£42,570 in 2015/16)*, which is the same as the prior year.

In addition, and in agreement with the Authority, we have undertaken additional work in the year to review the Authority's restated CIES statement. We have agreed with the Authority that we will apply for a £800 fee variation with Public Sector Audit Appointments Ltd to support this work.

Our work on the certification of Housing Benefits (BEN01) is not yet complete. The planned scale fee for this is £10,313 plus VAT.

Fee table		
Component of audit	**2016/17** *(planned fee)* £	**2015/16** *(actual fee)* £
Accounts opinion and use of resources work		
PSAA scale fee	42,570	42,570
Additional work in regards to restated CIES	800	0
Subtotal	**43,370**	**42,570**
Housing benefits (BEN01) certification work	10,313	10,562
Total fee for the Authority set by the PSAA	**53,683**	**53,132**

All fees are quoted exclusive of VAT.

Report to Audit Committee

Subject: Annual Governance Statement 2016/17 and Statement of Accounts 2016/17

Date: 12 September 2017

Author: Deputy Chief Executive and Director of Finance

1. Purpose of the Report

To seek approval of the Council's Annual Governance Statement 2016/17 and the Statement of Accounts 2016/17.

2. Background

2.1 Overview

The Accounts and Audit Regulations 2015 require the Council to conduct a review of the effectiveness of the system of internal control and to prepare an Annual Governance Statement (AGS). The Council's AGS for 2016/17 is attached at Appendix 1, and also accompanies the Statement of Accounts at pages 88 to 94 of Appendix 2. The Regulations make it clear that the Annual Governance Statement must be approved in advance of the approval of the Statement of Accounts.

The Regulations also require the responsible financial officer to sign and date the Council's Statement of Accounts by 30 June 2017, and to certify that the Statement presents a true and fair view of the financial position of the authority and the authority's income and expenditure for that year. Accordingly, the Deputy Chief Executive and Director of Finance (the Chief Financial Officer) signed and certified the Council's Statement of Accounts on 21 June 2017.

The Regulations further require that by 30 September 2017 the Statement of Accounts must have been considered and approved, and at Gedling this is within the remit of the Audit Committee. Following approval, the Statement of Accounts must be re-signed by the Chief Financial Officer, prior to being signed and dated by the Chair of the Audit Committee.

The Statement of Accounts for 2016/17 has now been audited and is attached at Appendix 2. The accounts should be considered giving due regard to any comments made by the auditor in the KPMG External Audit Report, which is an item elsewhere on this agenda.

In addition to the Annual Governance Statement and Statement of Accounts, the Council is required to prepare a Narrative Statement which includes comment on the Council's financial performance and the economy, efficiency and effectiveness of its use of resources over the financial year. This forms part of the Statement of Accounts and can be found at pages 3 to 13 of Appendix 2.

Once approved, the Council is required to publish the Annual Governance Statement, Statement of Accounts and Narrative Statement on its website.

2.2 The Economy

The financial environment remained challenging throughout 2016/17, with investment returns low and risk levels heightened. Two landmark events had a significant effect on the financial markets, the EU referendum on 23 June and the election of President Trump in the USA on 9 November.

The original expectation was that Bank Rate would start to rise around Q4 of 2016 however, following the UK's vote to leave the EU in the referendum in June, the Monetary Policy Committee cut Bank Rate to 0.25% at its August meeting, and indicated that it may cut the rate again should the expected shock to economic activity following the vote for Brexit materialise. The economy confounded the Bank's forecast and annual growth in 2016 was 1.8%, among the fastest of any of the G7 countries. No further cut was made and Bank Rate remained at 0.25% for the remainder of the year, with the expected timing of a first increase moved back to Q4 of 2019.

The Council will continue to monitor the external environment and to develop and refine its strategies to counter threats from the wider economy. Ongoing pressures on costs, income streams and funding necessitated critical reviews of services during the 2017/18 budget process, and further significant expenditure reductions are planned over the next few years.

The Council's continuing robust financial position, combined with the medium term financial plan and projections for reserves and balances, means that it remains relatively well placed to deal with ongoing challenges, and with worldwide uncertainty.

2.3 Accounting Practice Changes

The 2016/17 Code of Practice on Local Authority Accounting introduced the Expenditure and Funding Analysis, which shows the movement between how the Council reports and manages its budgets for taxation purposes, and the statutory basis in accordance with Generally Accepted Accounting Practices that is shown in the Comprehensive Income and Expenditure Statement. There were no other major changes to the Code.

3. Proposal

3.1 Annual Governance Statement

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is

safeguarded and properly accounted for, and that it is used economically, efficiently and effectively. In accordance with the Accounts and Audit Regulations the Council conducts an annual review of the effectiveness of the system of internal controls and prepares an Annual Governance Statement (AGS).

Following the review of the system of internal control it is proposed that the AGS for 2016/17 attached at Appendix 1 is approved.

3.2 General Fund Revenue Outturn 2016/17

The General Fund outturn figures for 2016/17 were reported to Cabinet on 1 June 2017. Net expenditure totalled £12,665,966, an underspending of £40,734, or 0.3%, when compared with the current approved estimate for 2016/17, as detailed below. Given the financial constraints faced by the Council, no revenue carry forward requests were considered.

General Fund Revenue Outturn 2016/17	Current Estimate 2016/17 £	Actual 2016/17 £	Variance £
Community Development	1,578,500	1,533,753	(44,747)
Housing, Health & Wellbeing	2,542,400	2,776,868	234,468
Public Protection	1,578,500	1,230,723	(347,777)
Environment	4,935,400	4,829,071	(106,329)
Growth & Regeneration	1,088,500	1,387,767	299,267
Resources & Reputation	1,862,500	1,314,343	(548,157)
Net Portfolio Budget	**13,585,800**	**13,072,525**	**(513,275)**
Transfers to/(from) Earmarked Reserves	(879,100)	(406,559)	472,541
Net Council Budget	**12,706,700**	**12,665,966**	**(40,734)**

The General Fund Balance at 31 March 2017 was £5.977m and this level of balances remains above the minimum required in the medium term financial plan.

3.3 Major Variations 2016/17

Full details of net portfolio budget variances were reported to Members on 1 June 2017, however some of the more significant items are repeated below for information.

Additional expenditure:

- £133.5k on economic development projects.
- £42k on Rent Allowance due to bad debt write-offs.

Reductions in expenditure:

- £184k in respect of employee expenses.
- £59k on IT software.
- £39k on Fleet Management in respect of fuel, parts and licences.

Reductions in income:

- £96k on planning fees (major application now due 2017/18).
- £49k Council Tax summons costs due to improvements in recovery.

Additional income:

- £81.4k from revenue S106 contributions.
- £101.3k from Business Rates Pool surplus.
- £86k from leisure centres, including extra swimming lessons and DNA memberships.

3.4 Capital Outturn 2016/17

Total capital investment during 2016/17 totalled £3.582m and this was financed by the use of capital receipts, grants and contributions, General Fund revenue contributions, and borrowing. The Council's total external debt at 31 March 2017 was £6.812m, all held with the Public Works Loans Board.

3.5 Collection Fund

Under the Business Rates Retention Scheme the portion of a local authority's income that comes from business rates will change according to movements in its local business rates income, providing an incentive for supporting local business growth. The Council's share of its business rates income in 2016/17 was £3.035m, compared to an estimate of £2.700m.

3.6 Balance Sheet Variances

The balance sheet shows a reduction in net worth of £10.513m, from negative £6.842m at 31 March 2016 to negative £17.355m at 31 March 2017. Significant movements include:

- An increase of £11.7m in the pension deficit, due to the technical actuarial valuation requirements under IAS 19 (retirement benefits), which measure the net present value of future assets and liabilities, and does not impact on the cash position on the fund. Due to the requirements of local authority accounting, changes in the pension fund valuation do not have an immediate impact at taxpayer level. It should be noted that all Nottinghamshire District Councils have experienced similar increases this year.

- A reduction in borrowing of £1m, due to a loan maturity that was not replaced.

- An increase of £2.1m in property, plant and equipment, due both to capital expenditure, including Gedling Country Park, and to increases in the value of existing property.

There were no significant revaluation losses due to falls in market value during 2016/17.

The balance on earmarked reserves at 31 March 2017 was £4.5m. The net usage of reserves in 2016/17 was £407k, which was lower than expected in the budget. The most significant use of reserves was £358k in the financing of the Gedling Country Park Visitors Centre. Additions to reserves in the year included £101k from the Nottinghamshire Business Rates Pool for use on economic development projects, and £105k from various services' underspends for use on emerging maintenance pressures.

3.7 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 3.

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 agreed by an appropriate committee of the Council, and in Gedling's case this is 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 Annual Governance Statement (Appendix 1);
2. Following approval of the Annual Governance Statement, consider the Statement of Accounts for 2016/17 (Appendix 2);
3. Approve the Statement of Accounts for 2016/17 (Appendix 2);

4. Note the Narrative Statement on pages 3 to 13 of the Statement of Accounts (Appendix 2)
5. Agree the Letter of Representation (Appendix 3).

6. Appendices

1. Annual Governance Statement 2016/17
2. Statement of Accounts 2016/17
3. Letter of Representation

ANNUAL STATEMENT OF ACCOUNTS 2016/17

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

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

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

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

2. The Purpose of the Governance Framework

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

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

2.3 The governance framework has been in place at Gedling Borough Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

3. The Governance Framework

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

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

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

(B) Ensuring openness and comprehensive stakeholder engagement.

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

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

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

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

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

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

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

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

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

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

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

4. Governance Arrangements

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

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

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

- The Corporate Plan (The Gedling Plan);

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

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

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

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

4.7 The internal control system includes:

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

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

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

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

- The development of a risk register to include the identification of both strategic and operational risks, and the formulation of a Corporate Risk Scorecard for reporting purposes;

- 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 Financial Officer place a duty on these post-holders to ensure compliance with established policies, procedures, laws and regulations;

- Compliance with established policies, procedures, laws and regulations are monitored through the work of the Finance and Legal staff that are adequately trained and experienced;

- 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 a holistic source of assurance aligned to corporate objectives;

- Directorate operational risk registers, subject to regular review;

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

- Formal project management guidelines;

- Adherence to good employment practices;

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

5. Financial Management

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

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

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

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

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

- The Section 151 Officer is a member of the Senior Leadership Team and plays a key role in helping it to develop and implement strategy to resource and deliver the Council's strategic objectives sustainably and in the public interest.
- The Section 151 Officer is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and there is alignment with the Council's overall financial strategy.
- The Section 151 Officer leads the promotion and delivery by the whole Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- The Section 151 Officer leads and directs the finance function, which is resourced to be fit for purpose.
- The Section 151 Officer is professionally qualified and suitably experienced.

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

- The Head of Internal Audit champions best practice in governance and management, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments.
- The Head of Internal Audit gives an objective and evidence based opinion on all aspects of governance, risk management and internal control.
- The Head of Internal Audit for Gedling was the Service Manager, Audit and Asset Management, and had regular and open engagement across Gedling Borough Council, particularly with the Leadership Team and with the Audit Committee.
- The Head of Internal Audit leads and directs an internal audit service that is resourced to be fit for purpose.
- The Head of Internal Audit is professionally qualified and suitably experienced.

5.6 In this regard, the Head of Internal Audit retired on 31 March 2017 and the Annual Audit opinion for 2016/17 was therefore formulated by the Deputy Chief Executive and Director of Finance in the absence of suitable alternatives (referred to as the Acting Head of Internal Audit in later sections). However, the annual audit work programme for 2016/17 and the finalisation of those audits were all completed under the supervision, control and guidance of the Head of Internal Audit during the year. The Council's Internal Audit Service has been fully outsourced from 1 April 2017.

6. External Inspections and Work Programmes

6.1 The Review of Effectiveness is set out below in section 8, and demonstrates that the control environment is operating effectively. Further evidence to support this conclusion comes from:

- The Acting Head of Internal Audit's Annual Report for 2016/17, which concluded:

  "Internal audit are satisfied that sufficient internal audit activity has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of Gedling Borough Council's risk management, governance and control processes.

  It is internal audit's opinion that, for the 12 months ending 31 March 2017, Gedling Borough Council has adequate and effective risk management, internal control and governance processes to manage and achieve the organisation's objectives."

- The external auditor (KPMG)'s Annual Governance Report 2015/16 concluded:

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

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

7. Review of Effectiveness

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

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

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

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

8. Significant Governance Issues

INTERNAL:

8.1 During the 2016/17 financial year the following issues were identified via the Council's risk management, governance, internal audit and other internal control processes as being relevant to the preparation of the Annual Governance Statement. They are not highlighted as significant control or risk concerns, but included to highlight the Council's awareness of emerging issues through its proactive and holistic approach to governance:

- Constitutional Changes – The Council has had a number of changes over the last few years, and it is important that the Constitution remains relevant and purposeful. Identified areas for review are:

  - Officer Scheme of Delegation;
  - Officer Code of Conduct;
  - Financial Regulations.

  Action: Senior Leadership Management Team – March 2018.

- Member and Officer Training – The Member and Officer training programme for 2017/18 will have a focus on the General Data Protection Regulations which will come into effect during 2018.

  Action: Director of Organisational Development and Democratic Services – December 2017.

- Health and Safety Risk Assessments – The Council's Risk Register holds a strategic risk concerning the training of Service Managers in all aspects of health and safety. A new electronic system is currently being installed which will hold all details of health and safety risk assessments. Training will be provided to officers in both how to use the new system and how to undertake and record a risk assessment.

  Action: Deputy Chief Executive and Director of Resources – December 2017.

- Risk Management – The Council's approach to risk management is now quite dated and cumbersome, and a full refresh and redesign of the systems and processes is required.

  Action: Deputy Chief Executive and Director of Resources – September 2017.

EXTERNAL:

- External Economy – the Council remains susceptible to, but vigilant for, the external risks posed by the uncertain economic and political climate. Despite ongoing pressures and squeezes on costs, income streams and funding, effective planning has resulted in the Council's 2017/18 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.

  Action: Senior Leadership Management Team – March 2018.

- EU Referendum - On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future once the UK has left the EU.

  Watching brief: Senior Leadership Management Team.

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

John Robinson
Chief Executive

John Clarke
Council Leader

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GEDLING BOROUGH COUNCIL

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NARRATIVE REPORT

1. About Gedling Borough

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

Managing a net revenue budget of over £12.5m and a capital budget of over £4m, the Council provides a wide range of services for its residents including, for example:

- emptying some 60,000 bins every week;
- cleaning nearly 600km of roads;
- collecting nearly 1,400kg of litter from our streets;
- dealing with around 600 planning applications and 9,000 benefit claims each year;
- assisting some 29,000 customers and handling around 180,000 telephone calls each year;
- welcoming over 900,000 visitors to our leisure centres each year;
- collecting council tax of £62m, of which £5.5m is retained by Gedling for spend on services, and £22m of business rates, of which £3m is retained by Gedling for spend on services;
- generating £7.7m in fees and charges to help deliver services and keep council tax levels as low as possible.

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

Gedling has a strong track record of delivering high quality, low cost services, but recent years have seen significant cuts in central government funding, making this an ever increasing challenge to maintain. Funding cuts have come at a time of increasing demands for services from a growing and increasingly ageing population, together with reducing income levels and inflationary pressures caused by the economic downturn. Further reductions in grant funding together with uncertainty around Brexit have made 2016/17 another extremely challenging year and it is not anticipated that the financial environment will improve appreciably in the near future. Details of the plans made by the Council for 2016/17, the performance achieved against those plans, and a look forward to 2017/18 and beyond are given in the following paragraphs.

2. Gedling's Plans for 2016/17

The Gedling Plan 2016-19, summarising how the Council would work with its partners to improve the lives of its residents, support local businesses and provide high quality and excellent value for money services, was approved by Council on 7 March 2016. The Plan set out the Council's three priorities, each with associated objectives, actions and performance indicators, along with the associated revenue and capital budgets. Gedling's plans are structured around these priorities:

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

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2016/17 Budget Highlights

The Government's Spending Review 2015 confirmed that the severe financial pressure faced by the Council in recent years would continue, and the 2016/17 budget process was extremely challenging. In addition to the previous government grant cuts of £1.9m managed over the period 2011/12 to 2015/16, a further cut of £2.4m was announced for the period 2016/17 to 2019/20, bringing total cuts to £4.3m, a cash reduction of 49% over the nine year period.

In order to manage both the grant reductions and spending pressures, the Council had already delivered £4.3m of spending reductions between 2011/12 and 2015/16 and planned further savings of £1m over the period of 2016/17 to 2020/21. The majority of this achieved through efficiency savings and income generation, with only limited cuts. However, in light of the latest grant announcements, in order to deliver a sustainable financial position in the medium term, an additional savings target of £1.1m was set during the 2016/17 budget process for delivery in 2017/18 to 2020/21.

The budget approved by the Council included major budget pressures beyond the expected inflationary ones. These included a proposal to address low pay by aligning Gedling's rates more closely to the market and a statutory change in National Insurance rates, which were offset by the planned efficiency savings. Modest revenue resource developments were approved, including enhanced community and voluntary sector support and free bulky waste collection, together with an investment in the Visitor Centre at Gedling Country Park, and ongoing revenue costs associated with this major project.

3. Gedling's Performance in 2016/17

a. Financial Performance

During 2016/17, Cabinet received the usual Gedling Plan monitoring reports and approved budget amendments to align resources to meet identified budget pressures, managing within the overall maximum capital and revenue budgets approved by Council, which included approved budget carry forwards from 2015/16.

Capital Outturn

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

Capital Outturn	Estimate 2016/17 £000	Actual 2016/17 £000	Variance £000
Capital Expenditure:			
Community Development	105	81	(24)
Housing, Health & Wellbeing	578	487	(91)
Public Protection	635	592	(43)
Environment	2,837	2,422	(415)
Growth and Regeneration	0	0	0
Resources and Reputation	0	0	0
Total Capital Expenditure	**4,155**	**3,582**	**(573)**
Financing:			
Capital Receipts	(363)	(872)	(509)
Capital Grants and Contributions	(1,068)	(992)	76
General Fund Revenue Contribution	(862)	(764)	98
Borrowing	(1,862)	(954)	908
Total Financing	**(4,155)**	**(3,582)**	**573**

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After accounting for requests to carry forward budgets of £0.5m to 2017/18 the remaining underspend is mainly due to efficiencies achieved on vehicle procurement.

Major investments in services during the year included:

- £0.76m in the Gedling Country Park Visitor Centre. A further £0.7m will be spent in 2017/18 with the facility opening in June 2017;
- £0.25m in the Gedling Country Park play area;
- £0.58m provided in Disabled Facilities Grants;
- £0.39m in offices and welfare facilities at the Jubilee Road depot;
- £1m in new and replacement vehicles and plant, including a new refuse freighter to expand the service as a result of an increasing number of households.

At the end of the year capital grants received but not yet applied to capital expenditure totalled £0.36m. Similarly, revenue contributions made but not yet applied to schemes totalled £0.19m. These capital reserves remain available for use in future years.

The Capital Financing Requirement represents the Council's underlying "need" to borrow for capital purposes and totalled £11.78m at 31 March 2017. One PWLB loan of £1m matured during 2016/17 but was not replaced, and total external debt at 31 March reduced to £6.81m. The Council was therefore in an "internal borrowing position", effectively using its reserves and balances to support capital expenditure in the short term. This is prudent since although borrowing rates are currently low, investment rates are also exceptionally low, and any borrowing in advance of need would result in a significant cost to carry any new external debt. The Council has access to borrowing facilities at concessionary "certainty" rates from the PWLB. Loans taken from PWLB have special characteristics in that interest rates are based on the Government's cost of borrowing, rather than on market rates. No new borrowing was undertaken during the year.

Revenue Outturn

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

Revenue Outturn	**Estimate 2016/17 £000**	**Actual 2016/17 £000**	**Variance £000**
Portfolio:			
Community Development	1,579	1,534	(45)
Housing, Health & Wellbeing	2,542	2,777	235
Public Protection	1,579	1,231	(348)
Environment	4,935	4,829	(106)
Growth and Regeneration	1,089	1,388	299
Resources and Reputation	1,862	1,314	(548)
Net Portfolio Budget	**13,586**	**13,073**	**(513)**
Transf'd from Earmarked Reserves	879	407	472
Net Council Budget	**12,707**	**12,666**	**(41)**
Financing:			
Revenue Support Grant	(1,416)	(1,422)	(6)
Business Rates	(2,700)	(3,035)	(335)
Council Tax	(5,527)	(5,527)	0
Council Tax Collection Fund Surplus	(100)	(100)	0
New Homes Bonus	(2,400)	(2,400)	0
Transfer from General Fund Balance	**(564)**	**(182)**	**382**
Total Financing	**(12,707)**	**(12,666)**	**41**

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The final revenue outturn position is a minor underspend of £41k, equating to 0.3% of the estimate. This underspend, together with additional income from business rates and grants of £341k, has resulted in the contribution required from the General Fund balance being £382k lower than estimated.

The General Fund balance at 31 March 2017 is £5.98m, which remains above the minimum required by the Council's Medium Term Financial Plan. This balance will be available to support future revenue expenditure.

In addition to the General Fund balance, earmarked reserves are sums set aside to provide financing for specific future expenditure plans. The total balance of such reserves at 31 March 2017 is £4.5m

Council Tax

Gedling collects its own council tax and also, as a billing authority, for Nottinghamshire County Council, the Nottinghamshire Police and Crime Commissioner, the Combined Fire Authority and eleven parish councils. This has a significant impact on the Council's cashflow, collecting £62m and retaining only its own £5.5m for spend on services. Gedling's own council tax was frozen in 2016/17, and during the year 98.4% of council tax due was collected, against a target of 98.5%.

Non-Domestic Rates

Under the Business Rates Retention Scheme, Gedling collects around £22m of business rates and pays over the appropriate shares to Central Government, Nottinghamshire County Council and the Combined Fire Authority. Again this has a significant impact on the Council's cashflow with Gedling retaining only £3m for spend on services.

The Business Rates Retention Scheme introduced a requirement to maintain a provision for rating appeals. The system is complex and neither the degree of successful appeals nor the reduction in rateable value achieved can be pre-determined. Using the best information available the current provision totals £2.6m, of which Gedling's share under the Scheme is £1.0m. This represents only a modest movement from the position at 31 March 2016.

During the year, 98.7% of the rates due were collected, against a target of 98.9%.

Balance Sheet

The Council's net worth decreased from a net liability of £6.842m to one of £17.355m at 31 March 2017. The movement is largely due to:

- Pension Liabilities

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

  Gedling's pension liability increased by £11.7m to £52.4m during 2016/17 as a result of the actuarial technical calculation. This calculation is required by accounting standards to provide a best estimate of post-employment benefit costs to the Council and is underpinned by a number of economic and member assumptions. Whilst it has a significant impact on the Council's net worth, the Council is working towards making the deficit good by increasing its future contributions. The increase in the liability reflects changes in the assumptions used by the actuary, and does not impact on the cash position on the Pension Fund.

- Property, Plant and Equipment

  The value of Property, Plant and Equipment has increased by £2.1m to £28.9m due to capital additions and increases in the value of existing property.

b. Non-Financial Performance

Achievements:

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

People:

- An improved health suite opened at Carlton Forum in January 2017 providing a state of the art steam and sauna facility with a relaxation area. So far, 125 people have taken out membership of the health suite and over 2,500 have used it on a pay and play basis;
- Provision of a new 3G sports pitch with floodlighting in partnership with the Redhill Academy Trust and the Football Association;
- Provision of a new play facility at Ley Street, Netherfield;
- An inaugural meeting of the Gedling Seniors Council took place on 31 March, organised in partnership with Age Concern, and a clear mandate was given to establish a Seniors Council for Gedling focussing on advocating services for the older community. A similar project for a Youth Council was also established;
- The Gedling International Women's Day programme took place throughout March 2017 and included a range of voluntary, community, business and Council led events;
- The Council, Gedling, Homes Nottingham Playhouse and other partners teamed up to develop a programme of performing arts and theatre opportunities for young people in the local area and for Gedling Homes tenants, the purpose of which is to enhance participants' skills and self-confidence which in turn will have a positive impact on their health and well-being;
- Since its introduction in April 2016, 487 taxi drivers have undertaken safeguarding training and the courses have been well received by licence holders;
- The Gedling Show in September 2016 was attended by an estimated 10,000 people, and to celebrate the Rio Olympics the Council also held a Carnival of Sport including a varied programme of activities and this was attended by over 3,000 people;
- The successful establishment of adult and junior park-runs at Gedling Country Park;
- The Council's approach to working with local groups to pursue the asset transfer of community buildings received national recognition from the Cabinet Office and is being promoted as a case study.

Performance:

- In October 2016 a new Digital Strategy was approved to support the Council's aim to improve the lives of residents, support local businesses and help provide high quality and excellent value services. To date, the website has been upgraded and a full refresh is scheduled for 2017/18. Council Tax customers can use online facilities for reporting all changes in circumstances including address and single occupier status. The Legal team is now using a digital case management system and has implemented the Single Justice procedure which enables criminal proceedings to be issued online. Better facilities for remote access to the IT network and additional functionality for taking card payments are being developed, and the Council supported the Be Online 2017 event in March, aimed at helping people who do not currently use the Internet;
- During the week commencing 3 October 2016 the Council's customer services team took part in National Customer Services Week, an event that raised awareness of the team and the vital role it plays;

- A significant improvement was achieved in the turnaround of planning applications within 8 weeks by placing a greater emphasis on performance management;
- IT security standards were maintained and externally validated during 2016/17, ensuring the Council's continued readiness to react to any IT disaster.

Place:

- As part of the plan to provide more homes a site at Top Wighay Farm was allocated for development in the Aligned Core Strategy. A revised brief has been adopted to help shape the future development of the site;
- The Local Planning Document was submitted for examination in October 2016 and Hearing sessions took place in February and March at which interested parties expressed their views to the Inspector appointed by the Secretary of State. The Inspector will decide whether the document is sound and complies with all relevant legal requirements;
- The apprenticeship project supported through the Erasmus+ programme is designed to share valuable learning to improve the delivery of effective apprenticeships schemes. Gedling has the lead role for the UK in this work, and in support our training team have been involved in designing and delivering training modules to help local business managers coach their apprentices, and manage their performance;
- The new Employment and Skills Delivery Plan developed by the Gedling Employment and Skills Group includes corporate priorities to increase training and employment uptake for Gedling residents;
- The Gedling Menu Employability Programme resulted in over 1,300 student receiving employability support and having contact with at least one employer;
- Option reports were submitted for regeneration projects at Arnold Town Centre and Carlton Square and supporting work has been undertaken to bring these projects closer to delivery;
- The Housing Manager has worked with developers at a site in Ravenshead with the aim of securing the delivery of affordable homes, and planning permission was also granted for 3 sites with Gedling Homes.

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

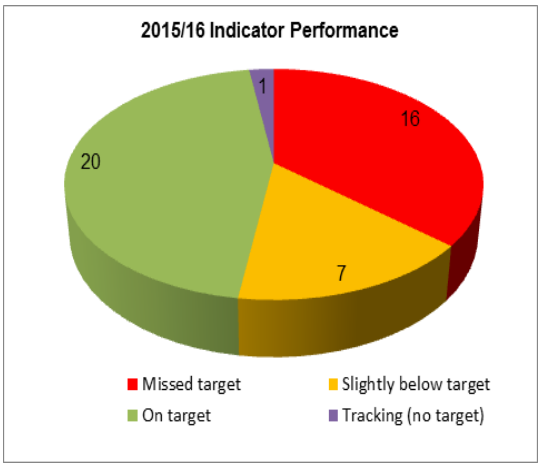
Actions:

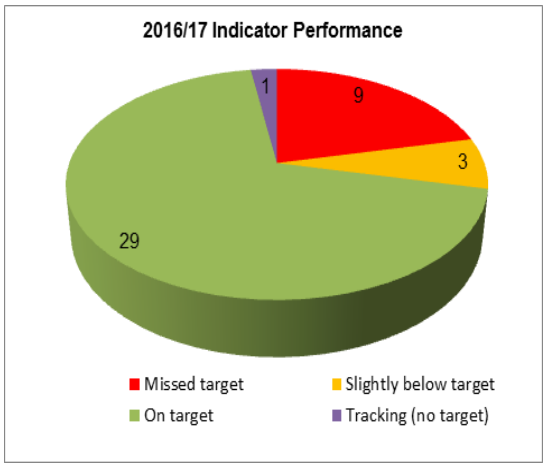
Actions set out in the Plan reflect the Council's aims, for example creating a programme of activities to create a more compassionate society across the Borough; developing initiatives to address loneliness and dementia; reviewing and improving temporary housing; providing a varied range of leisure facilities for young people, and putting in place measures to encourage customers to access information and services online.

Progress was made as planned on 79 actions in 2016/17 with only one, relating to the review and improvement of temporary housing overdue. Whilst most actions were completed, others are ongoing and progress will continue into 2017/18. For example, raising the profile of the "Love where you Live" campaign to educate residents and reduce incidents of environmental crime was 86% complete at 31 March but will be complete by 31 August.

Performance Indicators:

Whilst Actions refer to the Council's broad aims, Performance Indicators are more specific. Indicators included in the Gedling Plan represent 42 measurable targets that are monitored and reported to Members on a quarterly or annual basis as appropriate. At 31 March, 32 of the indicators were on target or slightly behind target (which is defined as the achievement of at least 99% of the target), with 9 behind target and, where significant, are explained in more detail in the section "where we need to improve" on page 9. One indicator used for tracking purposes only. As shown below, this is an improvement on the 2015/16 performance, when 16 indicators were behind target.





What we did well in 2016/17:

Some particularly positive results, both in terms of the performance against the target and when compared with 2015/16, are shown below, grouped according to the Council objectives:

People:

- The percentage response rate to the Individual Electoral Registration household canvass was 98%, which is higher than the target of 93% and an increase from 2015/16;
- Attendances at the Bonington Theatre increased from 22,923 in 2015/16 to 28,914 in 2016/17, well above the 25,500 target;
- Visits to the Council's leisure centres increased from 913,587 in 2015/16 to 939,055 in 2016/17, which was above the target of 922,700;

Performance:

- Customer satisfaction with overall customer service was 94.53%, exceeding the target of 85% and an increase from 63.54% in 2015/16;
- The percentage of One-Stop customers seen within 15 minutes was 89%, exceeding the 83% target and an increase from 85% in 2015/16.

Place:

- The number of empty homes returned to use has increased from 1 in 2015/16 to 5 in 2016/17;
- The Council hosted 26 pre-apprenticeship work experience placements, which was above the target of 16 and an increase from 15 in 2015/16;
- The percentage of minor planning applications processed within 8 weeks has increased from 50.33%in 2015/16 to 80.5% in 2016/17;
- The percentage of other applications processed within 8 weeks increased from 66.9% in 2015/16 to 80% in 2016/17.

Where we need to improve:

Despite the successes above, in certain areas the Council's performance fell short of the targets set, and in some cases represented a drop in performance when compared with 2015/16. Some areas of concern included:

People:

- The average time taken to process new housing benefit claims increased from 11 days in 2015/16 to 14 days in 2016/17, against a target of 12 days, however, a review of processes to make them more streamlined has been undertaken with the intention

of improving performance in 2017/18;

- The percentage of households considering themselves homeless, and approaching the Council, for whom housing advice resolved their problems was 12.3%, against a target of 13% however, the complexity of cases seen in the year has increased. This was a new indicator and no comparative is available;
- The average time taken to process homeless applications was 20.1 days against a target of 19 days however this represents an upward trend in performance when compared with 26.4 days in 2015/16.

Performance:

- The number of working days lost to sickness in 2016/17 was 11.73 days against a target of 8 days, and this represents a downward trend in performance from 7.24 days in 2015/16. This was largely due to a high number of long-term absences and policies relating to absence management are being reviewed.

Place:

- 25 small and medium-sized enterprises were supported to recruit their first apprentice in 2016/17 against a target of 30. This is a new indicator and the pilot programme is in its infancy and has not been operational for the full year;
- 13 employment agreements and pre-employment arrangements were provided against a target of 44. Eight work activities relating to the Information, Advice and Guidance strategy in schools were delivered along with 2 Job/Apprentice Fairs and 3 work experience placements. This is a new indicator and the shortfall in performance is a result of the Gedling Colliery site not yet going live;
- The net number of additional homes provided in the Borough was 198 against a target of 310 and whilst this represents an upward trend from 174 in 2015/16 the long-term trend is downwards. In line with the national picture, housebuilding in Gedling continues to be slow and ways of encouraging the commencement of schemes with planning permission already in place are being actively pursued;
- The number of affordable homes delivered was 39 against a target of 80, but this represents an upward trend from 18 in 2015/16. A site on Cavendish Road will deliver 42 homes by the autumn of 2017 and a further 3 sites being developed by Gedling Homes will deliver a further 66 units within 12 months.

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

The financial position is increasingly challenging, with central government support to the Council continuing to fall. By 2019/20 it is now estimated that Gedling's total government grant reductions, including New Homes Bonus, will be £5.4m, equivalent to a 62% cash reduction when compared to that support received in 2010/11. According to the Government's core spending power review this now puts Gedling in the top 10 worst affected local authorities in the country, and this is primarily due to the significant reduction in the New Homes Bonus awarded for 2017/18.

Gedling has, and will continue to, take a proactive approach to funding cuts, actively seeking out ways to identify pressures, possible efficiencies and new sources of income. The Gedling Plan 2017-19 was presented to Members on 1 March 2017, still based around the 3 priorities of People, Performance and Place. The budget agreed by Members was focussed on expenditure aligned to the 3 key priorities, and only included income where supported by robust proposals. A new efficiency target of £1.9m was approved and work to identify savings proposals for 2018/19 to 2020/21 is underway. In a climate of reduced funding it was emphasised that sustainability is key, and that capital and revenue planning must be integrated to ensure that the implications of capital spending are always fully anticipated.

Even in the face of the financial challenges the Council remains ambitious for its residents, businesses and taxpayers, investing in new revenue developments, including the Digital Agenda and an Empty Homes Officer and the 3 year capital investment plan, detailed below, includes improvements in town centres and our leisure facility offering.

Capital Estimate	Three Year Plan		
	2017/18 £000	2018/19 £000	2019/20 £000
Community Development	0	0	0
Housing, Health and Wellbeing	1,156	120	0
Public Protection	1,070	820	820
Environment	2,017	998	528
Growth and Regeneration	575	875	0
Resources and Reputation	150	350	350
Total Expenditure	**4,968**	**3,163**	**1,698**
Financing			
Capital Receipts	1,209	810	710
Capital Grants and Contributions	1,170	940	820
General Fund Revenue Contribution	441	0	0
Borrowing	2,148	1,413	168
Total Financing	**4,968**	**3,163**	**1,698**

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

- Changes to the Business Rates Retention Scheme to introduce 100% retention by Councils whilst phasing out Revenue Support Grant. A mechanism will still be required to ensure that funding is distributed in respect of need, which will inevitably create winners and losers. Given the immense pressure on social care there is a danger that district councils could lose further under any new allocation process;
- The nature and impact on the Council of the Brexit deal to be negotiated remains unclear.

The Council has an excellent track record for budget management, careful budget monitoring, and financial planning. It has always aimed to be a year ahead of the budget reductions required, to ease the transition. It has also already developed strategies to manage efficiencies and for the digitalisation of services. However, given the scale of the challenges faced and the budget reductions required, without additional management of demand for services there is an expectation that there will inevitably be some contraction of services or reduction in performance in some areas over the coming years. Working with partners will be essential to successfully respond to the challenges faced.

5. Corporate Risk

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

During 2016/17, whilst not representing significant risk concerns, a small number of issues were identified as relevant to the preparation of the Council’s Annual Governance Statement in that they highlighted the Council’s awareness of emerging issues through its proactive and holistic approach to governance:

- **Constitutional changes** - changes to the officer scheme of delegation, the officer code of conduct, and financial regulations mean that it is important to ensure that the Constitution remains relevant and purposeful;

- **Member and officer training** – the training programme for 2017/18 will focus on the Data Protection Regulations which come into force in 2018;

- **Health and Safety Risk Assessments** – to address the strategic risk concerning the training of Service Managers in health and safety, an electronic system is being installed and training will be provided in 2017/18;

- **Risk Management** – a full review and redesign of risk management systems and processes is planned for 2017/18;

- **The external economy** – risks are posed by the uncertain economic and political climate;

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

In their Audit Plan for 2016/17, the Council's auditors identified for consideration one significant financial statements audit risk, related to the change in the pension liability due to the LGPS triennial valuation, and one significant Value For Money risk, related to financial sustainability, including medium term financial planning and the delivery of savings plans. No other significant issues were identified within the 2016/17 governance process.

6. Explanation of the Financial Statements

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

Statements to the Accounts

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

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

Core Financial Statements

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

- The Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards, 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 as well as in the EFA.

- The Movement in Reserves Statement (MiRS) shows the movement in the year on the different reserves held by the authority, analysed into "usable" reserves (those that can be applied to fund expenditure or reduce local taxation) and other "unusable" reserves. The surplus or deficit on the provision of services shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The net increase/decrease before transfers to earmarked reserves shows the statutory General

Fund Balance before any discretionary transfers to or from earmarked reserves have been undertaken by the Council.

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

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

Supplementary Statements

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

7. Summary

The Council's financial and non-financial position in 2016/17 continues to be robust, given the extent of the financial challenges it faces. The revenue outturn represents a small underspend that is broadly in line with expectations, and which has required a lower contribution from the General Fund than had been budgeted for. The capital programme has been actively managed and the Council continues to maintain a level of reserves and balances that will provide financial resilience for 2017/18 and future years.

Following the referendum held on 23 June 2016 the result of which was that the people of the United Kingdom voted to leave the European Union, Article 50 of the Lisbon Treaty, requiring a member state to formally notify the EU of its intention to leave, was triggered by the Prime Minister on 29 March 2017. Until exit negotiations are concluded, the UK remains a full member of the EU and all the rights and obligations of EU membership remain in force. The full impact on the Council of the decision to leave remains unclear.

In the light of the Grenfell Tower tragedy, all local authorities have been requested by the Government to assess whether similar cladding systems have been used on any of their buildings. The Council has no buildings over three storeys in height, and no retro-fitted aluminium composite material cladding has been applied to any of its buildings.

No material events took place between the reporting date of 31 March 2017 and the date the Statement of Accounts was authorised for issue by the Chief Financial Officer, ie. 12 September 2017.

The Council faced significant challenges during 2016/17, and this trend is expected to continue for the foreseeable future, however it remains well placed to adapt to such challenges, and to take advantage of any opportunities offered by Brexit and beyond.

ANNUAL STATEMENT OF ACCOUNTS 2016/17

STATEMENT OF ACCOUNTING POLICIES

FOR GEDLING BOROUGH COUNCIL

ACCOUNTING POLICIES

1. **General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with the proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 2016/17 Code), supported by International Financial Reporting Standards (IFRS).

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

2. **Accruals of Income and Expenditure**

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

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 and Money Market Funds that are repayable at call without penalty. They are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

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

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

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

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

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

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

Services, support services and trading accounts are debited with the following amounts to record the cost of holding 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 amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction 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 segment or, where applicable, to a corporate service segment for non-distributed costs` in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

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

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;
  - 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 2016/17.

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 2016/17.

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 14 to 15 to the financial statements on pages 52 to 56. However, car loans to employees have been considered at length and it has been concluded that the sum outstanding of £19,065 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. **Foreign Currency Conversion**

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

10. **Government Grants and Contributions**

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

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

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

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

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

Community Infrastructure Levy

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

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

11. **Intangible Assets**

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible assets held by the Authority meets the criterion and they are therefore carried at

amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

12. **Inventories**

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

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

13. **Investment Property**

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

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

Properties are not depreciated but values are revalued annually 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.

14. **Leases**

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

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

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is

dependent on the use of specific assets. The Authority did not have any arrangements of this type during 2016/17.

The Authority as Lessee:

Finance Leases

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

Lease payments are apportioned between:

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

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

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

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

Operating Leases

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

The Authority as Lessor:

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

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

Operating Leases

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

15. Overheads and Support Services

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

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
• Information Technology	Systems operated, equipment utilised and time spent on Programming and Development
• Banking Services, Central Print Room, Central Postage, Customer Services.	Usage statistics

16. Property, Plant and Equipment

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

Recognition

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

future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end but as a minimum every 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 reclassified back to Non-Current Assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have to be recognised had they not been classified as Assets Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

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

revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

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 transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the

Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

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

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

18. **VAT**

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

19. **Fair Value Measurement**

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

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

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

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

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

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

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

20. **Collection Fund**

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

Accounting for Council Tax and NDR

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

ANNUAL STATEMENT OF ACCOUNTS 2016/17

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

FOR GEDLING BOROUGH COUNCIL

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Financial Officer.

- Manage its affairs to secure economic, efficient and effective use of resources, and to safeguard its assets.

- 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 2017 and its income and expenditure for the year then ended.

Signed:

M Hill CPFA
Chief Financial Officer
12 September 2017

This Statement was approved by the Audit Committee at its meeting on 12 September 2017, in accordance with the authority given by the delegation arrangements under section 3 of the Council's Constitution.

Signed:

Councillor P Feeney
Chair of the Audit Committee
12 September 2017

Financial Statements

ANNUAL STATEMENT OF ACCOUNTS 2016/17

EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with Generally Accepted Accounting Practices. It also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under Generally Accepted Accounting Practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES) on page 31.

2015/16				2016/17		
Net Exp chg'ble to General Fund Balance £000s	**Adjs between Funding & Acc'g Basis £000s**	**Net Exp in CIES (page 31) £000s**		**Net Exp chg'ble to General Fund Balance £000s**	**Adjs between Funding & Acc'g Basis £000s**	**Net Exp in CIES (page 31) £000s**
			Net Cost of Services:			
1,450	25	1,475	Community Development	1,534	22	**1,556**
2,074	158	2,232	Housing, Health & Well-being	2,777	21	**2,798**
1,452	60	1,512	Public Protection	1,231	40	**1,271**
4,369	197	4,566	Environment	4,875	(206)	**4,669**
693	54	747	Growth and Regeneration	1,388	49	**1,437**
1,630	557	2,187	Resources and Reputation	1,470	982	**2,452**
11,668	1,051	12,719	**Cost of Services**	**13,275**	**908**	**14,183**
			Other Operating Expenditure:			
536	0	536	Payment of Precepts to Parishes	584	0	**584**
16	0	16	Drainage Board Levy	17	0	**17**
0	1	1	Pensions Administration Cost	0	21	**21**
(36)	(389)	(425)	(Gain)/Loss on disposal of PPE	(49)	(618)	**(667)**
516	(388)	128		**552**	**(597)**	**(45)**
			Financing and Investment I&E:			
373	0	373	Interest Payable on Debt	297	0	**297**
0	1,413	1,413	Net Pensions Interest Cost	0	1,429	**1,429**
(172)	0	(172)	Interest Receivable and similar income	(145)	0	**(145)**
(105)	(94)	(199)	Inc & Exp re. Investment properties & changes in their fair value	(110)	137	**27**
0	(46)	(46)	(Gain)/Loss on disposal of Inv't Assets	0	0	**0**
96	1,273	1,369		**42**	**1,566**	**1,608**
			Taxation and Non Specific Grants:			
(6,068)	17	(6,051)	Council Tax Income	(6,210)	96	**(6,114)**
(2,733)	(586)	(3,319)	Non Domestic Rates	(3,248)	(378)	**(3,626)**
(4,252)	0	(4,252)	Non Ring-fenced Government Grants	(3,822)	0	**(3,822)**
0	(402)	(402)	Capital grants and contribs (note 10)	0	(434)	**(434)**
0	(119)	(119)	Donated Assets (note 10)	0	0	**0**
(13,053)	(1,090)	(14,143)		**(13,280)**	**(716)**	**(13,996)**
(773)	846	73	**(Surpl)/Def on Provision of Services**	**589**	**1,161**	**1,750**

£000s		**£000s**
(10,297)	**Opening General Fund Balance**	**(11,070)**
(773)	(Surplus)/Deficit on General Fund	589
(11,070)	**Closing General Fund Balance**	**(10,481)**

ANNUAL STATEMENT OF ACCOUNTS 2016/17

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards (IFRS), rather than the amounts to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations, which may be different from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis (EFA) on page 30 and the Movement in Reserves Statement on page 32. The 2015/16 comparatives have been restated to reflect a change in presentational requirements.

2015/16 Restated				2016/17		
Gross Exp £000s	Total Inc. £000s	Net Exp. £000s		Gross Exp £000s	Total Inc. £000s	Net Exp. £000s
			Net Cost of Services:			
1,720	(245)	1,475	Community Development	1,866	(310)	**1,556**
33,309	(31,077)	2,232	Housing, Health & Well-being	32,912	(30,114)	**2,798**
2,735	(1,223)	1,512	Public Protection	2,493	(1,222)	**1,271**
7,089	(2,523)	4,566	Environment	7,083	(2,414)	**4,669**
1,774	(1,027)	747	Growth and Regeneration	2,143	(706)	**1,437**
3,261	(1,074)	2,187	Resources and Reputation	3,610	(1,158)	**2,452**
49,888	(37,169)	12,719	**Cost of Services**	**50,107**	**(35,924)**	**14,183**
			Other Operating Expenditure:			
536	0	536	Payment of Precepts to Parishes	584	0	**584**
16	0	16	Drainage Board Levy	17	0	**17**
1	0	1	Pensions Administration Cost	21	0	**21**
3	(428)	(425)	(Gain)/Loss on disposal of PPE	45	(712)	**(667)**
556	(428)	128		**667**	**(712)**	**(45)**
			Financing and Investment I&E:			
373	0	373	Interest Payable on Debt	297	0	**297**
1,413	0	1,413	Net Pensions Interest Cost	1,429	0	**1,429**
0	(172)	(172)	Interest Receivable and similar income	0	(145)	**(145)**
			Income & Exp re. Investment			
15	(214)	(199)	Properties & changes in their fair value	316	(289)	**27**
85	(131)	(46)	(Gain)/Loss on disposal of Inv't Assets	0	0	**0**
1,886	(517)	1,369		**2,042**	**(434)**	**1,608**
			Taxation and Non Specific Grants:			
0	(6,051)	(6,051)	Council Tax Income	0	(6,114)	**(6,114)**
0	(3,319)	(3,319)	Non Domestic Rates	0	(3,626)	**(3,626)**
0	(4,252)	(4,252)	Non Ring-fenced Government Grants	0	(3,822)	**(3,822)**
0	(402)	(402)	Capital grants and contribs (note 10)	0	(434)	**(434)**
0	(119)	(119)	Donated Assets (note 10)	0	0	**0**
0	(14,143)	(14,143)		**0**	**(13,996)**	**(13,996)**
52,330	(52,257)	73	**(Surpl)/Def on Provision of Services**	**52,816**	**(51,066)**	**1,750**
		(612)	(Surplus) / Deficit on revaluation of non current assets (PPE)			**(940)**
		(4,959)	Actuarial re-measurements on Pension assets and liabilities			**9,703**
		(5,571)	**Other Comprehensive Income and Expenditure**			**8,763**
		(5,498)	**Total Comprehensive Income and Expenditure**			**10,513**

ANNUAL STATEMENT OF ACCOUNTS 2016/17

MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement (MiRS) shows the movement in-year on the different reserves held by the authority (see the Balance Sheet on pages 33 to 34), 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 31. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting 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. The 2015/16 comparatives have been restated to reflect a change in presentational requirements.

2016/17 Statement	**Unallocated Reserves**	**Earmarked Reserves**	**Total General Fund**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Total Usable Reserves**	**Total Unusable Reserves**	**TOTAL RESERVES**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Balance at 1 April 2016 per Balance Sheet	**6,159**	**4,911**	**11,070**	**213**	**338**	**11,621**	**(18,463)**	**(6,842)**
Total Comprehensive Income and Expenditure	(1,750)	0	**(1,750)**	0	0	(1,750)	(8,763)	(10,513)
Adj between accounting and funding basis under regulations (note 8)	1,161	0	**1,161**	(213)	209	**1,157**	(1,157)	**0**
Net increase/(decrease) before transfers to Earmarked Reserves	**(589)**	**0**	**(589)**	**(213)**	**209**	**(593)**	**(9,920)**	**(10,513)**
Transfers (to)/from Earmarked Reserves (note 9)	407	(407)	**0**	0	0	**0**	0	**0**
Increase or (Decrease) in the year 2016/17	**(182)**	**(407)**	**(589)**	**(213)**	**209**	**(593)**	**(9,920)**	**(10,513)**
Balance at 31 March 2017 per Balance Sheet	**5,977**	**4,504**	**10,481**	**0**	**547**	**11,028**	**(28,383)**	**(17,355)**

2015/16 Comparatives (Restated)	**Unallocated Reserves**	**Earmarked Reserves**	**Total General Fund**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Total Usable Reserves**	**Total Unusable Reserves**	**TOTAL RESERVES**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Balance at 1 April 2015 per Balance Sheet	**6,575**	**3,722**	**10,297**	**61**	**309**	**10,667**	**(23,007)**	**(12,340)**
Total Comprehensive Income and Expenditure	(73)	0	(73)	0	0	(73)	5,571	5,498
Adj between accounting and funding basis under regulations (note 8)	846	0	846	152	29	**1,027**	(1,027)	**0**
Net increase/(decrease) before transfers to Earmarked Reserves	**773**	**0**	**773**	**152**	**29**	**954**	**4,544**	**5,498**
Transfers (to)/from Earmarked Reserves (note 9)	(1,189)	1,189	0	0	0	**0**	0	**0**
Increase or (Decrease) in the year 2015/16	**(416)**	**1,189**	**773**	**152**	**29**	**954**	**4,544**	**5,498**
Balance at 31 March 2016 per Balance Sheet	**6,159**	**4,911**	**11,070**	**213**	**338**	**11,621**	**(18,463)**	**(6,842)**

ANNUAL STATEMENT OF ACCOUNTS 2016/17

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 2016 (Restated)			31 March 2017	
£000s	£000s		£000s	£000s
		Property, Plant & Equipment (note 11)		
20,805		Land and Buildings	**21,776**	
2,751		Vehicles, Plant and Equipment	**3,372**	
599		Infrastructure	**603**	
2,636		Community Assets	**2,428**	
9		Assets Under Construction	**760**	
	26,800			**28,939**
	4,994	**Investment Property** (note 12)		**4,859**
	179	**Intangible Assets** (note 13)		**131**
	2,036	**Long Term Debtors** (note 16)		**1,020**
	34,009	**LONG TERM ASSETS**		**34,949**
8,528		Short Term Investments	**8,008**	
126		Inventories	**94**	
4,215		Short Term Debtors (note 17)	**6,545**	
(98)		Cash and Cash Equivalents (note 18)	**(180)**	
	12,771	**CURRENT ASSETS**		**14,467**
(1,001)		Short Term Borrowing (under 1year)	**(1)**	
(3,448)		Short Term Creditors (note 19)	**(4,487)**	
	(4,449)	**CURRENT LIABILITIES**		**(4,488)**
(1,042)		Provisions over 1 year (note 20)	**(1,138)**	
(6,812)		Long term Borrowing (PWLB)	**(6,812)**	
(40,668)		Net Pensions Liability (note 33)	**(52,375)**	
(608)		Capital Grants & Contributions Received in Advance (note 29)	**(1,777)**	
(43)		Revenue Grants & Contributions Received in Advance (note 29)	**(181)**	
	(49,173)	**LONG TERM LIABILITIES**		**(62,283)**
	(6,842)	**NET ASSETS / (LIABILITIES)**		**(17,355)**

The 2015/16 comparatives have been restated to reflect the reclassification of £1m held in an account requiring 180 days notice to withdraw, from cash and cash equivalents to short term investments.

ANNUAL STATEMENT OF ACCOUNTS 2016/17

BALANCE SHEET

31 March 2016 (Restated)			31 March 2017	
£000s	£000s		£000s	£000s
	(6,842)	**NET ASSETS / LIABILITIES FROM ABOVE**		**(17,355)**
		Usable Reserves (MiRS p 32)		
6,159		General Fund	**5,977**	
4,911		Earmarked Reserves (note 9)	**4,504**	
213		Capital Receipts Reserve	**0**	
338		Capital Grants and Contributions Unapplied	**547**	
	11,621			**11,028**
		Unusable Reserves (note 22)		
5,962		Revaluation Reserve	**6,741**	
(40,668)		Pensions Reserve	**(52,375)**	
16,684		Capital Adjustment Account	**17,411**	
(72)		Collection Fund Adjustment Account - CTax	**(168)**	
(215)		Collection Fund Adjustment Account - NDR	**163**	
(154)		Short-term Accumulating Compensated Absences Account	**(155)**	
	(18,463)			**(28,383)**
	(6,842)	**TOTAL RESERVES**		**(17,355)**

ANNUAL STATEMENT OF ACCOUNTS 2016/17

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.

2015/16 (Restated) £000s		2016/17 £000s
(73)	**Net Surplus / (Deficit) on the Provision of Services per the Comprehensive Income and Expenditure Statement**	**(1,750)**
3,091	Total of adjustments to net Surplus/(Deficit) on Provision of Services for non-cash movements	4,059
(1,027)	Total of adjustments to the net Surplus/(Deficit) on Provision of Services for items that are investing and financing activities	(1,202)
1,991	**Net cash flow from operating activities** (see note 23)	**1,107**
(1,258)	Investing activities (see note 24)	**(184)**
(1,441)	Financing activities (see note 25)	**(1,005)**
(708)	**Net Increase / (Decrease) in Cash & Cash Equivalents**	**(82)**
610	Cash and Cash Equivalents at the beginning of the reporting period	**(98)**
(98)	**Cash and Cash Equivalents at the End of the Reporting Period**	**(180)**

Analysis of Cash and Cash Equivalents at Balance Sheet dates:	31 March 2016 (Restated) £000s	31 March 2017 £000s
Bank Account balances and cash in transit	(700)	**(982)**
Imprest accounts	12	**12**
Cash equivalents	590	**790**
Total Cash and Cash Equivalents per Balance Sheet	(98)	**(180)**

The 2015/16 comparatives have been restated to reflect the reclassification of £1m held in an account requiring 180 days notice to withdraw, from cash and cash equivalents to short term investments.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Please refer to the full Statement of Accounting Polices, which can be found on pages 14 to 27.

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 2017/18 Code includes the adoption from 1 April 2017 of amendments to the reporting of pension fund scheme transaction costs and amendments to the reporting of investment concentrations. It is not anticipated that either of these changes will have any material effect on the information provided in the Council's financial statements.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the Accounting Policies set out on pages 14 to 27, the authority may have to make certain judgements about complex transactions or those involving uncertainty about future events.

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

In a referendum held on 23 June 2016, the people of the United Kingdom voted to leave the European Union. Article 50 of the Lisbon Treaty requires a member state to formally notify the EU of its intention to leave, and this was triggered by the Prime Minister on 29 March 2017. Until exit negotiations are concluded, the UK remains a full member of the EU and all the rights and obligations of EU membership remain in force, and the full impact on the Council of the decision to leave remains unclear.

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

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

The estimated items in the Authority's Balance Sheet at 31 March 2017 for which there is a significant risk of causing a material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements in relation to the discount rate used, the rate at which salaries are projected to increase, changes in the retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For example, a one year increase in the mortality assumption (life expectancy) would result in an increase of £4.672m in the pension liability, and a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £2.302m. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. See note 33 on pages 71 to 77 for further details.

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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 £202,000. However, as the asset values are reviewed on an annual basis this level of incorrect estimation is unlikely. See note 11 on pages 48 to 50 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 £2,595,200 of which the Council's share as billing authority is £1,038,100.	A change of 5% in the assumed RV reduction achieved for each NDR appeal could increase or decrease the provision requirement by around £129,800. Of this, the Council's share as billing authority would be £51,900. See note 20 on page 58 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 2017 is £1,912,700.	If collection rates were to deteriorate, a 10% increase on the impairment percentage would require an additional £238,700 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. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

The Code requires a reconciliation of the main adjustments to net expenditure chargeable to the General Fund to arrive at the amounts shown in the Comprehensive Income and Expenditure Statement (CIES) on page 31. The relevant transfers between reserves are shown in the Movement in Reserves Statement (MiRS) on page 32.

2016/17	Adjs. between Funding and Accounting Basis			
	Adjustments for capital purposes	Net change for Pension adjustments	Other Differences	Total Adjustments
	£000s	£000s	£000s	£000s
Community Development	0	23	(1)	**22**
Housing, Health & Well-being	(93)	115	(1)	**21**
Public Protection	(1)	46	(5)	**40**
Environment	(358)	150	2	**(206)**
Growth and Regeneration	0	47	2	**49**
Resources and Reputation	806	173	3	**982**
Cost of Services	**354**	**554**	**0**	**908**
Other income and expenditure from the Expenditure Funding Analysis	(915)	1,450	(282)	**253**
Difference between the General Fund (surplus)/deficit and the CIES (surplus)/deficit on the Provision of Services	**(561)**	**2,004**	**(282)**	**1,161**

2015/16 Comparative	Adjs. between Funding and Accounting Basis			
	Adjustments for capital purposes	Net change for Pension adjustments	Other Differences	Total Adjustments
	£000s	£000s	£000s	£000s
Community Development	0	27	(2)	25
Housing, Health & Well-being	0	167	(9)	158
Public Protection	0	66	(6)	60
Environment	0	207	(10)	197
Growth and Regeneration	0	58	(4)	54
Resources and Reputation	521	59	(23)	557
Cost of Services	521	584	(54)	1,051
Other income and expenditure from the Expenditure Funding Analysis	(1,050)	1,414	(569)	(205)
Difference between the General Fund (surplus)/deficit and the CIES (surplus)/deficit on the Provision of Services	(529)	1,998	(623)	846

Adjustments for Capital purposes

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

Other operating expenditure is adjusted for capital disposals.

5. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS (continued)

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

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

Net change for Pensions adjustments

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

Other operating expenditure is adjusted for pensions administration.

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

Other Differences

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

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

6. SEGMENTAL ANALYSIS

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

Depreciation and Amortisation	**2015/16**	**2016/17**
	£000s	**£000s**
Community Development	53	**60**
Housing, Health & Well-being	177	**244**
Public Protection	116	**4**
Environment	1,003	**939**
Growth and Regeneration	1	**1**
Resources and Reputation	63	**193**
	1,413	**1,441**

External Income from Customers	**2015/16**	**2016/17**
	£000s	**£000s**
Community Development	(222)	**(212)**
Housing, Health & Well-being	(3,457)	**(3,347)**
Public Protection	(611)	**(564)**
Environment	(2,149)	**(2,251)**
Growth and Regeneration	(710)	**(603)**
Resources and Reputation	(741)	**(721)**
	(7,890)	**(7,698)**

7. EXPENDITURE AND INCOME ANALYSED BY NATURE

	2015/16	2016/17
	£000s	£000s
Employee benefits expenses	14,451	**15,273**
Other service expenses	35,439	**34,843**
Depreciation and amortisation	1,413	**1,441**
Interest payments	373	**297**
Precepts and levies	552	**601**
Costs associated with the disposal of fixed assets	87	**45**
Expenditure on investment properties and reductions in fair value	15	**316**
Total Expenditure per CIES	**52,330**	**52,816**
Fees, charges and other service income	(7,890)	**(7,698)**
Interest and investment income	(172)	**(145)**
Income from council tax and NDR	(9,370)	**(9,741)**
Government grants and other contributions	(34,053)	**(32,481)**
Income from the disposal of assets	(559)	**(712)**
Income from investment properties and increases in fair value	(213)	**(289)**
Total Income per CIES	(52,257)	**(51,066)**
(Surplus)/Deficit on the Provision of Services	73	**1,750**

8. 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.

2016/17	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 22)					
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement					
Charges for depreciation & impairment of non-current assets	1,393	0	0	1,393	(1,393)
Revaluation losses/(reversals) on Property Plant and Equipment	0	0	0	0	0
Movement in fair value of investment properties	137	0	0	137	(137)
Amortisation of intangible assets	48	0	0	48	(48)
Capital grants & contributions applied	(130)	0	0	(130)	130
Revenue Expenditure Funded from Capital Under Statute	369	0	0	369	(369)
Carrying Amounts debited as part of the gain or loss on disposals of non-current assets	40	0	0	40	(40)
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)	(504)	0	0	(504)	504
Capital expenditure charged against General Fund Balance	(952)	0	188	(764)	764
Adjustments primarily involving the Capital Grants Unapplied Account					
Capital grants and contributions unapplied, credited to the Comprehensive Income & Expenditure Statement	(304)	0	304	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(283)	(283)	283
Sub-total of items adjusted	97	0	209	306	(306)

8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2016/17 (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	**97**	**0**	**209**	**306**	**(306)**
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	**(659)**	**659**	**0**	**0**	**0**
Use of Capital Receipts Reserve to finance new capital expenditure	**0**	**(872)**	**0**	**(872)**	**872**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	**0**	**0**	**0**	**0**	**0**
Adjustments primarily involving the Pensions Reserve (note 22)					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	**3,949**	**0**	**0**	**3,949**	**(3,949)**
Employers pension contributions and direct payments to pensioners payable in the year	**(1,945)**	**0**	**0**	**(1,945)**	**1,945**
Adjustments primarily involving the Collection Fund Adjustment A/C (note 22)					
Amount by which council tax & NDR income credited to the Comprehensive Income & Expenditure Statement differs to that income calculated for the year in accordance with statutory requirements	**(282)**	**0**	**0**	**(282)**	**282**
Adjustments primarily involving the Accumulated Absences Account (note 22)					
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	**1**	**0**	**0**	**1**	**(1)**
Total Net adjs between Accounting basis and Funding basis under regulation (per Movement in Reserves Statement on p32)	**1,161**	**(213)**	**209**	**1,157**	**(1,157)**

8. 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.

2015/16 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 22)					
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement					
Charges for depreciation & impairment of non-current assets	1,366	0	0	1,366	(1,366)
Revaluation losses/(reversals) on Property Plant and Equipment	0	0	0	0	0
Movement in fair value of investment properties	(94)	0	0	(94)	94
Amortisation of intangible assets	47	0	0	47	(47)
Capital grants & contributions applied	(293)	0	0	(293)	293
Revenue Expenditure Funded from Capital Under Statute	112	0	(2)	110	(110)
Carrying Amounts debited as part of the gain or loss on disposals of non-current assets	85	0	0	85	(85)
Income from Donated Assets	(119)	0	0	(119)	119
Insertion of items NOT debited or credited to the Comprehensive Income & Expenditure Statement					
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	(504)	0	0	(504)	504
Capital expenditure charged against General Fund Balance	(500)	0	(72)	(572)	572
Adjustments primarily involving the Capital Grants Unapplied Account					
Capital grants and contributions unapplied, credited to the Comprehensive Income & Expenditure Statement	(108)	0	108	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(5)	(5)	5
Sub-total of items adjusted	(8)	0	29	21	(21)

8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2015/16 Comparatives 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	(8)	0	29	21	(21)
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	(520)	520	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	(369)	0	(369)	369
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	1	0	1	(1)
Adjustments primarily involving the Pensions Reserve (note 22)					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	3,673	0	0	3,673	(3,673)
Employers pension contributions and direct payments to pensioners payable in the year	(1,676)	0	0	(1,676)	1,676
Adjustments primarily involving the Collection Fund Adjustment A/C (note 22)					
Amount by which council tax & NDR income credited to the Comprehensive Income & Expenditure Statement differs to the council tax income calculated for the year in accordance with statutory requirements	(569)	0	0	(569)	569
Adjustments primarily involving the Accumulated Absences Account (note 22)					
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	(54)	0	0	(54)	54
Total Net adjs between Accounting basis and Funding basis under regulation (per Movement in Reserves Statement on p32)	846	152	29	1,027	(1,027)

9. 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 2015/16 and 2016/17.

	Balance 31 Mar 2015	Transfers out during 2015/16	Transfers in during 2015/16	Balance 31 Mar 2016	Transfers out during 2016/17	Transfers in during 2016/17	Balance 31 Mar 2017
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
IT Equipment Replacement Reserve	417	(85)	102	**434**	(109)	103	**428**
Community and Crime	88	0	10	**98**	0	35	**133**
Disabled Adaptations	22	0	0	**22**	0	0	**22**
Risk Management	344	(3)	0	**341**	(20)	0	**321**
Housing and Housing Benefits Reserve	450	(13)	36	**473**	(27)	0	**446**
Insurance Fund	273	(10)	0	**263**	(21)	20	**262**
Efficiency & Innovation	144	(18)	0	**126**	0	35	**161**
Asset Management	145	(47)	111	**209**	(99)	175	**285**
Local Development Framework & Planning Reserve	118	(44)	75	**149**	(36)	19	**132**
S106 Revenue Reserve	96	(17)	16	**95**	(15)	81	**161**
Earmarked Grants Reserve	541	(103)	259	**697**	(247)	97	**547**
Joint Use Maintenance Reserve	105	(172)	220	**153**	(226)	105	**32**
CCTV Reserve	214	0	28	**242**	(3)	41	**280**
Local Authority Mortgage Scheme Reserve	66	0	22	**88**	0	23	**111**
Rural Broadband Resv.	90	(59)	0	**31**	(31)	0	**0**
Apprentice Resv.	54	0	7	**61**	(3)	18	**76**
Land Charges Resv.	25	0	0	**25**	0	0	**25**
NDR Pool Reserve	67	(42)	74	**99**	0	101	**200**
Transformation Reserve	189	0	68	**257**	(31)	40	**266**
Economic Development Reserve	274	(81)	355	**548**	(133)	30	**445**
Leisure Strategy Res'v	0	0	500	**500**	(358)	0	**142**
Building Control Resv	0	0	0	**0**	0	29	**29**
Total Earmarked Reserves per Balance Sheet p33-34	**3,722**	**(694)**	**1,883**	**4,911**	**(1,359)**	**952**	**4,504**
Net Movement in Year per MiRS p32		**1,189**			**(407)**		

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.

9. 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 asset maintenance and replacement.

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

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

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

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

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

Local Authority Mortgage Scheme Reserve - to provide for potential defaults in connection with two LAMS schemes launched in April 2012 and June 2013, under which the Council indemnifies Lloyds for 20% of individual loans for 5 years (see note 16).

Rural Broadband Reserve - to provide for community benefit from the roll out of broadband services to rural areas. This is now complete and the balance in the reserve is Nil.

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.

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

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

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

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

Building Control Reserve - each year, Building Control costs should equate to income from fees. Any surplus or deficit is transferred to this reserve.

NOTES TO THE FINANCIAL STATEMENTS

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

	2015/16	2016/17
Capital Grants and Contributions	**£000s**	**£000s**
Department for Environment and Rural Affairs:		
WREN Grant (Waste Recycling Environmental)	0	**(94)**
Department for Communities and Local Government:		
Disabled Facilities Grant	0	**(218)**
Homes and Communities Agency:		
Provision of starter homes	(37)	**0**
Other Grants and Contributions:		
Developers' Section 106 Contributions	(296)	**0**
Community Infrastructure Levy (CIL)	0	**(86)**
Nottinghamshire County Council - Ley Street Play Area & Trim Trail	0	**(36)**
Sport England	(7)	**0**
Rushcliffe Borough Council	(39)	**0**
ANESCO - solar farm	(23)	**0**
Total Capital Grants & Contributions per CIES on page 31	(402)	**(434)**
Donated Assets		
Community Facilities	(119)	**0**
Total Donated Assets per CIES on page 31	(119)	**0**

11. PROPERTY, PLANT & EQUIPMENT

Movements in 2016/17	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 2016	21,608	9,056	1,026	7,141	9	**38,840**
Additions	518	1,223	49	81	760	**2,631**
Donations	0	0	0	0	0	**0**
Revaln incr/(decr) recognised in the Revaluation Reserve	385	0	0	0	0	**385**
Revaln incr/(decr) recognised in the Surplus/Deficit on Provision of Services	0	0	0	0	0	**0**
Derecognition-Disposals	0	(732)	0		0	**(732)**
Derecognition-Decommissioned	0	(999)	0	(9)	0	**(1,008)**
Other movements in cost or valuation	9	0	0	0	(9)	**0**
As at 31 March 2017	**22,520**	**8,548**	**1,075**	**7,213**	**760**	**40,116**
Accumulated Depreciation and Impairment:						
As at 1 April 2016	(803)	(6,305)	(427)	(4,505)	0	**(12,040)**
Depreciation Charge	(497)	(562)	(45)	(289)	0	**(1,393)**
Depreciation written out to the Revaluation Reserve	556	0	0	0	0	**556**
Depreciation written out to the Surplus/Deficit on Provision of Services	0	0	0	0	0	**0**
Derecognition-Disposals	0	692	0	0	0	**692**
Derecognition-Decommissioned	0	999	0	9	0	**1,008**
As at 31 March 2017	**(744)**	**(5,176)**	**(472)**	**(4,785)**	**0**	**(11,177)**
Net Book Value 31/3/16	20,805	2,751	599	2,636	9	26,800
Net Book Value 31/3/17	**21,776**	**3,372**	**603**	**2,428**	**760**	**28,939**

11. PROPERTY, PLANT & EQUIPMENT (Continued)

Comparative Movements in 2015/16	**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 2015	21,182	8,815	779	6,956	1	37,733
Additions	72	620	247	65	9	1,013
Donations	0	0	0	119	0	119
Revaln incr/(decr) recognised in the Revaluation Reserve	403	0	0	0	0	403
Revaln incr/(decr) recognised in the Surplus/Deficit on Provision of Services	0	0	0	0	0	0
Derecognition-Disposals	0	(379)	0	0	0	(379)
Other movements in cost or valuation	(49)	0	0	1	(1)	(49)
As at 31 March 2016	21,608	9,056	1,026	7,141	9	38,840
Accumulated Depreciation and Impairment:						
As at 1 April 2015	(571)	(6,149)	(398)	(4,143)	0	(11,261)
Depreciation Charge	(441)	(534)	(29)	(362)	0	(1,366)
Depreciation written out to the Revaluation Reserve	209	0	0	0	0	209
Depreciation written out to the Surplus/Deficit on Provision of Services	0	0	0	0	0	0
Derecognition-Disposals	0	378	0	0	0	378
As at 31 March 2016	(803)	(6,305)	(427)	(4,505)	0	(12,040)
Net Book Value 31/3/15	20,611	2,666	381	2,813	1	26,472
Net Book Value 31/3/16	20,805	2,751	599	2,636	9	26,800

11. 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 173 years
Vehicles, Plant and Equipment	5 to 25 years
Infrastructure	10 to 25 years

Revaluation

The authority carries out a rolling programme which ensures that all Property, Plant and Equipment required to be measured at Current Value is revalued at least every 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 basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Vehicles, Plant and Equipment are valued on a depreciated historic cost basis as a proxy for Current Value.

Significant Capital Contracts

The following capital contracts had been entered into but not fully completed as at 31 March 2017. The figures represent the estimated value of works still to be completed in 2017/18, and not the full contract values.

	2016/17
	£000s
Gedling Country Park Heritage and Cultural Centre	**481**
Arnold Leisure Centre replacement boilers	**63**
Total	**544**

12. 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.

	2015/16	2016/17
	£000s	£000s
Rental from Investment Property	(120)	**(118)**
Direct operating expenses arising from Investment Property	15	**8**
Net (Gain)/Loss	(105)	**(110)**

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

	2015/16	2016/17
	£000s	£000s
Balance at the start of the year	4,936	**4,994**
Additions (purchase, construction & subsequent expenditure)	0	**2**
Disposals	(85)	**0**
Net gain/(loss) from fair value adjustments	94	**(137)**
Transfers (to)/from Property, Plant and Equipment	49	**0**
Balance at the end of the year per Balance Sheet	4,994	**4,859**

13. INTANGIBLE ASSETS

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

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

The carrying amount of intangible assets is amortised on a straight line basis. Over half of the amortisation of £48,040 charged to revenue in 2016/17 was charged to Payroll and IT, and then absorbed as an overhead across all relevant service headings in Cost of Services. Other charges were made directly to services.

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

	2015/16	2016/17
	£000s	£000s
Gross carrying amount	807	**924**
Accumulated amortisation	(698)	**(745)**
Net carrying amount at start of year	109	**179**
Additions - purchases	117	**0**
Amortisation for the year	(47)	**(48)**
Net carrying amount at end of year per Balance Sheet	179	**131**
Represented by:		
Gross carrying amount	924	**924**
Accumulated amortisation	(745)	**(793)**
Total	179	**131**

14. 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).

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

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

Initial Recognition

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

Initial Measurement

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

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

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

14. FINANCIAL INSTRUMENTS (Continued)

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

The only "soft loans" identified by the Council in 2016/17 were car loans to employees. It is the Council's view that the outstanding sum of £19k is not material, and accordingly, no calculation for fair value has been undertaken. Car loans are therefore recognised in the balance sheet at the value of the sums loaned, less repayments made.

Subsequent Measurement

Although all financial instruments are initially measured on the basis of fair value, subsequent measurement depends on the classification of an instrument. 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 not to be material, for example the 0.035% charge made by PWLB, the transaction costs may be charged immediately to the Comprehensive Income and Expenditure Statement (CIES). This is the treatment adopted by Gedling Borough Council.

Premiums and Discounts

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

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

No premiums or discounts were paid or received by the Council during 2016/17.

Gedling Borough Council's Financial Instruments:

(a) Category of Liabilities:

Amortised Costs:

(i) **Long and Short Term Borrowing** - Total long term debt outstanding on the balance sheet on 31 March 2017 is £6.81m, all held with the Public Works Loan Board (PWLB). The short term borrowing balance of £1k is represented by accrued interest only. PWLB loans have special characteristics in that the interest rates are based on the Government's cost of borrowing rather than on market rates, and a penalty charge is payable on early redemption that is over and above the cost to the lender.

14. FINANCIAL INSTRUMENTS (Continued)

The Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, and these are termed the PWLB Certainty interest rates. As a result of its PWLB commitments for fixed rate loans, a comparison of the terms of these loans with the new borrowing rates available from PWLB has been used to calculate the fair value. If a value is calculated on this basis the carrying amount of the Councils outstanding loans of £6.81m would be valued at £9.21m. However, if the Council was to seek to avoid the projected loss by repaying the loans to PWLB, the PWLB would raise a penalty charge based on the premature redemption interest rates, totalling £4.36m. The exit price for the outstanding PWLB loans including the penalty charge would therefore be £11.17m. The valuation basis adopted uses level 2 inputs, ie. inputs other than quoted prices that are observable for the financial liability.

This redemption charge is a supplementary measure of the fair value of the outstanding PWLB loans of £6.81m. It measures the economic effect of the terms agreed by the Council with the PWLB, compared with estimates of the terms that would be offered for market transactions undertaken at the balance sheet date, which have been assumed to be the PWLB premature redemption interest rates. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB against what would be paid if the loans were at prevailing market rates.

(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 £1.96m. Short-term creditors outstanding at 31 March 2017, which are classed as financial instruments, totalled £1.97m.

Fair Value through Profit and Loss:

No Liabilities Held for Trading are used by the Council.

(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 2017 was £19k, which is not material. The Council has made two advances of £1m each to Lloyds Bank in respect of the Local Authority Mortgage Scheme. One of these matures in June 2018 and is held on the balance sheet as a long term debtor, however the other matures in April 2017 and has therefore now been included in short 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 2017.

(iii) **Short Term Investment** - Investments held at 31 March 2017 amounted to £8.01m, 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 2017, which are classed as financial instruments, totalled £3.52m 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 2017 totalled £1.01m, however these are combined on the Balance Sheet as part of the overall Cash and Cash Equivalents balance of £0.18m overdrawn. As this overdrawn position is only a result of daily cashflow management, the net position continues to be shown with current assets (note 18).

14. FINANCIAL INSTRUMENTS (Continued)

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	
	2015/16	2016/17	2015/16	2016/17
	£000s	£000s	£000s	£000s
Liabilities at Amortised Cost:				
Borrowing	(6,812)	**(6,812)**	(1,001)	**(1)**
Creditors and Receipts in Advance	(651)	**(1,958)**	(1,903)	**(1,973)**
Assets at Amortised Cost:				
Short Term Investments (up to 12 months)	0	**0**	8,528	**8,008**
Debtors	2,035	**1,020**	2,258	**3,518**
Cash and Cash Equivalents	0	**0**	(98)	**(180)**

The 2015/16 comparatives have been restated to reflect the reclassification of £1m held in an account requiring 180 days notice to withdraw, from cash and cash equivalents to short term investments.

15. 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 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.

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

The Council also operates maximum investment limits with individual counterparties and Money Market Funds. Any investment in excess of these limits is subject to the specific approval of the Chief Financial Officer. The Council did not experience any non-performance from any of its counterparties in respect of its temporary investments or cash equivalents during 2016/17.

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	**2015/16 £000s**	**2016/17 £000s**
Short Term Borrowing		
Repayable within 1 year:		
Principal	(1,000)	**0**
Interest accruals	(1)	**(1)**
Short Term Borrowing per Balance Sheet	(1,001)	**(1)**
Long Term Borrowing		
Repayable in 1 to 2 years	0	**0**
Repayable in 2 to 5 years	0	**0**
Repayable in 5 to 10 years	0	**0**
Repayable in over 10 years	(6,812)	**(6,812)**
Long Term Borrowing per Balance Sheet	(6,812)	**(6,812)**

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

Market Risk:

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

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

16. LONG TERM DEBTORS

	2015/16	2016/17
	£000s	£000s
Car Loans	35	**19**
Local Authority Mortgage Scheme	2,000	**1,000**
Other	1	**1**
Total Long Term Debtors per Balance Sheet	2,036	**1,020**

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. One of the advances matures in June 2018 and is included in long term debtors on the Council's balance sheet, however, the other advance matures in April 2017 and has now been transferred to short term debtors (see note 17).

17. SHORT TERM DEBTORS

	2015/16	2016/17
	£000s	£000s
Central Government Departments	446	**410**
Other Local Authorities	1,143	**1,721**
Local Authority Mortgage Scheme	0	**1,000**
Other Entities and Individuals	2,626	**3,414**
Net Short Term Debtors per Balance Sheet	4,215	**6,545**

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

18. 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:

	31/03/16 (Restated)	31/03/17
	£000s	£000s
Cash balance at bank and cash in transit	(700)	**(982)**
Imprest Accounts	12	**12**
	(688)	**(970)**
Call Accounts	590	**790**
Total Cash and Cash Equivalents per Balance Sheet	(98)	**(180)**

The 2015/16 comparatives have been restated to reflect the reclassification of £1m held in an account requiring 180 days notice to withdraw, from cash and cash equivalents to short term investments.

19. 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.

	2015/16	2016/17
	£000s	£000s
Central Government Departments	(910)	**(1,596)**
Other Local Authorities	(963)	**(1,329)**
Other Entities and Individuals	(1,575)	**(1,562)**
Total Short Term Creditors per Balance Sheet	(3,448)	**(4,487)**

20. PROVISIONS

	Transf'd Stock Env. Warranties £000s	Transf'd Stock Repairs £000s	NDR Appeals £000s	Total Provisions £000s
Over one year:				
Balance at 1 April 2016	**(50)**	**(50)**	**(942)**	**(1,042)**
Additional Provisions made in 2016/17	0	0	(96)	**(96)**
Used in 2016/17	0	0	0	**0**
Reversed in 2016/17	0	0	0	**0**
Balance at 31 March 2017	**(50)**	**(50)**	**(1,038)**	**(1,138)**

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

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

NDR Appeals - The Business Rate Retention regime places a liability on the Council to refund ratepayers who successfully appeal against the rateable value of their properties on the rating list. A provision of £1,038,000 has been made, representing the Council's estimated share of such liabilities at 31 March 2017.

21. USABLE RESERVES

Movements in the authority's Usable Reserves are detailed in the Movement in Reserves Statement on page 32, and in note 8 on pages 41 to 44.

22. UNUSABLE RESERVES

	31/03/16	31/03/17
	£000s	£000s
Revaluation Reserve	5,962	**6,741**
Capital Adjustment Account	16,684	**17,411**
Pensions Reserve	(40,668)	**(52,375)**
Collection Fund Adjustment Account - Council Tax	(72)	**(168)**
Collection Fund Adjustment Account - Non Domestic Rates	(215)	**163**
Accumulated Absences Account	(154)	**(155)**
Total Unusable Reserves	(18,463)	**(28,383)**

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.

	2015/16	2016/17
	£000s	£000s
Balance at 1st April	5,509	**5,962**
Upward revaluation of assets	612	**964**
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0	**(24)**
Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services	612	**940**
Difference between fair value depreciation and historic cost depreciation	(159)	**(161)**
Accumulated gains on assets sold or scrapped	0	**0**
Amount written off to the Capital Adjustment Account	(159)	**(161)**
Balance at 31st March	5,962	**6,741**

22. 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 8 on pages 41 to 44 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2015/16	2016/17
	£000s	£000s
Balance at 1st April	16,177	**16,684**
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	(1,366)	**(1,393)**
Revaluation (losses)/reversals on Property, Plant and Equipment	0	**0**
Amortisation of Intangible Assets	(47)	**(48)**
Revenue Expenditure funded from Capital under Statute (REFCUS)	(110)	**(369)**
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	(85)	**(40)**
	(1,608)	**(1,850)**
Adjusting amount written out of the Revaluation Reserve	159	**161**
Net written out amount of non-current assets consumed in the year	(1,449)	**(1,689)**
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	369	**872**
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	293	**130**
Applications of grants to capital financing from the Capital Grants Unapplied Account	5	**283**
Statutory provision for the financing of capital investment charged against the General Fund	504	**504**
Capital expenditure charged against the General Fund	572	**764**
	1,743	**2,553**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	94	**(137)**
Donated Assets credited to the Comprehensive Income and Expenditure Statement	119	**0**
Balance at 31st March	16,684	**17,411**

22. 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.

	2015/16	2016/17
	£000s	£000s
Balance at 1 April	(43,630)	**(40,668)**
Actuarial gains or (losses) on pensions assets and liabilities	4,959	**(9,703)**
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	(3,673)	**(3,949)**
Employer's pension contributions and direct payments to pensioners payable in the year	1,676	**1,945**
Balance at 31 March	(40,668)	**(52,375)**

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:

	2015/16	2016/17
	£000s	£000s
Balance at 1 April	(55)	**(72)**
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	(17)	**(96)**
Balance at 31 March	(72)	**(168)**

Non Domestic Rates:

	2015/16	2016/17
	£000s	£000s
Balance at 1 April	(801)	**(215)**
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	586	**378**
Balance at 31 March	(215)	**163**

22. UNUSABLE RESERVES (Continued)

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.

	2015/16	2016/17
	£000s	£000s
Balance at 1 April	(208)	**(154)**
Settlement or cancellation of accrual made at the end of the preceding year	208	**154**
Amounts accrued at the end of the current year	(154)	**(155)**
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	54	**(1)**
Balance at 31 March	(154)	**(155)**

23. CASH FLOW STATEMENT - OPERATING ACTIVITIES

	2015/16 Restated	2016/17
	£000s	£000s
Net Surplus / (Deficit) on the Provision of Services per CIES on p31	(73)	**(1,750)**
Adjustments to the net surplus / (deficit) on the Provision of Services for non-cash movements:		
Depreciation	1,366	**1,393**
Amortisation	47	**48**
Increase / (Decrease) in revenue creditors	136	**342**
(Increase) / Decrease in revenue debtors	(479)	**(33)**
(Increase) / Decrease in stocks and works in progress	(14)	**32**
Pension liability	1,997	**2,004**
Carrying amount of non current assets sold	85	**40**
Other non-cash items charged to net surplus/(deficit) on provision of services	(47)	**233**
	3,091	**4,059**
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	(1,027)	**(1,202)**
Net cash flow from Operating Activities per Cash Flow Statement on p35	1,991	**1,107**

Cash flows for operating activities include the following items:	2015/16	2016/17
	£000s	£000s
Interest Received	(176)	**(100)**
Interest Paid	385	**293**

24. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2015/16 Restated	2016/17
	£000s	£000s
Purchase of property, plant and equipment, investment property and intangible assets	(1,272)	**(2,597)**
Purchase of short term and long term investments	(1,000)	**0**
Other payments for investing activities	(15)	**(8)**
Proceeds from sale of property, plant and equipment, investment property and intangible assets	733	**260**
Proceeds from short-term and long term investments	0	**500**
Other receipts from investing activities	120	**118**
Capital grants	176	**1,543**
Capital contributions	0	**0**
Net cash flows from Investing Activities per Cash Flow Statement on p35	(1,258)	**(184)**

The 2015/16 comparatives have been restated to reflect the reclassification of £1m held in an account requiring 180 days notice to withdraw, from cash and cash equivalents to short term investments.

25. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2015/16	2016/17
	£000s	£000s
Other receipts from financing activities	62	**18**
Repayment of short-term and long-term borrowing	(2,000)	**(1,000)**
Movement on NDR debtor with preceptors and CLG	1,142	**838**
Movement on Council Tax debtors with Preceptors	(283)	**(826)**
Domestic Violence Partnership grant held for Principal	(181)	**0**
Erasmus grant held for Principal	39	**(39)**
Community Infrastructure Levy held for Parishes	0	**6**
Other payments for financing activities	(220)	**(2)**
Net cash flows from Financing Activities per Cash Flow Statement on p35	(1,441)	**(1,005)**

26. MEMBERS' ALLOWANCES

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

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

	2015/16	2016/17
	£000s	£000s
Allowances:		
Basic	158	**163**
Special Responsibility	91	**103**
Expenses:		
Car mileage and public transport	6	**6**
Conferences and subsistence	4	**4**
	259	**276**

27. EXTERNAL AUDIT COSTS

The authority is required to disclose amounts paid to its appointed auditors, KPMG, for work carried out in performing statutory functions and in providing additional services such as tax advice. The purpose of this is to demonstrate that the objectivity of the auditor is not compromised by fees for other work being significant in relation to audit costs. Amounts paid are split between audit and inspection work, and the certification of grant claims.

	2015/16	2016/17
	£	£
Audit services carried out by the appointed auditor	42,570	**42,570**
Grant certification	10,562	**10,313**
Total fees for statutory audit services in the year	53,132	**52,883**
Fees for tax advisory services	33,000	**0**
Total fees paid to the appointed auditor	86,132	**52,883**

Following changes to the UK APB ethical standards, audit firms engaged by UK clients are not permitted to provide certain tax services where there is a contingent fee arrangement. The Council entered in to such an arrangement with KPMG in 2011 and accordingly was required to revise its engagement to a fixed fee basis. KPMG received authorisation from Public Sector Audit Appointments in January 2016 to continue on this basis, however no fees were billed during 2016/17.

28. OFFICERS' REMUNERATION

The Accounts and Audit Regulations 2015 require certain disclosures in respect of 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)	**2015/16** **Number**	**2016/17** **Number**
£50,000 to £54,999	2	**3**
£55,000 to £59,999	0	**2**
£60,000 to £64,999	0	**1**
£65,000 to £69,999	1	**0**
£70,000 to £74,999	0	**1**
£75,000 to £79,999	1	**2**
£80,000 to £84,999	0	**1**
£110,000 to £114,999	1	**1**
£150,000 to £154,999	1	**0**
£170,000 to 174,999	1	**0**
Total number of employees whose remuneration exceeds £50,000	7	**11**

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 2016/17, and 2015/16 for comparison, is detailed in the table below.

28. 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
	£	£	£	£	£	£	£
2016/17							
Chief Executive	**109,091**	**891**	**143**	**0**	**110,125**	**12,460**	**122,585**
Deputy Chief Executive & Director of Finance	**49,898**	**107**	**17**	**0**	**50,022**	**6,137**	**56,159**
Director of Org'l Devel. & Democratic Services	**76,576**	**0**	**0**	**0**	**76,576**	**8,870**	**85,446**
Director of Health & Community Well-being	**77,265**	**230**	**37**	**0**	**77,532**	**6,336**	**83,868**
Service Manager-Legal Services	**62,582**	**0**	**0**	**0**	**62,582**	**7,618**	**70,200**
Service Manager-Financial Services	**55,548**	**23**	**4**	**0**	**55,575**	**6,832**	**62,407**
Service Manager-Org'l Development	**54,949**	**84**	**13**	**0**	**55,046**	**6,653**	**61,699**
Service Manager-Public Protection	**54,243**	**94**	**15**	**0**	**54,352**	**6,653**	**61,005**
Service Manager-Revenues & Welfare Support (note a)	**49,257**	**113**	**18**	**0**	**49,388**	**6,059**	**55,447**
Service Manager-Economic Growth & Regeneration (note b)	**13,381**	**62**	**10**	**0**	**13,453**	**1,645**	**15,098**
2015/16							
Chief Executive	109,677	747	120	0	110,544	13,399	123,943
Corporate Director	75,129	112	18	98,857	174,116	9,211	183,327
Corporate Director	61,374	609	97	90,069	152,149	7,361	159,510
Corporate Director	76,500	345	55	0	76,900	0	76,900
Corporate Director	65,412	59	9	0	65,480	7,795	73,275

a) The grading of the Service Manager Revenues & Welfare Support increased in February 2017 as a result of a restructure in Housing Management.

b) The Service Manager Economic Growth and Regeneration was only in post from January 2017.

29. GRANTS, CONTRIBUTIONS AND DONATED ASSETS

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

	2015/16	2016/17
	£000s	£000s
Credited to Taxation and Non-Specific Grant Income:		
Revenue Support Grant (including redistributed sums)	(2,155)	**(1,422)**
New Homes Bonus	(2,032)	**(2,400)**
Council Tax Freeze Grant	(61)	**0**
New Burden Grants	(4)	**0**
Non Ring-fenced Grants shown on CIES p31	(4,252)	**(3,822)**
Capital Grants and Contributions shown on CIES p31	(402)	**(434)**
Donated Assets shown on CIES p31	(119)	**0**
Total Non Ring-fenced Grants included in CIES	(4,773)	**(4,256)**
Credited to Services:		
Housing Benefits	(27,251)	**(26,530)**
Grants for Revenue Expenditure funded from Capital	(709)	**(580)**
Other Grants & Contributions	(714)	**(316)**
Total grants & contributions credited to Services	(28,674)	**(27,426)**
Total Grants, Contributions and Donated Assets	(33,447)	**(31,682)**

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:

	2015/16	2016/17
Capital	£000s	£000s
Developers' Section 106 Contributions	(608)	**(1,777)**
	(608)	**(1,777)**
Revenue		
Developers' Section 106 Contributions	(43)	**(181)**
	(43)	**(181)**

30. 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 29 on page 67.

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 26 on page 64. 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 2016/17 no interests were declared by members of SLT and the statutory disclosure requirements in respect of officer remuneration are satisfied by note 28 on pages 65 to 66.

Other Public Bodies

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

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

Requests for information were sent to all elected Members, members of the Senior Leadership Team 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 17 and 19 on pages 57 and 58 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.

30. RELATED PARTIES (Continued)

Organisation/Body	Nature of relationship	Receipts £000s	Payments £000s
Citizens' Advice Bureau	Elected Member has a management interest	**0**	**61**
Gedling Conservation Trust	Elected Members are trustees and/or representatives	**0**	**20**
Gedling Homes	Elected Member is a director and/or representative	**(193)**	**7**
Local Government Association	Elected Members are board members and/or representatives	**0**	**14**
Mapperley Golf Club	Elected Members are representatives and/or have a management interest	**(66)**	**0**
Nottinghamshire Police & Crime Commissioner's Office	Elected Member is a member of the Crime Panel	**(20)**	**6**
Redhill Academy	Elected Member is a trustee and governor	**(24)**	**100**
Other local authorities	Material employee relationships	**(303)**	**1,206**
Parish Council grant aid	GBC Elected Members on parish councils	**0**	**41**

31. 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.

	2015/16	2016/17
	£000s	£000s
Opening Capital Financing Requirement (CFR)	11,850	**11,327**
Additions:		
Property, Plant & Equipment (note 11)	1,013	**2,631**
Intangible assets (note 13)	117	**0**
Investment Properties (note 12)	0	**2**
Revenue expenditure funded from capital under statute (REFCUS)	821	**949**
Total Capital Investment	1,951	**3,582**
Financing:		
Capital receipts	(369)	**(872)**
Government Grants	(464)	**(580)**
Other Grants and Contributions	(1,118)	**(1,176)**
Minimum Revenue Provision (MRP)	(523)	**(504)**
Total Sources of Finance	(2,474)	**(3,132)**
Closing Capital Financing Requirement (CFR)	11,327	**11,777**
Explanation of movements in the year:		
Increase/(Decrease) in underlying need to borrow - supported by Government financial assistance	0	**0**
Increase/(Decrease) in underlying need to borrow - not supported by Government financial assistance	(523)	**450**
Increase/(Decrease) in Capital Financing Requirement (CFR)	(523)	**450**

32. 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 2016/17, incurring liabilities of £317,423. There were also two voluntary redundancies, incurring total liabilities of £27,449. These amounts have been charged to the Comprehensive Income and Expenditure Statement in the year.

Exit Packages per Cost-Band	Number of Compulsory Redundancies		Number of other departures agreed in year		Total number of exit packages by cost-band		Total cost of exit packages in each band £	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0 to £20,000	2	**1**	0	**2**	2	**3**	20,478	**46,449**
£20,000 to £40,000	0	**1**	0	**0**	0	**1**	0	**22,175**
£40,000 to 60,000	0	**1**	0	**0**	0	**1**	0	**40,841**
£80,000 to £100,000	0	**0**	2	**0**	2	**0**	188,925	**0**
£100,000 to £150,000	0	**2**	0	**0**	0	**2**	0	**235,407**
	2	**5**	2	**2**	4	**7**	209,403	**344,872**

33. POST-EMPLOYMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME

(i) Participation in the Pension Scheme:

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

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

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

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

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

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

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

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

Service cost - comprising:

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

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

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

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

	2015/16	2016/17
	£000s	**£000s**
Comprehensive Income and Expenditure Statement (CIES):		
Cost of Services:		
a) Service cost comprising:		
Current service cost	2,259	**2,165**
Past service cost	0	**334**
b) Other Operating Expenditure:		
Administration Cost	1	**21**
c) Financing & Investment Income & Expenditure:		
Net Interest Cost	1,413	**1,429**
Total Post Employment benefits charged to the Surplus or Deficit on the Provision of Services	3,673	**3,949**
Re-measurement of the net defined liability comprising:		
Return on plan assets in excess of interest (gain)	2,455	**(11,452)**
Other actuarial (gains) and losses on assets	0	**308**
Actuarial (gains) and losses on changes in financial assumptions	(7,411)	**24,839**
Actuarial (gains) and losses on changes in demographic assumptions	0	**414**
Experience (gains) and losses on defined benefit obligation	(3)	**(4,406)**
Total Re-measurements (See Comprehensive Income and Expenditure Statement on page 31)	(4,959)	**9,703**
Total Post Employment benefits charged to the Comprehensive Income and Expenditure Statement	(1,286)	**13,652**
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 8)	(3,673)	**(3,949)**

Actual amount charged against the General Fund Balance for pensions in the year	2015/16	2016/17
	£000s	**£000s**
Employer's contributions payable to the scheme	1,546	**1,633**
Discretionary payments (added years, pension strain etc)	130	**312**
Total	1,676	**1,945**

33. 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:

	2012/13	2013/14	2014/15	2015/16	2016/17
	£000s	£000s	£000s	£000s	£000s
Present value of the funded defined benefit obligation	81,735	85,195	102,219	98,144	**122,520**
Fair value of assets	(54,160)	(55,010)	(60,581)	(59,327)	**(72,172)**
Net liability arising from the funded defined benefit obligation (LGPS)	**27,575**	30,185	41,638	38,817	**50,348**
Present value of the unfunded obligation (Discretionary Benefits)	1,853	1,907	1,992	1,851	**2,027**
Net Pension Liability on the Balance Sheet	29,428	32,092	43,630	40,668	**52,375**

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits. These total £124.547m, including funded and unfunded obligations.

The net pension liability of £52.375m has a substantial impact on the net worth of the authority, as recorded in the Balance Sheet, reducing it by 149.6%. 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:	2015/16	2016/17
	£000s	£000s
Opening defined benefit obligation	104,211	**99,995**
Current service cost	2,259	**2,165**
Interest Cost	3,399	**3,558**
Change in financial assumptions	(7,411)	**24,839**
Change in demographic assumptions	0	**414**
Experience loss/(gain) on defined benefit obligation	(3)	**(4,406)**
Estimated Benefits Paid (net of transfers in)	(2,831)	**(2,769)**
Past Service Cost including curtailments	0	**334**
Contributions by Scheme Participants	501	**541**
Unfunded Pension Payments	(130)	**(124)**
Closing defined benefit obligation	99,995	**124,547**

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

Reconciliation of the movements in the fair value of scheme assets:	2015/16	2016/17
	£000s	£000s
Opening fair value of scheme assets	60,581	**59,327**
Interest on assets	1,986	**2,129**
Return on plan assets in excess of interest	(2,455)	**11,452**
Other actuarial gains/(losses)	0	**(308)**
Administration expenses	(1)	**(21)**
Contributions by Employer including Unfunded Benefits	1,676	**1,945**
Contributions by Scheme Participants	501	**541**
Estimated Benefits paid including Unfunded Benefits	(2,961)	**(2,893)**
Closing fair value of scheme assets	59,327	**72,172**

LGPS assets allocated to Gedling Borough Council by asset class:	2014/15	2015/16	2016/17	
	£000s	£000s	£000s	%
Equities	42,705	41,304	**50,478**	**70**
Gilts	1,893	1,846	**2,206**	**3**
Other Bonds	4,276	4,058	**4,354**	**6**
Property	7,071	7,494	**8,024**	**11**
Cash	2,946	2,405	**3,631**	**5**
Inflation-linked Pooled Fund	1,690	1,670	**1,802**	**3**
Infrastructure	n/a	550	**1,677**	**2**
Total assets allocated to Gedling Borough Council	60,581	59,327	**72,172**	**100**

It is estimated that Gedling Borough Council's share of the total assets in the fund is approximately 1%.

Information regarding the detail of the total assets held in the Fund at 31 December 2016 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	5.8	0.0	**5.8**
	Overseas	0.3	0.0	**0.3**
Equities	UK	29.8	0.1	**29.9**
	Overseas	38.4	0.0	**38.4**
Property	All	0.0	11.1	**11.1**
Others:	Private equities	0.0	1.6	**1.6**
	Infrastructure	0.0	2.3	**2.3**
	Inflation-linked pooled fund	0.0	2.5	**2.5**
	Cash/temporary investments	0.0	5.0	**5.0**
Total		**77.4**	**22.6**	**100.0**

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

(v) Basis for estimating Liabilities and Assets:

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the LGPS and the Discretionary Benefit liabilities have been assessed by Barnett Waddingham Ltd. Actuaries, an independent firm of actuaries. No differentiation has been made between the two schemes in terms of assumptions. Estimates for the Nottinghamshire County Council Pension Fund are based on the latest full valuation of the scheme at 31 March 2016. The actuary's estimate for the duration of Gedling Borough Council's liabilities is 19 years.

Significant assumptions used by the actuary as at 31 March 2017 are as follows:

Expected return on assets:

The discount rate is the annualised yield at the 19-year point on the Merill Lynch AA rated corporate bond yield curve which has been chosen to meet the requirements of IAS19 and with the consideration of the Council's liabilities. This is consistent with the approach used at the last accounting date.

Mortality assumptions:

Assumed life expectations from the age of 65 are as follows:		**31 Mar 15**	**31 Mar 16**	**31 Mar 17**
		Years	**Years**	**Years**
Retiring today-	Male	22.1	22.1	**22.5**
	Female	25.2	25.3	**25.5**
Retiring in 20 years-	Male	24.2	24.4	**24.7**
	Female	27.6	27.7	**27.8**

Financial Assumptions

The financial assumptions used for IAS19 purposes are as follows, and were set with reference to market conditions at 31 March 2017.

	31 Mar 15	**31 Mar 16**	**31 Mar 17**
	%	**%**	**%**
Retail Price Index increase	3.2	3.2	**3.6**
Consumer Price Index increase	2.4	2.3	**2.7**
Salary Increase	4.2	4.1	**4.2**
Pension Increase	2.4	2.3	**2.7**
Discount rate for liabilities	3.3	3.6	**2.7**

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 19-year point on the BOE market implied inflation curve. The RPI assumption is therefore 3.6% 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 0.9% below RPI, ie. 2.7%. This is a considered by the actuary to be a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts, and is consistent with the approach used at the last accounting date.

Salaries are assumed to increase at 1.5% above CPI in addition to a promotional scale.

33. 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	122,237	**124,539**	126,888
Projected service cost	3,349	**3,432**	3,517
Adjustment to long term salary increase:	+0.1%	**0%**	-0.1%
Present value of total obligation	124,889	**124,539**	124,193
Projected service cost	3,432	**3,432**	3,432
Adjustment to pension increase and deferred revaluation	+0.1%	**0%**	-0.1%
Present value of total obligation	126,536	**124,539**	122,581
Projected service cost	3,517	**3,432**	3,349
Adjustment to mortality age rating assumption	+ 1 Year	**None**	- 1 Year
Present value of total obligation	129,211	**124,539**	120,042
Projected service cost	3,541	**3,432**	3,326

Asset and liability matching strategy

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

Impact on the Council's cash flows

The objectives of the pension scheme are to keep employers' contributions at as constant a rate as possible. Contributions are set every three years as a result of the actuarial valuation of the fund, as required by the regulations. The next triennial valuation will be carried out as at 31 March 2019. 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 2018 is £4,845,000. Service cost is estimated to be £3,432,000, net interest on the defined liability £1,387,000, and administration expenses £26,000. Expected contributions for discretionary benefits are £124,200, as per the Council's own budget for 2017/18.

34. CONTINGENT LIABILITIES

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

35. CONTINGENT ASSETS

VAT - Fleming Claims and Compound Interest

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 supported the taxpayer's right to compound interest, however HMRC and the taxpayer have now received permission to appeal to the Supreme Court. Should the ongoing legal action be ultimately successful, the Council may benefit from a significant additional sum of interest, however the Government has introduced a corporation tax charge of 45% on any compound interest awarded, and this would potentially be withheld from any payment to the Council. The Council's advisers are exploring all options for challenging the lawfulness of the proposed legislation.

VAT - Sporting and Leisure Services - Non-Business claim

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

36. EVENTS AFTER THE BALANCE SHEET DATE

The final audited Statement of Accounts will be authorised for issue by Mike Hill CPFA, Chief Financial Officer, on 12 September 2017. Events taking place after this date will not be reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, 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 other events after the balance sheet date to report.

ANNUAL STATEMENT OF ACCOUNTS 2016/17

COLLECTION FUND STATEMENT

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

2015/16				2016/17		
Council Tax £000s	NDR £000s	Total £000s		Council Tax £000s	NDR £000s	Total £000s
			INCOME:			
(59,860)	0	(59,860)	Council Tax Receivable	(62,182)	0	(62,182)
0	(21,647)	(21,647)	Business Rates Receivable	0	(22,435)	(22,435)
(59,860)	(21,647)	(81,507)		(62,182)	(22,435)	(84,617)
			Apportionment of previous year deficits			
0	(1,070)	(1,070)	Central Government	0	(684)	(684)
0	(192)	(192)	Nottinghamshire County Council	0	(123)	(123)
0	0	0	Notts. Police and Crime Commissioner	0	0	0
0	(21)	(21)	Combined Fire Authority	0	(14)	(14)
0	(856)	(856)	Gedling Borough Council	0	(547)	(547)
0	(2,139)	(2,139)		0	(1,368)	(1,368)
			EXPENDITURE:			
			Apportionment of previous year surpluses			
0	0	0	Central Government	0	0	0
586	0	586	Nottinghamshire County Council	739	0	739
83	0	83	Notts. Police and Crime Commissioner	105	0	105
34	0	34	Combined Fire Authority	43	0	43
81	0	81	Gedling Borough Council	100	0	100
784	0	784		987	0	987
			Precepts, Demands and Shares			
0	10,782	10,782	Central Government	0	11,060	11,060
44,197	1,941	46,138	Nottinghamshire County Council	46,599	1,991	48,590
6,282	0	6,282	Notts. Police and Crime Commissioner	6,495	0	6,495
2,579	216	2,795	Combined Fire Authority	2,666	221	2,887
5,451	8,625	14,076	Gedling Borough Council	5,527	8,848	14,375
536	0	536	Parish Councils	584	0	584
59,045	21,564	80,609		61,871	22,120	83,991

ANNUAL STATEMENT OF ACCOUNTS 2016/17

COLLECTION FUND STATEMENT (Continued)

2015/16				2016/17		
Council Tax £000s	NDR £000s	Total £000s		Council Tax £000s	NDR £000s	Total £000s
			Other Charges to Collection Fund			
155	82	237	Sums written off	209	62	271
68	49	117	Incr/(Decr) in Bad Debt Provisions	66	14	80
0	579	579	Incr/(Decr) in Provision for Appeals	0	239	239
0	67	67	Transitional Protection Payments due	0	60	60
0	80	80	Renewables retained by GBC	0	82	82
0	101	101	Costs of Collection	0	101	101
0	0	0	Interest	0	0	0
223	958	1,181		275	558	833
192	(1,264)	(1,072)	**Net Deficit/(Surplus) for Current Yr.**	951	(1,125)	(174)
559	2,002	2,561	Add Balance BFwd from Previous Yr.	751	738	1,489
751	738	1,489	**Balance CFwd (Surplus) / Deficit (notes 2 and 4 to the Collection Fund Accounts)**	1,702	(387)	1,315

ANNUAL STATEMENT OF ACCOUNTS 2016/17

NOTES TO THE COLLECTION FUND ACCOUNTS

1. COUNCIL TAX BASE

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

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

	2015/16	2016/17
	Number	Number
Band A*	15	**12**
Band A	5,995	**6,088**
Band B	8,938	**9,124**
Band C	7,464	**7,506**
Band D	5,839	**5,877**
Band E	4,145	**4,243**
Band F	1,815	**1,840**
Band G	1,263	**1,276**
Band H	136	**139**
Council Tax Base	35,610	**36,105**

2. ACCOUNTING FOR THE COLLECTION FUND BALANCE - COUNCIL TAX

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

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

The opening balance on the Council Tax Collection Fund was a deficit of £0.751m. By 31 March 2017, this deficit had increased to £1.702m.

Balance Sheet Deficit/(Surplus) Allocation:	2015/16 £000s	2016/17 £000s
Nottinghamshire County Council (Local Authority Debtors)	570	**1,283**
Nottinghamshire Police & Crime Commissioner (General Debtors)	77	**178**
Combined Fire Authority (General Debtors)	32	**73**
	679	**1,534**
Council Tax Deficit/(Surplus) attributable to Gedling BC	72	**168**
TOTAL	751	**1,702**

3. NON DOMESTIC RATES (NDR)

	2015/16	2016/17
(a) Non Domestic Rateable Value at 31 March	£53,215,084	**£53,504,129**
(b) Multiplier for General Businesses	49.3p	**49.7p**
(c) Multiplier for Small Businesses	48.0p	**48.4p**

NOTES TO THE COLLECTION FUND ACCOUNTS (Continued)

4. ACCOUNTING FOR THE COLLECTION FUND BALANCE - NDR

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

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

The opening balance on the NDR Collection Fund was a deficit of £0.738m. By 31 March 2017, this deficit had moved to a surplus of £0.387m.

	2015/16	2016/17
Balance Sheet Deficit/(Surplus) Allocation:	**£000s**	**£000s**
Central Government	369	**(193)**
Nottinghamshire County Council (Local Authority Debtors)	67	**(35)**
Combined Fire Authority (General Debtors)	7	**(4)**
	443	**(232)**
NDR Deficit/(Surplus) attributable to Gedling BC	295	**(155)**
TOTAL	738	**(387)**

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

(i) Arrears:

Uncertainties

An estimate of the impairment of NDR 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 2017 is £1,401,600, of which £76,400 and £119,000 represent Gedling's shares of NDR and Council Tax respectively.

Effect if actual results differ from assumptions

If collection rates were to deteriorate, a 10% increase on the impairment percentage would require an additional total of £327,600 to be set aside as an allowance, of which Gedling's share as billing authority would be approximately £18,700 for NDR and £27,600 for Council Tax. However, collection rates have not varied by more than 0.6% in any of the past five years.

(ii) Appeals:

Uncertainties

The Business Rates Retention scheme introduced a requirement to maintain a provision for rating appeals. The system is complex and neither the number of successful appeals nor the percentage reduction in rateable value achieved can be pre-determined. The current provision totals £2,595,200 of which the Council's share as billing authority is £1,038,100.

Effect if actual results differ from assumptions

A change of 5% in the assumed RV reduction achieved for each NDR appeal could increase or decrease the provision required by around £129,800. Of this, the Council's share as billing authority would be 40%, ie. £51,900.

Audit Statements

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Accompanying Statements

ANNUAL STATEMENT OF ACCOUNTS 2016/17

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

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

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

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

2. The Purpose of the Governance Framework

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

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

2.3 The governance framework has been in place at Gedling Borough Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

3. The Governance Framework

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

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

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

(B) Ensuring openness and comprehensive stakeholder engagement.

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

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

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

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

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

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

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

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

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

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

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

4. Governance Arrangements

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

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

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

- The Corporate Plan (The Gedling Plan);

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

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

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

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

4.7 The internal control system includes:

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

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

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

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

- The development of a risk register to include the identification of both strategic and operational risks, and the formulation of a Corporate Risk Scorecard for reporting purposes;

- 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 Financial Officer place a duty on these post-holders to ensure compliance with established policies, procedures, laws and regulations;

- Compliance with established policies, procedures, laws and regulations are monitored through the work of the Finance and Legal staff that are adequately trained and experienced;

- 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 a holistic source of assurance aligned to corporate objectives;

- Directorate operational risk registers, subject to regular review;

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

- Formal project management guidelines;

- Adherence to good employment practices;

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

5. Financial Management

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

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

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

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

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

- The Section 151 Officer is a member of the Senior Leadership Team and plays a key role in helping it to develop and implement strategy to resource and deliver the Council's strategic objectives sustainably and in the public interest.
- The Section 151 Officer is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and there is alignment with the Council's overall financial strategy.
- The Section 151 Officer leads the promotion and delivery by the whole Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- The Section 151 Officer leads and directs the finance function, which is resourced to be fit for purpose.
- The Section 151 Officer is professionally qualified and suitably experienced.

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

- The Head of Internal Audit champions best practice in governance and management, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments.
- The Head of Internal Audit gives an objective and evidence based opinion on all aspects of governance, risk management and internal control.
- The Head of Internal Audit for Gedling was the Service Manager, Audit and Asset Management, and had regular and open engagement across Gedling Borough Council, particularly with the Leadership Team and with the Audit Committee.
- The Head of Internal Audit leads and directs an internal audit service that is resourced to be fit for purpose.
- The Head of Internal Audit is professionally qualified and suitably experienced.

5.6 In this regard, the Head of Internal Audit retired on 31 March 2017 and the Annual Audit opinion for 2016/17 was therefore formulated by the Deputy Chief Executive and Director of Finance in the absence of suitable alternatives (referred to as the Acting Head of Internal Audit in later sections). However, the annual audit work programme for 2016/17 and the finalisation of those audits were all completed under the supervision, control and guidance of the Head of Internal Audit during the year. The Council's Internal Audit Service has been fully outsourced from 1 April 2017.

6. External Inspections and Work Programmes

6.1 The Review of Effectiveness is set out below in section 8, and demonstrates that the control environment is operating effectively. Further evidence to support this conclusion comes from:

- The Acting Head of Internal Audit's Annual Report for 2016/17, which concluded:

  "Internal audit are satisfied that sufficient internal audit activity has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of Gedling Borough Council's risk management, governance and control processes.

  It is internal audit's opinion that, for the 12 months ending 31 March 2017, Gedling Borough Council has adequate and effective risk management, internal control and governance processes to manage and achieve the organisation's objectives."

- The external auditor (KPMG)'s Annual Governance Report 2015/16 concluded:

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

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

7. Review of Effectiveness

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

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

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

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

8. Significant Governance Issues

INTERNAL:

8.1 During the 2016/17 financial year the following issues were identified via the Council's risk management, governance, internal audit and other internal control processes as being relevant to the preparation of the Annual Governance Statement. They are not highlighted as significant control or risk concerns, but included to highlight the Council's awareness of emerging issues through its proactive and holistic approach to governance:

- Constitutional Changes – The Council has had a number of changes over the last few years, and it is important that the Constitution remains relevant and purposeful. Identified areas for review are:

  - Officer Scheme of Delegation;
  - Officer Code of Conduct;
  - Financial Regulations.

  Action: Senior Leadership Management Team – March 2018.

- Member and Officer Training – The Member and Officer training programme for 2017/18 will have a focus on the General Data Protection Regulations which will come into effect during 2018.

  Action: Director of Organisational Development and Democratic Services – December 2017.

- Health and Safety Risk Assessments – The Council's Risk Register holds a strategic risk concerning the training of Service Managers in all aspects of health and safety. A new electronic system is currently being installed which will hold all details of health and safety risk assessments. Training will be provided to officers in both how to use the new system and how to undertake and record a risk assessment.

  Action: Deputy Chief Executive and Director of Resources – December 2017.

- Risk Management – The Council's approach to risk management is now quite dated and cumbersome, and a full refresh and redesign of the systems and processes is required.

  Action: Deputy Chief Executive and Director of Resources – September 2017.

EXTERNAL:

- External Economy – the Council remains susceptible to, but vigilant for, the external risks posed by the uncertain economic and political climate. Despite ongoing pressures and squeezes on costs, income streams and funding, effective planning has resulted in the Council's 2017/18 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.

  Action: Senior Leadership Management Team – March 2018.

- EU Referendum - On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future once the UK has left the EU.

  Watching brief: Senior Leadership Management Team.

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

John Robinson
Chief Executive

John Clarke
Council Leader

This is the Audited Version, published on 30 September 2017 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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Gedling Borough Council

Deputy Chief Executive
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Arnold, Nottingham NG5 6LU

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Mr A Bush
Director
KPMG LLP
St Nicoholas House
31 Park Row
Nottingham
NG1 6FQ

Our Ref: MH/SH/1617Rep
Your Ref:

Date: 12 September 2017

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 2017, 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 2017 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 2016/17.

These financial statements comprise the Expenditure and Funding Analysis, the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the 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 the Accounts and Audit Regulations 2015, 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 2017 and of the Authority's expenditure and income for the year then ended; and

ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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. In respect of the restatement in relation to the reclassification of a cash equivalent to a short term investment, made to correct a material misstatement in the prior period financial statements of £1m, the Authority confirms that the restatement is appropriate.

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*.

    Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

11. The Authority confirms that:

    a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's 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. The Authority confirms that its land and building valuations undertaken on 1 April 2016 remain materially correct as at 31 March 2017.

13. The Authority confirms that, as per the disclosure made within the Narrative Statement within the Statement of Accounts, regarding the Grenfell Tower tragedy, the Authority has no buildings over three storeys in height, and no retro-fitted aluminium composite material cladding has been applied to any of its buildings.

14. The Authority confirms that there are no outstanding claims as at the 31 March 2017 in regards to Erasmus Grant monies held by the Authority.

15. 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 12 September 2017.

Yours faithfully

Councillor Paul Feeney
Chair of the Audit Committee

Mike Hill
Deputy Chief Executive & Director of Finance

cc. Audit Committee

Appendix to the Authority Representation Letter of Gedling Borough Council: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information and the Expenditure and Funding Analysis.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. 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 Party and Related Party Transaction

Related party:

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).
viii. The entity or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

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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Gedling Borough Council

Report to Audit Committee

Subject: KPMG Annual Audit Fee Letter 2017/18

Date: 12 September 2017

Author: Deputy Chief Executive and Director of Finance

1. Purpose of the Report

To inform Members of the external auditor's proposed audit work and fee in respect of the 2017/18 financial year.

2. Background

It is a requirement that the Council's financial statements are audited on an annual basis and that in addition the auditors undertake all work necessary to support their conclusion on value for money.

3. Proposal

KPMG, the Council's external auditor, have set out their proposals for the audit work and associated fee in respect of the 2017/18 audit in the Annual Audit Fee Letter as attached at appendix 1. The audit fee covers the audit of the 2017/18 financial statements and the value for money conclusion.

4. Resource Implications

The planned audit fee for 2017/18 is £42,570 (£42,570 2016/17) and is included in the approved base budget.

5. Recommendation

Members are recommended to note the Annual Audit Fee Letter 2017/18.

6. Appendices

Appendix 1 - KPMG Annual Audit Fee Letter 2017/18.

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Private & confidential
Mike Hill
Deputy Chief Executive and
Director of Finance
Gedling Borough Council
Civic Centre, Arnot Hill Park
Arnold, Nottingham
NG5 6LU

Our ref AB/GBC

Contact Thomas Tandy
0115 945 4480

28 April 2017

Dear Mike,

Annual audit fee 2017/18

I am writing to confirm the audit work and fee that we propose for the 2017/18 financial year at Gedling Borough Council. Our proposals are based on the risk-based approach to audit planning as set out in the Code of Audit Practice and Public Sector Audit Appointments Ltd's (PSAA's) published work programme and fee scales.

Planned audit fee

The planned audit and certification fees for 2017/18 are shown below, along with a comparison to the prior year's fee. All fees are exclusive of VAT.

Audit area	**Planned fee 2017/18**	**Planned fee 2016/17**
Audit fee – Gedling Borough Council	£42,570	£42,570
Certification of housing benefit grant claim	TBC	£10,313

PSAA has set the 2017/18 scale fees at the same level as for 2015/16 and 2016/17, thereby preserving the 25 per cent reductions in cash terms that were applied to those years which in turn were in addition to the savings of up to 40 per cent in scale audit fees and certification fees in 2012/13. This equates to a real terms saving of 61 per cent over this period. The 2017/18 planned fee is in line with the scale fee.

As we have not yet completed our audit for 2016/17 the audit planning process for 2017/18, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. We will naturally keep you informed.

Redistribution of Audit Commission surplus

PSAA plans, during the course of 2017/18, to make a distribution of surplus funds to principal local government and police bodies. The distribution is made possible by the transfer of an element of the Audit Commission's retained earnings prior to its closure in March 2015 and by PSAA continuing to generate surplus funds and make further efficiencies since its establishment.

This distribution will be made directly by PSAA and not via KPMG. Based on current information, PSAA anticipates that the amount of the redistribution is likely to be in the order of 15% of the scale fee.

Factors affecting audit work for 2017/18

We plan and deliver our work to fulfil our responsibilities under the Code of Audit Practice (the Code) issued by the National Audit Office (NAO). Under the Code, we tailor our work to reflect local circumstances and our assessment of audit risk. We do this by assessing the significant financial and operational risks facing an audited body, and the arrangements it has put in place to manage those risks, as well as considering any changes affecting our audit responsibilities or financial reporting standards.

Under the Code, we have a responsibility to consider an audited body's arrangements to secure economy, efficiency and effectiveness in its use of resources and to do this we will undertake appropriate value for money (VFM) audit work. The 2017/18 fees have been set on the basis that the NAO's Code and supporting guidance does not change the level of work required on the VFM audit. Should this not be the case, or if new or increased significant VFM audit risks arise that require further audit work, additional fees will be necessary over and above the scale fee. Any such additional fees will be subject to approval through PSAA's fee variation process.

Certification work

As well as our work under the Code, we will certify the 2017/18 claim for housing benefit subsidy to the Department for Work & Pensions (DWP).

The 2017/18 subsidy claim will be the final year for which PSAA will make arrangements for auditors to undertake housing benefit subsidy certification work. After the end of the transitional arrangements and the current audit contracts, PSAA has no legal power or remit in relation to assurance on claims or returns. The DWP is developing its own assurance arrangements from 2018/19 and has issued further guidance directly to local authorities. We will liaise with the Council over the future approach to this work as details emerge.

There are no longer any other claims or returns that we are required to certify under the PSAA audit contract. Assurance arrangements for other schemes are a matter for the relevant grant-paying body, and may be the subject of separate fees and tri-partite arrangements between the grant-paying body, the audited body, and the auditor. We would be happy to discuss any such certification needs with you.

Assumptions

The indicative fees are based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. Our assumptions are set out in more detail in Appendix 1 to this letter.

In setting the fee at this level, we have assumed that the general level of risk in relation to the audit of the financial statements and certification work is not significantly different from that identified for the current year's audit. A more detailed audit plan will be issued early next year. This will detail the risks identified, planned audit procedures and (if required) any changes in fee. If we need to make any significant amendments to the audit fee during the course of the audit, we will first discuss this with you and then prepare a report for the Audit Committee, outlining the reasons why the fee needs to change.

We expect to issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 2. A statement of our independence is included at Appendix 3.

The proposed fee excludes any additional work we may agree to undertake at the request of Gedling Borough Council. Any such piece of work will be separately discussed and a detailed project specification agreed with you.

Beyond 2017/18

The 2017/18 audit will be the last under the current transitional arrangements whereby PSAA is responsible for managing the audit contracts novated to it from the Audit Commission upon its closure in March 2015.

For audits of the accounts from 2018/19, the provisions of the Local Audit & Accountability Act 2014 in relation to local appointment of auditors take effect. The Secretary of State for Communities and Local Government has specified PSAA as the appointing person for principal local government and police bodies. PSAA will therefore appoint auditors and set scale audit fees for bodies that have opted into its national scheme.

Our team

The key members of our audit team for the 2017/18 audit are:

Name	Role	Contact details
Andrew Bush	Director	andrew.bush@kpmg.co.uk 0115 9353560
Thomas Tandy	Manager	thomas.tandy@KPMG.co.uk 0115 9454480

Quality of service

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 me and I will try to resolve your complaint. If you are dissatisfied with your response please contact the national contact partner for all of KPMG's work under our contract with PSAA, Andy Sayers (andrew.sayers@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

Yours sincerely

Andrew L Bush
Director, KPMG LLP

Appendix 1 – Audit fee assumptions

In setting the fee, we have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2016/17;
- you will inform us of significant developments impacting on our audit work;
- internal audit meets the appropriate professional standards;
- internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
- you will identify and implement any changes required under the CIPFA Code of Practice on Local Authority Accounting within your 2017/18 financial statements;
- your financial statements will be made available for audit in line with the timetable we agree with you (note that 2017/18 is the first year in which the 'faster close' timetable applies whereby the deadline for draft accounts moves to the end of May and the deadline for publishing audited accounts moves to the end of July);
- good quality working papers and records will be provided to support the financial statements in line with our *prepared by client* request and by the date we agree with you;
- requested information will be provided within agreed timescales;
- prompt responses will be provided to draft reports;
- complete and accurate claims and returns are provided for certification, with supporting working papers, within agreed timeframes; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

Where these assumptions are not met, we will be required to undertake additional work and charge an increased audit fee. The fee for the audit will be re-visited when we issue the detailed audit plan.

Any changes to our audit plan and fee will be agreed with you. Changes may be required if:

- new residual audit risks emerge;
- additional work is required by KPMG, PSAA, the NAO or other regulators; or

- additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

Appendix 2: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Planned output	Indicative date
External audit plan	January 2018
Report to those charged with governance (ISA260 report)	July 2018
Auditor's report giving the opinion on the financial statements, value for money conclusion and audit certificate	July 2018
Opinion on Whole of Government Accounts return	July 2018
Annual audit letter	October 2018
Certification of grant claims summary report	January 2019

Appendix 3 – Independence & objectivity requirements

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit Committee.

KPMG LLP is committed to being and being seen to be independent. The APBs Ethical Standard requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the NAO's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.
- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.

- Audit staff are expected not to accept appointments as Governors at certain types of schools within a local authority area.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

Confirmation statement

We confirm that as of April 2017 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.

Report to Audit Committee

Subject: **Internal Audit Progress Report 2017/18**

Date: **12 September 2017**

Author: **Chris Williams – Head of Internal Audit (RSM)**

1. Purpose of the Report

To summarise the outcome of the internal audit activity completed by the RSM Internal Audit Team for the period April to August 2017.

2. Background

The internal audit plan 2017/18 was approved by Audit Committee on 21 March 2017. This report provides a summary update on all the final reports issued by RSM in the period April to August 2017 and highlights associated key findings and any concerns identified in any work in progress.

3. Proposal

The reports and findings considered at this Audit Committee are detailed in the appendix and include:

2016/17 Reports

• 07.16/17 – Financial Management Systems.

This work concluded the planned internal audit work for 2016/17.

2017/18 Reports

• 02.17/18 - Geographic Information Systems, Land Charges, Street Naming & Numbering; and

• 03.17/18 – Corporate Governance.

4. Resource Implications

The internal audit plan is delivered within the approved budgets.

5. Recommendation

Members receive the Report and note actions taken or to be taken.

6. Appendices

RSM Internal Audit Progress Report

Appendix 1

GEDLING BOROUGH COUNCIL

Internal Audit Progress Report

Audit Committee

12 September 2017

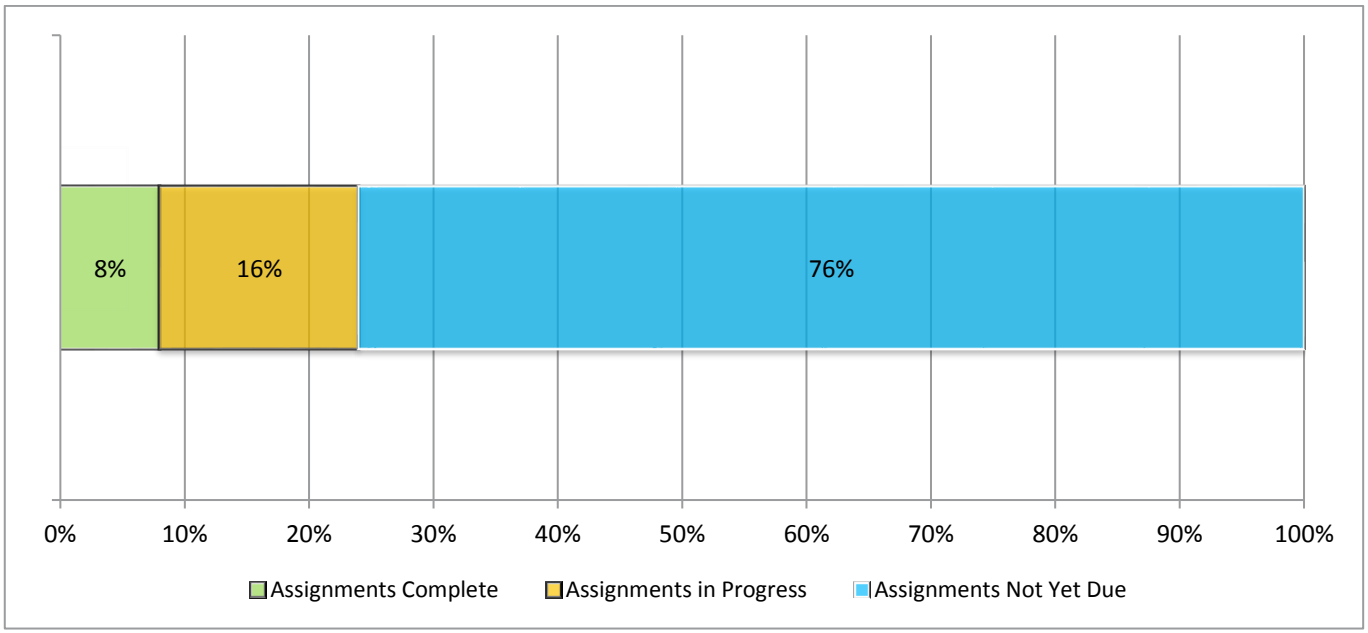
RSM

CONTENTS

1 INTRODUCTION

The internal audit plan 2017/18 was approved by the Audit Committee on 21 March 2017; RSM were allocated a total of 25 planned reviews.

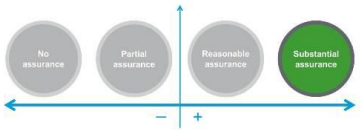
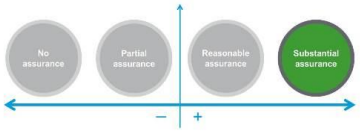
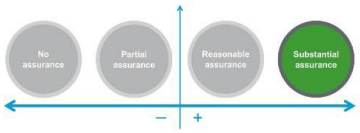
This report provides a summary update on progress against the planned reviews and summarises the results of our work to date. Please see chart below for progress against the plan.



2 REPORTS CONSIDERED AT THIS AUDIT COMMITTEE

This table informs of the audit assignments that have been completed since the last Audit Committee.

The Executive Summary and Key Findings of the assignments below are attached to this progress report.

Assignment	Status	Opinion issued	Actions agreed		
			L	M	H
2016/17 Reports					
Financial Management Systems (7.16/17)	Final		1	0	0
2017/18 Reports					
Geographic Information Systems, Land Charges, Street Naming & Numbering (2.17/18)	Final		3	0	0
Corporate Governance (3.17/18)	Final		0	0	0

2.1 Impact of findings to date

Financial Management Systems (7.16/17)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken one low priority finding was identified.

Management action was agreed in respect of the finding.

Geographic Information Systems, Land Charges, Street Naming and Numbering (2.17/18)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken three low priority findings were identified.

Management actions were agreed in respect of the findings.

Corporate Governance (3.17/18)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken no findings were identified.

3 LOOKING AHEAD

Assignment area	Timing per approved IA plan 2017/18	Status
Follow Up (1.17/18)	Q1	Draft Report Issued
Cash and Banking (5.17/18)	Q2	Draft Report Issued
IT Reviews – Ethical Phishing Campaign (4.17/18)	Q3	Draft Report Issued
Organisational Development	Q2	Work in Progress
Creditors and E Procurement	Q2	Scheduled 18/09/2017
Car Parks	Q4	Scheduled 18/09/2017
S106 Agreements and Community Infrastructure Levy	Q3	Scheduled 25/09/2017
Housing Benefits/ Universal Credit/ Council Tax Reduction Scheme	Q3	Scheduled 09/10/2017
Events Management	Q3	Scheduled 16/10/2017
Payroll	Q3	Scheduled 30/10/2017
Reconciliations	Q3	Scheduled 30/10/2017
Environmental Health and Enforcement (Food, H&S, Private Sector Housing)	Q2	Scheduled 31/10/2017
Contract Management	Q3	Scheduled 20/11/2017
Debtors and Debt Recovery	Q3	Scheduled 27/11/2017
Partnerships and Voluntary Sector Grant Aid	Q3	Scheduled 04/12/2017
Council Tax and NNDR	Q3	Scheduled 11/12/2017
Capital Accounting and Asset Register	Q3	Scheduled 08/01/2018
Follow Up	Q3	Scheduled 08/01/2018
Main Accounting System	Q3	Scheduled 08/01/2018
Budgetary Control and Setting	Q3	Scheduled 15/01/2018

Risk Management	Q3	Scheduled 26/02/2018
Treasury Management	Q4	Scheduled 26/02/2018
Housing Needs	Q4	Scheduled 26/02/2018

4 OTHER MATTERS

4.1 Changes to the audit plan

There have been no changes to the internal audit plan.

4.2 Information and Briefings

We have recently issued the following briefings:

- Gender Pay Gap Reporting;
- Apprenticeship Levy;
- Are you vulnerable to email scamming;
- How vulnerable is your organisation to cyber-attacks; and
- Is your business GDPR ready.

APPENDIX A: INTERNAL AUDIT ASSIGNMENTS COMPLETED TO DATE

There have been no reports previously seen by the Audit Committee against the 2017/18 Internal Audit Plan.

FOR FURTHER INFORMATION CONTACT

Chris Williams, Head of Internal Audit

chris.williams@rsmuk.com

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Tel: 07800 617 139

Address:

RSM Risk Assurance Services LLP

Suite A, 7th Floor
City Gate East
Tollhouse Hill
Nottingham NG1 5FS

Phone: 0115 964 4450

FINANCIAL MANAGEMENT SYSTEM - EXECUTIVE SUMMARY

1.1 Background

An audit designed to ensure that Gedling Borough Council has appropriate controls in place in relation to the Financial Management System was undertaken as part of the approved internal audit periodic plan for 2016/17.

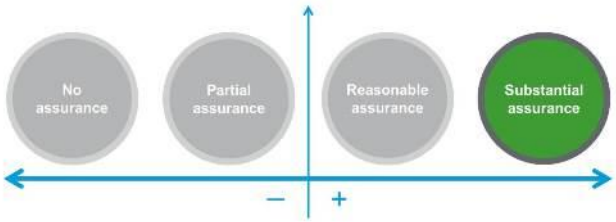
The General Fund budget totalling £12,623,300 was approved by the Council on 7 March 2016. The budget was prepared to include major reductions and considering the cumulative efficiency target of £1.15m for 2017/18 onwards.

The Council records and manages all key accounting processes using the Agresso finance system, with the new Milestone 5 version of the system installed in 2016.

1.2 Conclusion

Our work has identified that robust controls are in place for the Council's financial management system. The approved budgets, and any amendments, are imported into the Agresso system. Closing balances from the previous year are brought forward as opening balances. Significant control accounts are reconciled on a regular basis and suspense accounts are cleared each month. One 'low' priority management action has been identified regarding the procedure notes in place.

Internal audit opinion:
Taking account of the issues identified, the Council can take substantial assurance that the controls upon which the organisation relies to manage the identified area are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

- Approved Financial Regulations are in place detailing the financial responsibilities, policies and procedures adopted by the Council.
- Procedures are in place for day-to-day accounting processes and use of the Agresso system. Review identified that they have not been updated since 2013 and therefore should be reviewed to ensure they reflect current practice.
- Access to the Agresso system is managed by the IT Department. Managers are responsible for notifying the IT Department of any leavers.
- Closing balances from the prior year are brought forward as opening balances for the following financial year.
- Budget values are approved each year by the Council before being added to the Agresso system. Budget amendments ratified by the Cabinet are added to the system throughout the year.

- A Chart of Accounts is in place defining the accounting structure. Only authorised requests for amendments or new or existing account codes are processed.
- Journal entries are prepared and approved throughout the year and evidence retained on file. Reports of manual journals are reviewed and authorised on a weekly basis.
- Purchase ledger control account reconciliations are completed three times per week following payment runs. Cash receipting reconciliations are completed each day and reconciled to bank statements. Payroll reconciliations are prepared on a monthly basis. It was identified that sales ledger reconciliations are not completed on a regular basis and in a timely manner following the end of the accounting period to which they relate.
- Bank account reconciliations are completed each month with any variances investigated. Suitable segregation of duties is demonstrated for approval.
- Suspense accounts are cleared as part of month-end procedures and outstanding balances are investigated.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The action plan at section two details the specific actions agreed with management to implement.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
Use of the Financial Management System.	0	(10)	1	(10)	1	0	0
Total					**1**	**0**	**0**

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

GEOGRAPHIC INFORMATION SYSTEM, LAND CHARGES, STREET NAMING & NUMBERING - EXECUTIVE SUMMARY

1.1 Background

An audit of Geographical Information Systems (GIS), Land Charges, Street Naming and Numbering was undertaken as part of the approved internal audit periodic plan for 2017/18.

The Planning & Building Control department is responsible for the majority of applications for development within the Gedling Borough. The Council uses the Esri system to provide its GIS functionality. The software uses Ordnance survey mapping data and enables the viewing and modelling of geographic data which is used to provide information for a wide range of Council users and also for other public sector organisations.

The Council maintains a Register of Local Land Charges which contains information which may affect properties such as Tree Preservation Orders, Listed Buildings, other planning matters and financial charges. The Local Land Charges Register is updated on a daily basis by the Land Charges Team with the relevant charges once notification has been received. Purchasers of a property in the Borough will carry out a search of the Register, usually through their solicitor, to reveal any entries that there may be against the property. Information relating to the land charges function such as fees and how to request searches is readily available to the public. This information is available on the Council's public web site.

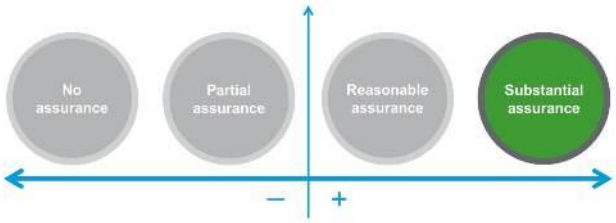
The naming and numbering of streets and buildings in Gedling, is controlled by Gedling Borough Council under the Town Improvement Clauses Act 1847. The purpose of this control is to make sure that any new street names and building names and numbers are allocated logically with a view to ensuring, amongst other things, the effective delivery of mail and that emergency service vehicles are able to locate any address to which they may be summoned.

Upon receiving a new street naming and numbering request, appropriate consultation takes place with Parish Councils and other relevant stake-holders. The new street name and numbers are communicated to developers and relevant Statutory Bodies, are subsequently entered into the Property Gazetteer.

1.2 Conclusion

We have identified that overall; there is an appropriate control framework in place for the governing of Geographic Information Systems, Land Charges, Street Naming and Numbering. Our review concluded that in most instances key controls are being applied adequately and effectively. However we have identified and raised a small number of issues which has resulted in three low priority management actions being agreed by management.

Internal audit opinion:
Taking account of the issues identified, the Council can take substantial assurance that the controls upon which the organisation relies to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.



1.3 Key findings

Our audit review identified that the following controls are suitably designed, consistently applied and are operating effectively:

- There are clear processes in place which ensures that all mapping data held within the GIS system is maintained up to date
- GIS Enquiries are received via email and are processed by the GIS team within 10 days upon receipt. If any fees are due then this would be processed before the data is released.
- Appropriate arrangements are in place which ensures the security of the data held in the GIS system. Access is protected by password to authorised users only; system enforced password changes occur; all data is backed up automatically, at least once each day.
- Information relating to the land charges function i.e. what is a Land Search, what are the fees and/or how do I request a Land Search is readily available to the public. This information is available on the Council's public web site.
- All applications for a Land Search are accompanied with the correct fee and a check is carried out to confirm the receipt of the fee before processing of the search commences. Fees charged for search applications received are in accordance with the agreed and published scale of fees and charges.
- All Land Search requests to be completed and the results published within twenty working days of the receipt of a valid request.
- The Local Land Charges Register is updated on a daily basis with the relevant charges in a timely manner once notification has been received.
- The I-dox Total Land Charges System is used to manage the Land Charges Register and Gazetteer. This is an integrated system that accesses and updates, the various databases used in the Land Charges process and facilitates the automatic production of search results in respect of the standard questions included in a CON29 and LLC1 search request.
- Access to the I-dox TLC system is restricted by password to authorised staff only and is supported by its supplier who takes responsibility for updating with changes to legislation and software.

However we did note the following controls which were found not to have been effectively complied with: -

- Policy and procedural guidance for the day to day functions of the Land Charges section are overdue for review and therefore may not currently reflect up to date working practices and legislation.

- In addition the policy and procedural Guidance which sets out the process in place for providing and communicating new street names and property address details to developers and other key stake-holders are overdue for review.
- Our testing identified that street name and numbering requests are not always processed straight away upon the application being received.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The action plan at section two details the specific actions agreed with management to implement.

Risk	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
GIS is incomplete or not up to date resulting in inaccurate data supplied to customers	0	(4)	0	(4)	0	0	0
The land charge register is not adequately maintained	0	(9)	1	(9)	1	0	0
Failure to adopt major roads - street naming	0	(2)	2	(2)	2	0	0
Total					**3**	**0**	**0**

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

CORPORATE GOVERNANCE – MEMBERS INTERESTS - EXECUTIVE SUMMARY

1.1 Background

An audit of Corporate Governance – Members Interest was undertaken as part of the approved internal audit periodic plan for 2017/18.

The Council currently has 41 local councillors who are elected to represent their local communities. They represent public interest as well as individuals living within their ward. They have regular contact with the general public through council meetings, telephone calls or surgeries.

By law, all members of the Council are required to complete a declaration of interest form, the details of which are published annually. The Council has adopted a Code of Conduct setting out rules governing the behaviour of its members and co-opted members of the Council.

The Code of Conduct requires Councillors to observe the seven principles of public life:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

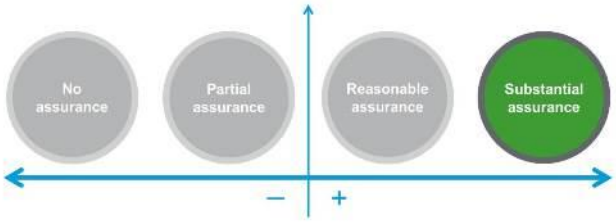
In addition, there are rules governing disclosure of interests and withdrawal from meetings where Councillors have certain interests. Councillors are also required to record on the public register of interests of members and co-opted members their financial and other interests.

The Council has a Standards Committee to ensure that Councillors maintain the high standard of conduct that is expected of them.

1.2 Conclusion

Our overall opinion was formed by reviewing policies and procedures, undertaking interviews with key staff and testing a sample of members to ensure compliance with the Council's corporate governance requirements. Our audit work has confirmed that the control framework is robust; and as a result there have been no management actions raised.

Internal audit opinion:
Taking account of the issues identified, the Council can take **substantial assurance** that the controls upon which the organisation relies to manage the identified risk are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

- The Council has a Code of Conduct in place which applies to all members. This Code of Conduct has been adopted by the Council under Section 27 of the Localism Act 2011 and sets out the standards that members are expected to observe.

  The Code of Conduct was last subject to review and subsequently updated in November 2016 by full Council.

  The Code of Conduct is made available to all staff and the public on the Council's web page.

- Once members are elected, within their induction packs is a paper based register of interests form which is required to be completed by the member. The completed forms are returned to the Council's Monitoring Officer and immediately uploaded onto the committee management system, Modern.Gov, which then automatically publishes the information onto the Councils web page. It was confirmed for a sample of members that a register of interests form had been completed and the form matched the information that was published on the Council's web page.

- It was confirmed that all disclosures of interests are recorded, other than sensitive interests, and made available on the Council's web page. The register on the web page is kept up to date as and when any interests require amending or updating depending on the Councillor. The Monitoring Officer writes to members on an annual basis to remind them to keep their interests up to date.

- Formal asking of members to declare any interests is a standing agenda item for all Council and subcommittee meetings. If a member is to declare an interest at any meeting, depending on whether the interest is a disclosable pecuniary interest or non-pecuniary interest determines whether the member is required to withdraw from the meeting.

- It was confirmed that the Council have a Gift and Hospitality Code of Practice in place. This code is issued in order to enable members and officers to decide on the circumstances and the manner in which gifts and hospitality may be accepted. It stipulates that if members and officers are in any doubt as to whether they might accept a gift or hospitality they should decline it. This code is intended to supplement the advice given in the Code of Conduct.

- A gift and hospitality register is maintained for all areas within the Council. It is a Councillors responsibility to ensure that they inform of any gifts / hospitality received with a value in excess of £50. It was confirmed that up to date gift and hospitality registers were maintained for each of the departments within the Council.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The action plan at section two details the specific actions agreed with management to implement.

Risk	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
Non compliance with Corporate Governance requirements	0	(7)	0	(7)	0	0	0
Total					**0**	**0**	**0**

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

Gedling Borough Council

Report to Audit Committee

Subject: **Corporate Risk Management Scorecard**

Date: **12th September 2017**

Author: **Deputy Chief Executive and Director of Finance**

1. Purpose of the Report

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

2. Background

The current Risk Management Strategy was last considered and approved by the Cabinet in April 2007. However this did receive regular updates, the last of which was February 2014. As a result of the transition of this responsibility into Financial Services from April 2017, a new Risk Management Strategy & Framework has been written and is being presented to Cabinet for approval in October 2017.

The purpose of the Strategy and Framework is to define how risks are managed by the Council. It provides guidance on the processes, procedures, roles and responsibilities for risk, and it sets out the context on how risks are to be managed. It defines the key role for the Audit Committee as providing independent assurance to the Council with regard to the effectiveness of the risk management framework and the associated control environment. This includes the monitoring of the framework and ensuring the implementation of all audit actions.

The Corporate Risk Register is a key enabler of the Strategy and Framework, and provides assurance on the key risks identified as Corporate risks.

Existing risks identified within both the Council's corporate and operational service risk registers are subject to quarterly review by senior management and on an ongoing basis through the work of Internal Audit.

3. Corporate Risk Register

This new approach has meant that significant changes have been made to the monitoring of risks and the subsequent reporting arrangements to this committee. As such the new arrangements are seen as a fresh start and many of the previous risks

that were classified as ‘green’ have been re-examined and in many cases reduced in score to an ‘amber’ or ‘red’ classification. However, it is expected that as mitigation measures are properly recorded or actions taken, then these risks should start to improve over the coming months. This is not to say that all risks will return to ‘green’, as mitigation measures can only go so far, and some risks may always be inherently ‘red’ or ‘amber’ as the score reflects the potential impact on the Council and the likelihood of that event occurring.

The Corporate Risk Register and supporting comments as at the end of quarter one (June 2017) are appended to this report, and this includes a summary of all control gaps currently identified on the Council’s Corporate Risk Register.

4. Resource Implications

To be delivered within existing budgets.

5. Recommendation

That the Audit Committee notes the progress of actions identified within the Corporate Risk Register.

Appendix 1 - Corporate Risk Register Monitoring – Quarter 1 2017/18

1	**FAILURE TO PREVENT BUDGET OVERHEATING ONCE THE BUDGET HAS BEEN SET** **Owner: Mike Hill** **Current Risk and Direction of Travel: GREEN – NO CHANGE** **Definition:** *Shorter term implications of overspending budgets or not collecting as much income as forecasted. This can cause adverse impact on Council balances.* **Key Risk Driver:** Financial Impact **Raw Risk Value:** Serious - £50k - £500k **Corporate Risk Register Outstanding Controls:** Quarter 1 budget monitoring was reported to Cabinet in July. This projected a £1k underspend at year-end. In regard to the budget reduction programme for 2017/18, the latest projections are that £477k will be delivered against the £532k target, with the remaining £55k to be deferred until 2018/19. Consequently there are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.
2	**FAILURE TO MAINTAIN FINANCIAL INTEGRITY** **Owner: Mike Hill** **Current Risk and Direction of Travel: RED – DETERIORATION** **Definition:** *Affecting the ability of the Council to meet its financial commitments in the longer term.* **Key Risk Driver:** Financial Impact **Raw Risk Value:** Critical - £1m+ **Corporate Risk Register Outstanding Controls:**

	Council approved a balanced budget for 2017/18 in March 2017. As part of this process, a budget reduction target of £1.694m was approved for inclusion into the Medium Term Financial Plan over the years 2017/18 to 2021/22. The budget process also identified a further £1.9m of budget reductions that need to be addressed between 2018/19 and 2020/21 to maintain balances at their minimum levels, and work is currently underway with Service Managers to identify these. The Council has recently launched its new 'Dynamic Council' approach to working, which includes the adoption of a project / programme management approach combined with delivering on four separate themes: digitalisation, agile working, demand management, and commercialisation. The work to meet these themes will be delivered by 12 separate project groups, and all of this work will need to become embedded before it has an impact on the modernisation of the Council. Commercialisation will have a focus on the generation of income, a key part of which will be marketing to ensure that income levels from services are maintained or increased, and also the Council's approach to property development which has inherent risks attached. As part of this, a move to local authority trading companies will be a new venture for the Council, and this again will need to be managed carefully to avoid risk to service provision. Major financial issues moving forward will be the volatility and continuity of the New Homes Bonus grant, the impact of Universal Credit and other housing benefit reforms on the value of the benefit subsidy administration grant, and national changes being made in relation to Business Rates and retrospective appeals.
3	**FAILURE TO PROTECT STAFF, INCLUDING HEALTH & SAFETY ISSUES** **Owner: Mike Hill** **Current Risk and Direction of Travel: AMBER – DETERIORATION** **Definition:** *Ineffective systems, processes and equipment that can present danger to individuals or groups of employees.* **Key Risk Driver:** Health & Safety **Raw Risk Value:** Major – Loss of life / major illness **Corporate Risk Register Outstanding Controls:**

	Officers need to undertake a comprehensive review of all risk assessments held within the Council and centralise the recording system (these are either currently held individually by service managers or do not exist). A new electronic system 'AssessNET' is being implemented and it will be the responsibility of all Service Managers to ensure their risk assessment data is input onto this new system.
4	**FAILURE TO RECRUIT AND RETAIN STAFF, AND MAINTAINING INTERNAL CAPACITY** **Owner: Helen Barrington** **Current Risk and Direction of Travel: AMBER – DETERIORATION** **Definition:** *Associated with the particular nature of each profession, internal protocols, managerial abilities, and sickness levels.* **Key Risk Driver:** Service Provision **Raw Risk Value:** Serious – Significant elements of a service suspended / reduced **Corporate Risk Register Outstanding Controls:** In some areas, recruitment and retention of staff is becoming an increasing problem for the Council to remain competitive, particularly where recruitment competes with the private sector, although it is recognised that the pay line review has improved the position. This is however beginning to pose a specific problem with respect to experienced technically qualified professional staff, where honorariums are being used to combat the difficulties. This has also arisen as a consequence of budget pressures, increasing workload and expectations which impact on capacity and resilience. A number of experienced professionals have recently retired and it is always difficult to replace that experience. The Council needs to develop its strategy on succession planning, particularly where senior managers have been allowed to retire and their posts have been made redundant. The quarter 1 sickness level for the Council stands at 11.25 days (based on the previous 12 months to June 2017) which is higher than the 2017/18 target of 10 days. However this high figure does include a number of staff that have now left the authority and as the year progresses the average sickness level will hopefully reduce.

5	**FAILURE TO PROPERLY UTILISE EXISTING ICT, REACT TO TECHNOLOGY CHANGES, AND PREVENT DATA LOSS** **Owner: Helen Barrington** **Current Risk and Direction of Travel: AMBER – DETERIORATION** **Definition:** *The capacity of the Council to deal with the pace / scale of technological change, or its ability to use technology to address changing demands. Challenges over the security, storage and retention of both electronic and manual records, and data.* **Key Risk Driver:** Objectives **Raw Risk Value:** Major – Directorate objectives not met **Corporate Risk Register Outstanding Controls:** The Council's Digital Strategy sets out a requirement that the technological solutions we invest in are used to their full potential, and work needs to continue to achieve this. There have recently been a small number of minor data protection incidents. Some Data Protection training has been delivered recently, but with specific reference to the forthcoming introduction of the General Data Protection Regulation in May 2018, training programmes will be delivered for all staff. A recent internal audit phishing exercise around cyber risk identified that Gedling had a worse than average performance when asked to identify potentially damaging emails. The lack of resource within ICT budgets and capacity of staff is starting to impact on the Council's development of ICT moving forwards, and this is a key requirement of the Digital strategy.
6	**FAILURE TO PROTECT & UTILISE PHYSICAL ASSETS** **Owner: Mike Hill** **Current Risk and Direction of Travel: AMBER – DETERIORATION** **Definition:** *Buildings that are fit for purpose, safe, secure, and meet legislative requirements for fire, asbestos, and water-testing. Land, buildings and*

	other assets to be recorded on a database. **Key Risk Driver:** Health & Safety **Raw Risk Value:** Major – Loss of life / major illness **Corporate Risk Register Outstanding Controls:** A full condition survey of all council-owned buildings is required, and action is being taken in this regard. Risk assessments of buildings are in place but will require updating as part of the roll out of the new AssessNET system. A register is in place to record fire, asbestos and water testing at each site, but this needs to be centralised – again action is being taken in this regard. The existing Asset Management Plan is out of date and will be updated by December 2017. Work needs to be undertaken as regards a comprehensive tree register.
7	**FAILURE TO REACT TO CHANGES IN LEGISLATION** **Owner: Helen Barrington** **Current Risk and Direction of Travel: AMBER – NEW RISK** **Definition:** *Associated with current or potential changes in national or European law which can lead to possible breaches of legislation. Assessing the wider implications of new legislation on both the Council and its residents.* **Key Risk Driver:** Financial Impact **Raw Risk Value:** Major - £500k - £1m **Corporate Risk Register Outstanding Controls:** The Council is still responding to changes in the 'benefit cap' as prescribed under the Welfare Reform and Work Act 2016. It will also need to respond to further changes as part of the roll-out of Universal Credit. This will create hardship and increase council tax arrears and collection costs. The Council has still to prepare for the introduction and implications of the Homelessness Reduction Act 2017. The Council has to ensure it is ready for the introduction of the General

	Data Protection Regulation in May 2018.
8	**FAILURE OF CONTRACTORS OR PARTNERSHIP ARRANGEMENTS – CONTRACTUAL BREACHES** **Owner: Helen Barrington** **Current Risk and Direction of Travel: AMBER – NO CHANGE** **Definition:** *Associated with the failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification.* **Key Risk Driver:** Financial Impact **Raw Risk Value:** Serious - £50k - £500k **Corporate Risk Register Outstanding Controls:** The Council is currently constructing a new Partnerships Register which will be reviewed by both SLT and a specific project group under the 'Dynamic Council' approach. The Council needs to improve on its Contracts Register used for medium to large procurement exercises.
9	**INABILITY TO DEFEND ONE-OFF CHALLENGES TO A COUNCIL DECISION OR NEW COMPENSATION TREND EMERGES** **Owner: Helen Barrington** **Current Risk and Direction of Travel: GREEN – NEW RISK** **Definition:** *Councils are increasingly vulnerable to judicial reviews and new compensation claims.* **Key Risk Driver:** Financial Impact **Raw Risk Value:** Serious - £50k - £500k **Corporate Risk Register Outstanding Controls:** The numbers and value of insurance claims are reducing and consequently there are currently no outstanding control gaps in the

	strategic or operational risk registers relating to this corporate risk.
10	**FAILURE TO MAINTAIN SERVICE STANDARDS, CUSTOMER SATISFACTION, AND/OR MEET CUSTOMER EXPECTATIONS** **Owner: Helen Barrington** **Current Risk and Direction of Travel: GREEN – NO CHANGE** **Definition:** *Related to channel shift to more digital on-line services but retaining the availability of face-to-face services. Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value.* **Key Risk Driver:** Reputation **Raw Risk Value:** Major – Adverse national publicity **Corporate Risk Register Outstanding Controls:** More services are now being migrated onto digital platforms, consequently there are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.
11	**FAILURE TO PREVENT DAMAGE TO THE COUNCIL'S REPUTATION** **Owner: John Robinson** **Current Risk and Direction of Travel: AMBER – NO CHANGE** **Definition:** *Related to the Council's reaction to a specific event or issue, or generally a downturn in quality of service.* **Key Risk Driver:** Reputation **Raw Risk Value:** Major – Adverse national publicity **Corporate Risk Register Outstanding Controls:** Quarter 1 performance data detailed 10 out of 33 (30%) of performance indicators were either missed or slightly below target. The most significant of these was that there were no affordable housing completions in that quarter, and the current sickness level is relatively

	high at 11.25 days against a target of 10 days.
12	**FAILURE TO REACT TO AN ENVIRONMENTAL INCIDENT OR MALICIOUS ACT** **Owner: John Robinson** **Current Risk and Direction of Travel: GREEN – NO CHANGE** **Definition:** *Council reaction to a natural occurrence e.g. widespread flooding, or other events such as fire and explosions.* **Key Risk Driver:** Reputation **Raw Risk Value:** Major – Adverse national publicity **Corporate Risk Register Outstanding Controls:** The Emergency Plan has recently been updated, consequently there are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.
13	**FAILURE TO REACT TO SOCIO-ECONOMIC TRENDS** **Owner: John Robinson** **Current Risk and Direction of Travel: AMBER – NEW RISK** **Definition:** *Relating to the effects of changes in demographic, residential, or socio-economic trends on the Council's ability to meet its objectives.* **Key Risk Driver:** Reputation **Raw Risk Value:** Serious– Adverse regional publicity **Corporate Risk Register Outstanding Controls:** It is recognised that: • Between 2009 and 2030 Gedling's 65+ population is projected to increase by 42.3% to equate to 26.3% of the total borough population, and the 85+ age population is projected to increase by

	100% to equate to 4.8% of the population. • Over 11,000 people aged 65+ are projected to be living alone by 2030 in Gedling, an increase of 45.9% between 2009 and 2030. • In 2009 it was estimated that 46.9% of people in Gedling had a limiting long-term illness. • The number of people aged 65+ with dementia is projected to increase by 65.4% between 2009 and 2030. The Senior Leadership Team receives an economic indicators report on a quarterly basis that reports over the themes of homelessness, new homes, benefits and income, and local economy. SLT and Council need to reflect on these demographic trends.

HIGH RISK AUDIT RECOMMENDATIONS RAISED IN PREVIOUS YEARS BUT NOT YET IMPLEMENTED:

There are no high risk audit recommendations from previous years that have not been addressed and implemented.

HIGH RISK AUDIT RECOMMENDATIONS RAISED IN THIS FINANCIAL YEAR:

There have currently been no high risk audit recommendations made this financial year.

APPENDIX 2 - RISK MANAGEMENT SCORING MATRIX

Date refreshed: **01 July 2017**

Likelihood						
Very High	E					
High	D					**2**
Significant	C	**1**	**4**	**3, 5, 6, 7, 11, 13**		
Low	B	**10,12**		**8**		
Very Low	A			**9**		
		1 Negligible	2 Minor	3 Serious	4 Major	5 Critical

Impact

Gedling Borough Council

Report to Audit Committee

Subject: **Local Code of Corporate Governance 2017/18**

Date: **12th September 2017**

Author: **Chief Financial Officer and Monitoring Officer**

1. Purpose of the Report

1.1 To approve the updated Local Code of Corporate Governance and process for review.

2. Background

2.1 Corporate governance is the system by which organisations are directed and controlled and it became an important concept following the Cadbury Committee's report in 1992 on financial aspects of corporate governance. As a consequence, all local authorities have sought to demonstrate compliance with best practice by drawing up a Local Code of Corporate Governance, based on CIPFA/SOLACE Guidance first published in 2007.

2.2 In April 2016, CIPFA and SOLACE published the publication "*Delivering Good Governance in Local Government: Framework"* which is in essence an updated version of the original 2007 publication. However, amendments to the framework include an update to the Core Principles and sub principles to ensure organisations demonstrate good governance by "*Achieving the Intended Outcomes While Acting in the Public Interest at all Times".* The Framework makes it clear that it is up to each local authority to:

- Set out its commitment to the principles of good governance;
- Determine its own governance structures and local Code; and
- Ensure that it operates effectively in practice.

2.3 The Local Code of Corporate Governance should set out the governance structures the Council has in place to demonstrate how it complies with the Core principles and sub-principles. It is a 'living document' in that it must be periodically reviewed and amended to ensure that it satisfies the changing financial and corporate environment.

3. Proposal

3.1 It is proposed that the Local Code of Corporate Governance for 2017/18 attached at Appendix 1 is approved.

3.2 The Council will undertake a regular review of its governance arrangements which will result in a clear action plan indicating how any gaps in the arrangements will be addressed, who will deal with them, how these will be dealt with and when.

It is proposed that the process of review is as follows:-

- Senior Leadership Team

The Senior Leadership Team (SLT) will review the Council's governance and risk management arrangements and identify a work programme for ensuring these arrangements remain robust and up-to-date as and when necessary. SLT will also proactively review issues which may arise during the course of the Council's day to day business and take steps to address them. SLT will report directly to the Audit Committee as and when necessary.

- The Audit Committee

The Audit Committee has overall responsibility for the Council's governance and risk management arrangements, and will be the main Member review of those arrangements. The Committee will approve any amendments to the Local Code.

3.3 In addition, at the end of the financial year, the Audit Committee will receive an annual report from the Chief Executive and Leader: the "Annual Governance Statement", which defines the position on whether the corporate governance arrangements are adequate and operating effectively. The proposed Annual Governance Statement will *accompany* the Statement of Accounts report. The Statement is based on core principles and the gathering of evidence to support those principles with actions devised to ensure that the Council satisfactorily complies with the Code's aspirations.

4. Resource Implications

None directly arising from this report.

5. Recommendation

THAT:

The Local Code of Corporate Governance for 2017/18 be approved and the procedures set out in the report implemented.

6. Appendices

Appendix 1 - Local Code of Corporate Governance for 2017/18.

LOCAL CODE OF CORPORATE GOVERNANCE

Introduction

1. Governance arrangements in the public services are vitally important and local government organisations need to ensure that they meet the highest standards, are kept up to date and are relevant. Governance is about how the Council ensures resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and there is clear accountability for the use of those resources in order to achieve the desired outcomes for service users and communities.

2. CIPFA[1]/SOLACE[2] have together produced a corporate governance framework which was updated for 2016/17. It is an integrated system that brings together an underlying set of legislative requirements, governance principles and management processes. The governance framework produced by CIPFA/SOLACE remains a discretionary code and is offered to local authorities as good practice.

3. In conducting its business, Gedling Borough Council is fully committed to the key principles of good governance set out in the CIPFA/SOLACE framework. The framework is underpinned by seven core principles. This Local Code of Corporate Governance sets out below how Gedling Borough Council demonstrates that its governance structures comply with these seven core principles.

Core Principle A - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.

Sub- principle	Actions to demonstrate good governance
Behaving with integrity	▪ Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation. ▪ Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles). ▪ Leading by example and using the above standard operating principles or values as a framework for decision making and other actions. ▪ Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and

[1] Chartered Institute of Public Finance and Accountancy
[2] Society of Local Authority Chief Executives

	processes which are reviewed on a regular basis to ensure that they are operating effectively.
Demonstrating strong commitment to ethical values	▪ Seeking to establish, monitor and maintain the organisation's ethical standards and performance. ▪ Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation. ▪ Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values. ▪ Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation.
Respecting the rule of law	▪ Ensuring members and staff demonstrate a strong commitment to the rule of law as well as adhering to relevant laws and regulations. ▪ Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements. ▪ Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders. ▪ Dealing with breaches of legal and regulatory provisions effectively. ▪ Ensuring corruption and misuse of power are dealt with effectively.

To demonstrate its commitment to Core Principle A Gedling Borough Council:
▪ Has developed and promotes a culture of behaviour based on shared values, high ethical principles and good conduct underpinned by the following: o Members' code of conduct o Officers' code of conduct o Protocol on member/officer relations o Gifts and Hospitality Code of Practice for Members and Officers o Members' Register of Interests o Protocol for members on dealing with planning matters ▪ Provides a comprehensive elected member induction programme which includes Code of Conduct training. ▪ Additional Member Training is provided supported by a dedicated budget for Member training. ▪ Has approved arrangements for dealing with complaints that a councillor has breached the Code of Conduct. ▪ Has a Standards Committee, which is not politically biased, with responsibility for standards and probity issues. ▪ Is able to monitor and investigate officer behaviour through its corporate complaints procedure. ▪ On an annual basis reminds Members to keep their Register of Interests up to date. ▪ Maintains a register of gift and hospitality for Officers and Members, which is reported to Standards Committee on an annual basis. ▪ Has an Audit Committee which has overall responsibility for the Council's governance and risk management arrangements.

- Has an established anti-fraud strategy, including whistle-blowing procedures, communicated to members, officers and the public and available on the Council's website.
- Is developing new governance arrangements in respect of its significant partnerships.
- Has clear role specifications within the Constitution in respect of the Head of Paid Service, Chief Financial Officer and Monitoring Officer.
- Has introduced a Gedling Employee, Manager and Leader Standard which sets out behaviours expected by employees.
- Conducts annual Personal Development Reviews which include a review of behaviours in the workplace.
- Requires reports to be considered for legal and financial implications and signed off on behalf of the Chief Financial Officer and Monitoring Officer.
- Has set out a Data Breach Management Policy within the Information Security Policy.
- Ensures commitment to paying the national minimum wage.
- Complies with the Public Contracts Regulations 2015 during procurement activity for the carrying out of works or provision of supplies or services.

Core Principle B - Ensuring openness and comprehensive stakeholder engagement

Sub-principle	Actions to demonstrate good governance
Openness	▪ Ensuring an open culture through demonstrating documenting and communicating the organisation's commitment to openness. ▪ Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided. ▪ Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear. ▪ Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.
Engaging comprehensively with institutional stakeholders *NB. Institutional stakeholders are the other organisations that local government needs to work with to improve services and outcomes (such as commercial partners and suppliers as well*	▪ Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably. ▪ Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively. ▪ Ensuring that partnerships are based on: ○ Trust ○ A shared commitment to change ○ A culture that promotes and accepts challenge among partners

as other public or third sector organisations) or organisations to which they are accountable	and that the added value of partnership working is explicit
Engaging with individual citizens and service users effectively	▪ Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes. ▪ Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement. ▪ Encouraging, collective and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds, including reference to future needs. ▪ Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account. ▪ Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity. ▪ Taking account of the impact of decisions on future generations of tax payers and service users.

To demonstrate its commitment to Core Principle B Gedling Borough Council:

- Has developed an informative, user friendly website to share appropriate information with the community.
- Proactively provides information and interacts with the community through Contacts magazine, 'Keep me Posted' emails and social media, in particular Twitter and Facebook.
- Has arrangements in place to seek and respond to the views of the community by;
  - Consulting with residents about Council services and priorities through the bi-annual Gedling Conversation and Satisfaction Survey
  - Holding meetings in public wherever possible
  - Publishing agendas, minutes and decisions
  - Making provision in the Council's Procedural Standing Orders in the Constitution for the public to ask questions at Council meetings
  - Having effective relationships with other public sector agencies and the private and voluntary sectors
  - Undertaking miscellaneous consultation with residents and relevant stakeholders including surveys, workshops and focus groups
- Undertakes Equality Impact Assessments where appropriate to identify how the needs of particular group have been considered to inform decision making.
- Has an approved statement of Community Involvement as part of the Local Development Framework.
- Proactively engages in the health agenda through involvement in the Nottinghamshire Health & Wellbeing Board.
- Proactively engages in a number of partnerships including: D2N2, Gedling Health & Wellbeing Delivery Group, South Notts Community Safety Partnership and Gedling Employment and Skills Group.
- Has a Freedom of Information Act Publication Scheme on the Council's website.
- Complies with the provisions of the Transparency Code.

- Requires officers to adhere to a calendar of dates for submitting, publishing and distributing timely reports.
- Sets out in the Financial Regulations appropriate control measures for entering into partnership arrangements.
- Is developing a Partnership Register, which identifies significant partnerships and potential impacts on the Council.
- Ensures reports to Cabinet include an analysis of alternative options together with the reasons for the recommendation contained within the report.
- Facilitates the filming and recording of public meetings where necessary.

Core Principle C - Defining outcomes in terms of sustainable economic, social and environmental benefits

Sub-principle	Actions to demonstrate good governance
Defining outcomes	▪ Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions ▪ Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of the year or longer. ▪ Delivering defined outcomes on a sustainable basis within the resources that will be available. ▪ Identifying and managing risks to the achievement of outcomes. ▪ Managing service users expectations effectively with regard to determining priorities and making the best use of the resources available.
Sustainable economic, social and environmental benefits	▪ Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision. ▪ Taking a longer term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints. ▪ Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible in order to ensure appropriate trade-offs. ▪ Ensuring fail access to services.

To demonstrate its commitment to Core Principle C Gedling Borough Council:
▪ Has clearly set out its vision and priorities in the Gedling Plan. ▪ Reflects the Council's vision and strategic priorities through individual service plans. These are captured and monitored in the Council's performance management system, Covalent. ▪ Monitors delivery against the Gedling Plan through quarterly reports to SLT, Cabinet and Overview and Scrutiny Committee. ▪ Has developed and maintains proper financial management arrangements.

	These include agreeing a balanced budget before the start of each financial year together with a Medium Term Financial Plan which looks ahead four years; and an Annual Statement of Accounts that details the Council's financial position in the previous year. ▪ Regularly reviews risks at a corporate project and operational level and ensures that appropriate plans are in place to mitigate risks as far as possible. ▪ Has arrangements in place to publish the external auditor's report which includes a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. ▪ Has Procedural Standing Orders, Contract Standing Orders and Financial Regulations in place. ▪ Internal audit regularly reviews the risk and control framework and produces an annual report including an audit opinion on the adequacy and effectiveness of the Council's risk management, governance and control processes. ▪ Undertakes Equality Impact Assessments where appropriate to identify how the needs of particular group have been considered to inform decision making ▪ Maintains an approach to fair access to services. ▪ Takes account of the Public Services (Social Value) Act 2012 requirements when undertaking procurement activity.

Core Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes

Sub-principle	Actions to demonstrate good governance
Determining interventions	▪ Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided. ▪ Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind further impacts..
Planning interventions	▪ Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets. ▪ Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered. ▪ Considering and monitoring risks facing each partner when working collaboratively including shared risks. ▪ Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances. ▪ Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured. ▪ Ensuring capacity exists to generate the information required to review service quality regularly. ▪ Preparing budgets in accordance with objectives, strategies and the medium term financial plan. ▪ Informing medium and long term resource planning by drawing

	up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.
Optimising achievement of intended outcomes	▪ Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints. ▪ Ensuring the budgeting process is all-inclusive, taking into account eh full cost of operations over the medium and longer term. ▪ Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage. ▪ Ensuring the achievement of 'social value' through service planning and commissioning.

To demonstrate its commitment to Core Principle D Gedling Borough Council:

▪ Ensures reports to Cabinet include an analysis of alternative options together with the reasons for the recommendation contained within the report.
▪ Requires service plans and performance indicators to be aligned to Council priorities set out in the Gedling Plan.
▪ Performance against the Gedling Plan is reported to and monitored by Senior Leadership Team, Cabinet and Overview and Scrutiny Committee on a quarterly basis. Performance data is also made available to all Members and is published on the Council's website.
▪ The Council's budget is developed to reflect the Council's priorities and the Council has a clear financial strategy including a Medium Term Financial Plan – budgets, plans and objectives are aligned.
▪ Requires reports to be considered for legal and financial implications and signed off on behalf of the Chief Financial Officer and Monitoring Officer.
▪ Has introduced a project management framework, including the full use of business case development.
▪ Is reviewing its Risk Management Strategy to ensure that risk management is embedded into the culture of the Council.
▪ Has arrangements in place to seek and respond to the views of the community by:
  ○ consulting with residents about Council services and priorities through the bi-annual Gedling Conversation and Satisfaction Survey
  ○ undertaking miscellaneous consultation with residents and relevant stakeholders

Core Principle E - Developing the entity's capacity including the capability of its leadership and the individuals within it

Sub-principle	Actions to demonstrate good governance
Developing the entity's capacity	▪ Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness. ▪ Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined

	outcomes are achieved effectively and efficiently. ▪ Recognising the benefits of partnerships and collaborative working where added value can be achieved. ▪ Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.
Developing the capability of the entity's leadership and other individuals	▪ Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained. ▪ Publishing a statement that specified the types of decisions that are delegated and those reserved for the collective decision making of the governing body. ▪ Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority. ▪ Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: - Ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged. - Ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis - Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weakness both internal and external ▪ Ensuring that there are structures in place to encourage public participation ▪ Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections ▪ Holding staff to account through regular performance reviews which take account of raining or development needs ▪ Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.

To demonstrate its commitment to Core Principle E Gedling Borough Council:
▪ Has a comprehensive Member Induction Programme and Additional Member Training is provided supported by a dedicated budget for Member training. ▪ Has a dedicated corporate employee training budget. ▪ Performance and Development Reviews are undertaken for all members of staff at least annually. The process offers the opportunity to discuss performance and to identify any training and development needs. ▪ Requires the Service Manager, Organisational Development to be consulted on

staffing reports to ensure that team structures are fit for purpose and staffing resources are used to best effect.

- Operates a robust recruitment and selection process.
- Has a raft of HR policies and procedures in place which are included in the Employee handbook and is available on the intranet.
- Adopts and publishes an annual Pay Policy statement that sets out the Council's approach to pay and provides links to relevant policies and procedures.
- Is in the process of adopting an agile working strategy to facilitate flexible and agile working.
- Has introduced the principles of Timewise as a means of maximising the opportunity for current and prospective employees to work in a more agile manner and in doing so encourage a wider pool of applicants to vacant posts.
- Provides access to occupational health arrangements and counselling services to help improve employee wellbeing and ensure that sickness absence is kept to a minimum.
- Promotes health and wellbeing through a staff e-newsletter, Well At Work initiatives and an annual Health Fair.
- Has secured the Well-being at Work Bronze Award.
- Through the STEPs Group arranges an annual Staff Conference and events under the banner of 'Our Gedling'.
- Clearly set out roles and responsibilities of Senior Members and statutory officers in the Constitution. Roles and responsibilities of Officers are clearly set out in job descriptions and person specifications.
- Is in the process of drawing together a Partnerships Register which will be reviewed regularly to ensure value is being derived from the collaborative arrangements.
- Has set out a Scheme of Delegation within the Constitution.
- Requires Members of the Planning Committee and Environment and Licensing Committee to undertake mandatory training.
- Clearly sets out the role of the Leader and Chief Executive within the Council's Constitution.

Core Principle F – Managing risks and performance through robust internal control and strong public financial management

Sub-principle	Actions to demonstrate good governance
Managing Risk	▪ Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making ▪ Implementing robust and integrated risk management arrangements and ensuring that they are working effectively ▪ Ensuring that responsibilities for managing individual risks are clearly allocated
Managing performance	▪ Monitoring service delivery effectively including planning, specification, execution and independent post implementation review ▪ Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook ▪ Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies

	and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible (Or, for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making ▪ Providing members and senior management with regular reports on service delivery plans and on progress towards an outcome achievement ▪ Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)
Robust internal control	▪ Aligning the risk management strategy and policies on internal control with achieving objectives ▪ Evaluation and monitoring risk management and internal control on a regular basis ▪ Ensuring effective counter fraud and anti-corruption arrangements are in place ▪ Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor ▪ Ensuring and audit committee or equivalent group/function, which is independent of the executive and accountable to the governing body: - Provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment - That its recommendations are listened to and acted upon
Managing data	▪ Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data ▪ Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies ▪ Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring
Strong public financial management	▪ Ensuring financial management is integrated at all levels of planning and control, including management of financial risks and controls ▪ Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls

To demonstrate its commitment to Core Principle F Gedling Borough Council:
▪ Has put in place assurance arrangements which conform with CIPFA's requirements: ○ The Council has appointed an Audit Committee which can report to Full Council if it considers necessary. ○ 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. ○ The Risk Management Strategy is reviewed by the Audit Committee along with

the corporate Risk Register.
  - The Council has contracted with RSM to provide an internal audit service. Internal auditors are independent and have access to all people, premises and systems. An annual report is presented to the Audit Committee.
  - The Annual Audit Plan is shaped through an assessment of the Council's key strategic risk areas and critical services.
  - Results of audit reviews are reported to the Audit Committee along with follow up work to ensure that the recommendations have been implemented.
  - Financial systems are reviewed annually to ensure appropriate, effective controls are in place.
  - External audit reports to the Audit Committee annually on the results of the audit of the financial statements.
  - Through the Chief Financial Officer, Members are advised on the robustness of estimates and the adequacy of reserves set within the budget process.
  - The Annual Governance Statement considers the internal control framework, and is presented to the Audit Committee annually with the Statement of Accounts.

- Ensures that effective arrangements are in place for the discharge of statutory officer roles by defining roles and responsibilities in the Constitution.
- Ensures compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful by:
  - requiring all reports to be considered for legal and financial implications and signed off on behalf of the Chief Financial Officer and Monitoring Officer
  - requiring all Council and Cabinet reports to be considered by Senior Leadership Team prior to inclusion in the agenda
- Has financial management arrangements in place which conform with the requirements of the CIPFA statement on the role of Chief Financial Officer in Local Government and with statutory provisions in the Local Government Act 1972, the Local Government Act 1988 and the Accounts and Audit Regulations 2015.
- Has put in place Financial Regulations and Contract Standing Orders and provided training to the relevant staff.
- Through Senior Leadership Team, carries out an annual review of corporate risks to ensure that they are relevant, whilst at the same time reviewing risk appetite.
- Ensures that performance against the Gedling Plan and agreed budget is reported to and monitored by the Senior Leadership Team, Cabinet and Overview and Scrutiny Committee on a quarterly basis. Performance data is also made available to all Members and is published on the Council's website.
- Publishes an up to date Forward Plan to enable forthcoming key decisions to be scrutinised at the earliest opportunity by Overview and Scrutiny Committee.
- Ensures Overview and Scrutiny Committee has sufficient access to Cabinet Portfolio Holders, key officers and information for the purpose of constructive challenge.
- Ensuring that effective arrangements for whistle-blowing are in place to which officers and those contracting with or appointed by the Council have access.
- Has robust arrangements in place for managing data:
  - Training staff and Members in relation to information governance
  - Ensuring data security breaches are reported and dealt with appropriately as set out in the Information Security Policy
  - Setting out how data shall be dealt with in the Information Security Policy and Records Retention and Disposal Policy
  - Ensuring appropriate Information Sharing Agreements signed off by the Data

Protection Officer are in place.

Core Principle G – Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Sub-principle	Actions to demonstrate good governance
Implementing good practice in transparency	▪ Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate ▪ Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand
Implementing good practices in reporting	▪ Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way ▪ Ensuring members and senior management own the results reported ▪ Ensuring robust arrangements for assessing the extent to which the principles contained in this framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement) ▪ Ensuring that this framework is applied to jointly managed or shared service organisations as appropriate ▪ Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations
Assurance and effective accountability	▪ Ensuring that recommendations for corrective action made by external audit are acted upon ▪ Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon ▪ Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations ▪ Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement ▪ Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met

To demonstrate its commitment to Core Principle G Gedling Borough Council:
▪ Operates under Executive arrangements with an established Overview and Scrutiny Committee. ▪ Monitors compliance with the Freedom of Information Act and Access to

Information Act and deals with FOI requests through an Information and Practice Manager.

- Adopts a presumption of openness and transparency and publishes key information on it website. The Council has a Publication Scheme and publishes information in accordance with the Code on Data Transparency.
- Through reviews by external auditors, internal audit and Senior Leadership Team seeks ways of ensuring that value for money is achieved and for securing continuous improvement in the way in which its functions are exercised.
- Has an effective corporate complaints system which is managed through Customer Services. All complaints are monitored and evaluated, through a quarterly report to Senior Leadership Team.
- Ensures that performance against the Gedling Plan and agreed budget is reported and monitored by the Senior Leadership Team, Cabinet and Overview and Scrutiny Committee on a quarterly basis. Performance data is also made available to all members and is published on the Council's website.
- Ensures that all agendas, reports and minutes are published on the Council's website.
- Seeks to minimise the number of and sections of reports which need to be considered in the confidential section of Council, Committee and Cabinet meetings.
- Issues guidance to staff to ensure that the requirements of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 and Openness of Local Government Bodies Regulations 2014 are complied with.
- Determines that the Chief Executive is responsible and accountable for all aspects of operational management.
- Records in the minutes of the proceedings of a "budget decision meeting" of Council the names of the members who voted or abstained.
- When working in partnership, will take steps to develop working protocols, robust procedures for scrutiny of decisions and behaviour, and ensure meetings are held in public.

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