

Agenda

Audit Committee

Date: **Tuesday 16 September 2025**

Time: **5.30 pm**

Place: **Council Chamber**

For any further information please contact:

Democratic Services

committees@gedling.gov.uk

0115 901 3844

Audit Committee

Membership

Chair Councillor Ron McCrossen

Vice-Chair Councillor Sandra Barnes

Councillor Stuart Bestwick
Councillor Helen Greensmith
Councillor Paul Hughes
Councillor Alison Hunt
Councillor Ruth Strong
Jonathan Causton

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Responsibility of Audit Committee:

Statement of purpose

- a) The Audit Committee is a key component of Gedling Borough Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- b) The purpose of the Audit Committee is to provide independent assurance to the Council of the adequacy of the risk management framework and the internal control environment. It provides independent review of Gedling Borough Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, risk and control

- c) To review the Council's corporate governance arrangements including the Local Code of Corporate Governance.
- d) To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal

audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.

e) To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

f) To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.

g) To consider and monitor the effective development and operation of risk management in the council.

h) To monitor progress in addressing risk-related issues reported to the committee.

i) To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

j) To review the assessment of fraud risks and potential harm to the council from fraud and corruption.

k) To consider and monitor the counter-fraud strategy, actions and resources.

Internal audit

l) To approve the internal audit charter defining the role and scope of internal audit.

m) To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

n) To make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.

o) To consider reports from the Head of Internal Audit on internal audit's performance during the year, including the performance of external providers of internal audit services.

p) To consider the Head of Internal Audit's annual report confirming compliance with auditing standards and the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control - these will assist the committee in reviewing the Annual Governance Statement.

q) To consider summaries of specific internal audit reports as requested.

r) To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.

s) To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.

t) To support effective communication with the Head of Internal Audit.

External audit

u) To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.

v) To consider specific reports as agreed with the external auditor.

w) To comment on the scope and depth of external audit work and to ensure it gives value for money.

x) To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial reporting

y) To consider and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

z) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

aa) To report to those charged with governance on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.

AGENDA

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| 1 | To approve, as a correct record, the minutes of the meeting held on 24 June 2025 | 7 - 9 |
| 2 | Apologies for Absence and Substitutions. | |
| 3 | Declaration of Interests. | |
| 4 | Draft Annual Governance Statement and the Unaudited Statement of Accounts 2024/25 Covering Report
A report of the Chief Financial Officer. | 11 - 134 |
| 5 | External Audit Progress Report 2024/25
A report of the Chief Finance and Section 151 Officer. | 135 - 147 |
| 6 | Internal Audit Progress report 2025/26
A report of the Internal Audit Partner. | 149 - 206 |
| 7 | Corporate Risk Management Review Quarter 1 Jan - June 2025/26
A report of the Chief Finance and Section 151 Officer. | 207 - 229 |
| 8 | Any other item which the Chair considers urgent. | |

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MINUTES AUDIT COMMITTEE

Tuesday 24 June 2025

Councillor Roxanne Ellis
Councillor Helen Greensmith
Councillor Paul Hughes
Councillor Alison Hunt

Councillor Darren Maltby
Councillor Grahame Pope
Councillor Ruth Strong
Jonathan Causton

Officers in Attendance: M Hill, T Adams and B Hopewell

Guests in Attendance: M Armstrong (BDO), J Norman (Mazars) and F Orton (BDO)

1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS.

Election of Chair

In the absence of the Chair and Vice-Chair, Councillor Ellis was elected as Chair for the meeting.

Apologies for absence were received from Councillors Barnes, Bestwick and McCrossen. Councillors Ellis, Maltby and Pope attended as substitute.

2 TO APPROVE, AS A CORRECT RECORD, THE MINUTES OF THE MEETING HELD ON 18/03/25.

RESOLVED:

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

3 DECLARATION OF INTERESTS.

None.

4 EXTERNAL AUDIT FEES 2024-25

The Chief Finance and Section 151 Officer introduced a report, which had been circulated in advance of the meeting, informing Members of the proposed audit fees in respect of the 2024/25 financial year.

Members moved an amendment to the recommendations that additional information regarding the eligibility of available grant funding should be included in the report when submitted to Council.

RESOLVED to:

- 1) Note the audit fee letter for 2024/25;
- 2) Include information on the eligibility of available grant funding in the report submitted to Council; and
- 3) Recommend to Council the approval of the additional budget required of £88,549 for the 2024/25 External Audit fees.

5 ACCOUNTING POLICIES 2024-25

The Chief Finance and Section 151 Officer introduced a report, which had been circulated in advance of the meeting, presenting the proposed Accounting Policies to be applied in the production of the 2024/25 financial statements for approval.

RESOLVED to:

Approve the Accounting Policies 2024/25 as set out in the Appendix, for application to the financial statements in respect of 2024/25.

6 BDO PROGRESS REPORT

Consideration was given to a report of the Internal Audit Partner (BDO), which had been circulated in advance of the meeting, summarising the outcome of the internal audit activity completed by the BDO Internal Audit Team for the period April to June 2025.

RESOLVED to:

Note the progress of the delivery against the 2024/25 internal Audit Plan, including the Executive Summary for the following audit reports; Parks and Street Care, Fleet Management, Budget Management, Procurement and Contract Management.

7 BDO ANNUAL REPORT

Consideration was given to a report of the Internal Audit Partner (BDO), which had been circulated in advance of the meeting, providing the Head of Internal Audit Opinion based on the outcome of the internal audit activity completed by the BDO Internal Audit Team in accordance with the approved 2024/25 Internal Audit Plan.

RESOLVED to:

Note and approve the Internal Audit Annual Report and Head of Internal Audit Opinion for 2024/25.

8 RISK SCORECARD QUARTER 4 2024/25

The Chief Finance and Section 151 Officer introduced a report, which had been circulated in advance of the meeting, updating Members on the current level of assurance which could be provided against each corporate risk.

RESOLVED to:

Note the current risk level and actions identified within the Corporate Risk Register.

9 ANY OTHER ITEM WHICH THE CHAIR CONSIDERS URGENT.

None.

The meeting finished at 6.34 pm

Signed by Chair:
Date:

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Report to Audit Committee

Subject: Draft Annual Governance Statement 2024/25

Date: 16 September 2025

Author: Chief Financial Officer

1 Purpose of Report

To inform Members of the proposed Annual Governance Statement 2024/25 and the unaudited Statement of Accounts 2024/25.

Recommendation:

1. Note the draft Annual Governance Statement 2024/25 and provide any comments for inclusion in the final version when presented to the Audit Committee later in the financial year.
2. Note the unaudited Statement of Accounts for 2024/25.

2 Background

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).

The Council's draft AGS for 2024/25 is attached at Appendix 1, and the draft Statement of Accounts for 2024/25 is attached at Appendix 2.

The unaudited Statement of Accounts was published on the Council's website on 30th June 2025.

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 draft Statement of Accounts and can be found at pages 3 to 17 of Appendix 2.

3 Proposal

Following the review of the system of internal control it is proposed that the AGS for 2024/25, attached at Appendix 1, is noted and that comments be provided for inclusion in the final version of the AGS to be presented to the Audit Committee for approval at its meeting in December 2025.

4 Financial Implications

There are no financial implications directly arising from this report.

5 Legal Implications

The Annual Governance Statement is a statutory requirement for authorities under the Accounts and Audit Regulations 2015, which requires authorities each financial year to conduct a review of the effectiveness of their systems of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts.

6 Equalities Implications

There are no equalities implications directly arising from this report.

7 Carbon Reduction/Environmental Sustainability Implications

There are no carbon reduction/environmental sustainability implications arising from this report.

8 Appendices

Appendix 1 – Draft Annual Governance Statement 2024/24

Appendix 2 – Draft Unaudited Statement of Accounts 2024/25

Statutory officer Approval:

Approved by: Chief Financial Officer

Date: 05/09/2025

Approved by: Monitoring Officer

Date: 05/09/2025

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ANNUAL GOVERNANCE STATEMENT

1. **Scope of Responsibility**

- 1.1 Gedling Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Gedling Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Gedling Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3 Gedling Borough Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2016)*. A copy of the authority's local code is on our website at <https://www.gedling.gov.uk/council/aboutus/financeandaccounts/> or can be obtained from the Chief Finance Officer, Gedling Borough Council, Arnot Hill Park, Arnold, Nottingham. NG5 6LU. This statement explains how Gedling Borough Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

2. **The Purpose of the Governance Framework**

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives led to the delivery of appropriate cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Gedling Borough Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the Council for the year ended 31 March 2025 and up to the date of approval of the statement of accounts.

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3. **The Governance Framework**

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

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

(B) Ensuring openness and comprehensive stakeholder engagement.

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

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

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

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

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

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

3.2 Good governance is a dynamic process and the Council is committed to improving governance on a continuing basis through a process of evaluation and review. The Audit Committee on 19 March 2024 received the report on Gedling's "*Local Code of Corporate Governance 2024-25*" which set out in detail how the Council demonstrates that its governance structures comply with these seven core principles. An end of year review considered by Audit Committee on the 18 March 2025 has confirmed that these were in place for the whole of the financial year.

4. **Governance Arrangements**

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

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- 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 Annual Plan);
 - The Local Plan;
 - The Annual Budget and Performance Management Framework;
 - The Financial Strategy;
 - The Treasury Management Strategy;
 - The Internal Audit Strategy;
 - The Risk Management Strategy;
 - The Equality and Diversity Policy;
 - The Counter Fraud and Corruption Strategy.
- 4.4 These high level plans are further supported by Service Plans. The Constitution provides clear guidance on how the Council operates, how decisions are made and the procedures and protocols to ensure that decisions and activities are efficient, transparent and accountable to local citizens. Some of these processes are required by law, whilst others are determined by the Council for itself. All of these documents are within the Council's Publication Scheme and available on the Council's website at www.gedling.gov.uk 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 as detailed in the Constitution, and demonstrates how the Council meets defined standards of governance in relation to its policies, aims and objectives.
- 4.6 The Council acknowledges its responsibility to ensure that it operates an effective system of internal control to maintain and operate controls over its resources. This system of internal control can only provide reasonable (not absolute) assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are prevented or would be detected within a reasonable period.
- 4.7 The internal control system includes:
- Annual review of the effectiveness of the Council's Corporate Governance Framework, including signed Assurance Statements from Directors and Assistant Directors;

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- An established Counter Fraud and Corruption Strategy, including whistleblowing procedures, communicated to Members, officers and the public, and are available on the Council's website;
- An established Audit Committee that undertakes the core functions as identified in CIPFA guidance;
- The Terms of Reference for the Audit Committee which include specific responsibility for reviewing risk management procedures, including the reporting arrangements on strategic risks via a corporate risk scorecard;
- A Risk Management Strategy that is led by Senior Management for the identification and evaluation of strategic and operational risks, and integrated with the work of Internal Audit to provide a holistic source of assurance aligned to corporate objectives;
- A comprehensive risk management process that includes the identification of both strategic and operational risks which are held and maintained on corporate and directorate Risk Registers, and subject to regular review;
- Internal audit reviews are carried out using a risk-based audit approach with the emphasis on key financial systems. This work is undertaken in co-operation with the Council's External Auditor ensuring maximum use of Audit resources, and ensures that professional standards are maintained;
- Performance Plan monitoring, review and reporting;
- Facilitation of policy and decision making through the Constitution, Codes of Conduct and the decision-making process, Forward Plan and role of the Scrutiny Committee;
- The statutory roles of the Council's Head of Paid Service, Monitoring Officer and Chief Financial Officer place a duty on these post-holders to provide robust assurance on governance and ensure compliance with established policies, procedures, laws and regulations;
- Compliance with established policies, procedures, laws and regulations are monitored through the work of the Finance and Legal staff that are adequately trained and experienced;
- Budgetary and performance management reporting to management, Cabinet and Council;
- Formal project management guidelines;

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- Business continuity planning processes;
- Adherence to good employment practices;
- Governance training has been provided to all key officers and Members, including induction training, and arrangements are in place for the ongoing continuation of that training.

5. **Financial Management**

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

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

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

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

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

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

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- is professionally qualified and suitably experienced.
- 5.5 CIPFA issued in 2019 a Statement on the Role of the Head of Internal Audit, and this covered five key principles. The Council can demonstrate how it conforms to these governance requirements as the Head of Internal Audit:
- Objectively assesses the adequacy and effectiveness of governance and management of risks, giving an evidence based opinion on all aspects of governance, risk management and internal control;
 - champions best practice in governance and comments on responses to emerging risks and proposed developments;
 - is Gurpreet Dulay, a Partner of BDO UK, and he (or his BDO representatives) have regular and open engagement across Gedling Borough Council, particularly with the Leadership Team and with the Audit Committee;
 - leads and directs an internal audit service that is resourced appropriately, sufficiently and effectively;
 - is professionally qualified and suitably experienced.

6. Review of Effectiveness

- 6.1 Gedling Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 6.2 The Council is committed to the maintenance of a system of internal control which:
- Demonstrates openness, accountability and integrity;
 - Monitors and reviews compliance with established policies, procedures, laws and regulations and effectiveness against agreed standards and targets;
 - Monitors and reviews the effectiveness of the operation of controls that have been put in place;
 - Identifies, profiles, controls and monitors all significant strategic and operational risks;
 - Ensures that the risk management and control process is monitored for compliance.

6.3 Assurance From Executive Managers

In preparing this statement each Assistant Director and Director has signed an assurance checklist. The checklist requires assurance that services are

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operating in compliance with the Council's policies, procedures and practices and with the internal control and governance assurance framework. The checklist asked each Assistant Director to draw attention to any matters in respect of which internal controls were not working well and required a positive assurance that apart from those areas which were identified for improvement that the controls within the service had been, and are, working well. Each Assistant Director gave a positive assurance with no material risk issues raised.

6.4 Assurance from Internal and External Audit

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

External Auditor (Mazars) Value for Money arrangements:

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

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

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

For the year ended 31 March 2025 The Head of Internal Audit (BDO) Annual Report and Annual Statement for 2024/25, concluded:

- *Overall, we provide Moderate Assurance that there is a sound system of internal controls, designed to meet the Council's objectives, that controls are being applied consistently across various services.*
- *We completed a total of nine reviews (eight assurance audits and one advisory review). The advisory review for to EDI was an advisory review where a formal audit opinion was not provided.*
- *For the eight assurance audits, two were rated Substantial and six Moderate in the design of the controls. One assurance audit was rated as Substantial, five were Moderate and one was Limited in their operational effectiveness. These ratings are similar to those in the prior year.*

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- *There has been a continued engagement with internal audit by the Senior Leadership Team (SLT), demonstrating a commitment to enhancing internal controls, governance and risk management processes. There was appropriate levels scrutiny of our internal audit work, including robust discussions about our reports in Audit Committee meetings. This is despite a backdrop of increasing challenges on resources for local authorities, compounded by other demands that have impacted capacity of staff (such as managing the electoral pressures of a General Election). Staff have consistently provided our Internal Audit Team with availability to support the delivery of our reviews.*
- *The Council had a restructure of its SLT and governance model in 2024/25, widening the management team and creating roles to support its transformation programmes and operational management. We have met with the SLT, Assistant Directors and Senior Managers individually throughout the year and collectively to agree our Internal Audit Plan for 2025/26.*
- *As with many other local authorities, there has been a continued challenge to sign off the Council's financial accounts for prior years. The accounts for 2022/23 and 2023/24 have been published with a disclaimed audit opinion, where an audit certificate could not be issued. This partly relates to the historic challenges that the Council has had for the control gaps in its main financial system. Our internal audit work continues to assess key financial controls as part of our core assurance.*

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

7. Significant Governance Issues 2024/25

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

7.1.1 Management Arrangements and Workforce Capacity

The Council implemented a senior management structure as part of its efficiency programme with a phased implementation timescale recognising the need to balance the requirements of delivering efficiencies with appropriate management capacity to ensure effective governance and the continued delivery of strategic objectives.

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

7.1.2 Economic Growth / Cost of Living Crisis

The 2024/25 balance of risk to economic growth in the UK was still to the downside, with significant risks related to: labour supply shortages proving more to challenge to economic activity; inflationary pressures not being effectively controlled by monetary policy interventions; UK/EU trade agreements being effective.

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

- a direct impact on service delivery and workforce capacity arising from increased service demand pressures and new initiatives to support vulnerable households.
- Delayed supply chains directly affecting service delivery;
- Budget pressures due to inflation for example pay pressures, fuel and utilities, reduced fees and charges income.

7.1.3 The CIPFA Financial Management Code

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

The implementation of the majority being implemented in 2022/23 and outstanding actions implemented in 2023/24 as detailed in the paragraphs below, including for example, implementation of the Officer Declarations of Interest process.

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

7.1.4 Fraudulent Activity

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A sophisticated fraud which took place over a number of decades, conducted by an individual with key inside knowledge of the council's financial systems using sophisticated techniques was discovered in July 2022.

Upon discovery of the fraud the individual was suspended and subsequently dismissed following a thorough investigation by the Council and its internal auditors (BDO), the Council co-operated with the relevant bodies and a prosecution commenced in 2024 with the individual being sentence to 5 years imprisonment in October 2024.

The financial impact of the fraudulent activity has been quantified as £934,343. During 2022/23 £327,750 was recovered from the Nottinghamshire Local Government Pension Scheme leaving a balance of £606,593 which is currently still being pursued via an insurance claim. Nottinghamshire Police Authority are also pursuing a claim under the Proceeds of Crime Act 2002. At the time of writing the AGS we have not had an update from the Police or the Insurance company.

Following discovery of the fraud the Council have conducted mandatory training for all staff to be undertaken every two years in fraud awareness and commissioned an extensive internal audit and implemented numerous changes in its processes. Recent changes in legislation have also put more measures in place to prevent this type of fraud from happening in the future.

7.2 Action Plans

7.2.1 Review of Progress in 2024/25

The 2024/25 Annual Governance Statement (AGS) identified the following control or risk issues and some issues deferred from the previous year which whilst not significant were included, through its proactive and holistic approach to Governance. The progress is detailed below:

2024/25 AGS Actions:

- Sustainable Medium Term Financial Plan – *A mid-year review of the Medium Term Financial Plan was presented to Cabinet to consider the emerging risk on increased service delivery costs and inflation. To consider the impact of rising prices, including pay pressures, fuel and utilities, the potential adverse supply impacts on service delivery, and increasing service demand pressures from vulnerable households.. A new round of efficiency savings were identified and approved for delivery.*
- **Action: Chief Finance Officer/Senior Leadership Team – Completed March 2025 remains an Ongoing Action.**
- Workforce Capacity – *To monitor the emerging risk of restrictions on workforce capacity to the delivery of the Gedling Plan and to governance*

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compliance. Prioritise Gedling Plan actions to ensure alignment with resources available and to maintain staff morale. Workforce capacity is being impacted by increased service demand and a shortage of professionals in the job market, with reliance on high cost Interim staffing arrangements, implementation of the management restructure to deliver required efficiency savings requiring new ways of working to ensure success resulting in capacity reductions during this period of change; and the cost of living crisis is still increasing demands to support for vulnerable households.

Action: Senior Leadership Team - Ongoing

- Emergency Planning Arrangements and Business Continuity Plans – *A review of emergency planning arrangements and an update of all Business Continuity Plans to ensure they are fit for purpose for all business continuity risks. To include emergency planning training, in particular related to cyber risk. Revise strategic policy, corporate business continuity plan and update response structures.*

Action: Deputy Chief Executive – Business Continuity plans updated December 2024 approval and implementation in 2025/26. Emergency Planning July due 2025.

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

Action: Chief Finance Officer – Ongoing Independent Member on the Audit Committee - Completed.

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

Action: Chief Finance Officer – Ongoing

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

Action: Chief Finance Officer - Ongoing

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- Risk Management Strategy – Building on audit recommendations and the new risk management strategy approved in 2023/24, implement risk management and reporting under the new process to ensure risks are considered, analysed, monitored and reported effectively.

Action: Chief Finance Officer & Interim Director of Corporate Resources – Completed.

- Procurement Strategy – *The new Procurement Act came into force in February 2025 and includes a number of new areas that need to be implemented. A revised procurement strategy will be required in order to ensure we are operating withing the legislative framework.*

Action: Deputy Chief Executive & Chief Finance Officer – Completed.

- Governance – Introduce and implement a new governance structure including introducing governance boards to better and more effectively manage activity across the authority.

Action – Director of Transformation and Deputy Chief Executive – Completed.

- Fees & Charges – Review the fees ad charges process and introduce a new charging policy.

Action – Chief Finance Officer - Completed

7.2.2 Actions 2025/26

Based on our review of the Governance Framework, the following control and risk issues will be addressed in 2025/26. Whilst not all actions represent significant issues, all planned governance actions are included to provide a proactive and holistic approach to Governance:

- Sustainable Medium Term Financial Plan – *A mid-year review of the Medium Term Financial Plan will be presented to Cabinet to consider a new round of efficiency savings to ensure a balanced budget n the medium term.*

Action: Chief Finance Officer/Senior Leadership Team – Ongoing

- Workforce Capacity – *To monitor the emerging risk of restrictions on workforce capacity to the delivery of the Annual Plan and to governance*

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compliance. Prioritise Annual Plan actions to ensure alignment with resources available and to maintain staff morale. Workforce capacity is being impacted by increased service demand and a shortage of professionals in the job market, with reliance on high cost Interim staffing arrangements, implementation of the management restructure to deliver required efficiency savings requiring new ways of working to ensure success resulting in capacity reductions during this period of change; and the continuing cost of living crisis is still increasing demands to support for vulnerable households.

Action: Senior Leadership Team – Ongoing

- Good Governance – Undertake a review on Governance arrangements to align the annual governance review and the Annual Governance Statement in 2025/26 with the new CIPFA framework “Delivering good governance in local government”

Action: Senior Leadership Team – March 2026

- Governance Arrangements – Complete the new LGA “Improvement and Assurance Framework Self-Assessment Tool” to evaluate the Councils governance arrangements.

Action; Senior Leadership Team – March 2026

- Emergency Planning Arrangements – *A review of emergency planning arrangements. To include emergency planning training, in particular related to cyber risk.*

Action: Deputy Chief Executive – October 2025

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

Action: Chief Finance Officer – Ongoing

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

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Action: Chief Financial Officer – March 2026

- Anti- Fraud Strategy and Whistleblowing Policy – *Review, revise and refresh the anti- fraud strategy and whistle blowing policy in line with audit recommendations.*

Action: Chief Finance Officer – September 2025

- External Funding – Implement a review and update the Councils External funding policy and guidance, ensuring that any external funding applied for meets the priorities of the Council and is a deliverable within the Annual Plan.

Action: Deputy Chief Executive – December 2025

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

Mike Hill
Chief Executive

Date:

John Clarke
Council Leader

Date:

2024/2025

Gedling Borough Council

Annual Statement of Accounts

2024/2025

Unaudited

ANNUAL STATEMENT OF ACCOUNTS 2024/25

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GEDLING BOROUGH COUNCIL
ANNUAL STATEMENT OF ACCOUNTS 2024/25
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The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with International Reporting Standards (IFRS), rather than the amounts to be funded from taxation (which are shown in the Expenditure Funding Analysis at note 5 on page 46). The Movement in Reserves Statement (MiRS) shows how the Council's resources, or "net worth", moved over the year, and the Balance Sheet shows how those resources were held at the year-end in the form of assets and liabilities. Finally the Cashflow Statement shows how the Council's cash balances have moved over the year.

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1. Introduction to Gedling Borough

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

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

Managing a net revenue budget of £14.938m and a revised capital budget of over £9.467m, the Council provides a wide range of services for its residents as detailed in our Gedling Plan 2023-27.

Gedling has a strong record of delivering high-quality, low-cost services, but the Council continues to face cuts in central government funding, making this an ever-increasing challenge to maintain. Funding cuts have come at a time of increasing demands for services from a growing and increasingly ageing population, together with inflationary pressures, in particular the Government's removal of the public sector pay cap has impacted on pay expectations in local government. Details of the plans made by the Council for 2024/25, the performance achieved against those plans and a look forward to 2025/26 and beyond are given in the following sections.

2. Gedling's Plans for 2024/25

The Gedling Plan 2023-27, 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 2 March 2024. This document set out the Council's four priorities, and all Gedling's plans are structured around these priorities, which are summarised below:

- ❖ Economy – to encourage and support healthy businesses in our town and local centres, improving local skills and employment opportunities, and prioritising an economy that attract visitors throughout the day and supports leisure activity.
- ❖ Community - to enable a resilient, empowered, connected, inclusive and healthy community.
- ❖ Place - to enable a safe, attractive, clean and culturally vibrant borough that plays its part to tackle the climate emergency.
- ❖ The Council - to ensure the council is a healthy place to work, it engages with its customers, has a focus on improvement, is financially sound, and ensures compliance with all relevant legislation.

2024/25 Budget Highlights

On 30 October 2024, the Chancellor of the Exchequer presented his Autumn Statement to Parliament.

At the Budget, the government has fixed the envelope for Phase 2 of the Spending Review, which will conclude in the late Spring 2025. It will deliver a new settlement for public services, marking a fundamental change in how the government approaches public spending, supports growth, and delivers public services.

A Fair Funding Review has been announced and is currently open for consultation until August 15, 2025. The review aims to reform the way local authorities are funded, with a focus on a more equitable distribution of resources and reducing administrative burdens. This includes a review of how needs and resources are assessed, and a potential reset of the 50% business rates retention system from April 2026.

Earlier this year, the Government announced the £69 billion financial Settlement for 2025-26 - a 6.8% cash terms increase, with £600 million being directed through a one-off Recovery Grant to sustain

councils with historical low tax bases and higher levels of deprivation, through to the upcoming multi-year settlement. At the Spending Review earlier this month, the Government also announced over £5 billion of new grant funding over the next three years. This includes £3.4 billion of new grant funding which will be delivered through the multi-year Local Government Finance Settlement.

The Government has ambitious plans to strengthen and simplify the structures of local government through reorganisation. The Government are also bringing to an end wasteful, competitive bidding for funding pots and moving towards multi-year financial Settlements that give local leaders the certainty and stability they need to plan for the future.

The government is prepared to take the tough choices to improve services for the working people of Britain – with a balanced approach that protects all local authorities but ensures funding is truly based on need. The reforms will take into account the different needs and costs faced by communities across the country, including adjusting for the costs of remoteness faced by rural communities, and the ability of individual local authorities to raise Council Tax, while also resetting business rates income. It will update the crucial formulae used to calculate funding allocations, which are a decade out of date. Once finalised, the changes will be implemented in 2026-27 through the first multi-year Settlement in a decade.

These improvements are part of wider reforms we are making to local government to reset the relationship with central government, and drive the greatest transfer of power from Whitehall to the townhall in a generation through our landmark English Devolution Bill.

The 2024/25 Settlement determines how much Revenue Support Grant central government will give to each local authority in England in 2024/25 and sets the Baseline Funding Level for Business Rates (the actual amount of business rates funding will be determined by the actual amount of rates collected and movements in the business rates base in accordance with the business rates retention scheme).

The one year settlement means that there is still no clarity over funding levels after March 2025. This continues to hamper meaningful financial planning at a time when demand and inflationary pressures are now increasing beyond expectations.

The 2024/25 Settlement Funding Assessment (SFA) figures are set out in the table below along with those for previous periods for comparative purposes:

Year	Revenue Support Grant £	Business Rates £	Total SFA £	Cash (Reduction) /Increase £	Movement from Prev. Year	Movement from 2015/16 (last CSR)
2015/16	2,146,200	2,792,300	4,938,500			
2016/17	1,415,700	2,815,500	4,231,200	(707,300)	-14.3%	-14.3%
2017/18	780,500	2,873,000	3,653,500	(577,700)	-13.7%	-26.0%
2018/19	384,900	2,959,300	3,344,200	(309,300)	-8.5%	-32.3%
2019/20	0	3,027,100	3,027,100	(317,100)	-9.5%	-38.7%
2020/21	0	3,076,400	3,076,400	49,300	+1.6%	-37.7%
2021/22	0	3,076,400	3,076,400	0	0%	-37.7%
2022/23	500	3,076,400	3,076,900	500	0%	-37.7%
2023/24	117,500	3,191,600	3,309,100	232,200	7.5%	-33.0%
2024/25	125,300	3,321,100	3,446,400	137,300	4.1%	-30.2%

The new element of Revenue Support Grant (RSG) relates to the consolidation of grant funding that has previously been received outside of the Settlement Process, primarily being Council Tax Administration Subsidy i.e. this is not new funding. An offsetting reduction has been made in the core Revenue Budgets detailed at paragraph 2.5. The increase in business rates is due to adjustments made to baseline funding levels due to the revaluation of the system (see para 2.4.3)

The total cumulative settlement reductions equate to 30% or £1.49m in cash terms over the periods from 2016/17 to 2024/25 compared to the base position of 2015/16. Excluding the grants now consolidated into RSG i.e. not additional funding, the equivalent cumulative settlement reductions equate to 33% or £1.62m over the same period.

SFA is reduced to 23% of Gedling's net budget for 2024/25, before accounting for new required efficiency targets, compared to 60% in 2010/11.

3. Gedling's Performance in 2024/25

a. Financial Performance

During 2024/25, Cabinet received the usual Gedling Plan monitoring reports by portfolio for decision making (see the Expenditure and Funding Analysis at disclosure note 5 on page 46) and approved budget amendments to align resources to meet identified budget pressures, managing within the overall maximum capital and revenue budgets approved by Council, which included approved budget carry forwards from 2023/24.

Capital Outturn

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

Capital Outturn	Revised Estimate 2024/25 £000	Actual 2024/25 £000	Variance 2024/25 £000
Capital Expenditure:			
Lifestyles, Health & Wellbeing	226	174	(52)
Public Protection	2,003	1,836	(167)
Environment Services	1,106	612	(494)
Climate Change & Natural Habitat	607	333	(274)
Sustainability Growth & Economy	3,548	2,485	(1,063)
Corporate Resources & Performance	1,977	623	(1,354)
Total Capital Expenditure	9,467	6,063	(3,404)
Financing:			
Capital Receipts	(1,039)	(372)	667
Capital Grants and Contributions	(3,969)	(3,627)	342
General Fund Revenue Contribution	(252)	(195)	57
Developer Contributions	(347)	(289)	58
Borrowing	(3,860)	(1,580)	2,280
Total Financing	(9,467)	(6,063)	3,404

Requests for carry forward of budgets to 2025/26 totalled £3,204m.

Major investments in services during the year included

:

- ❖ £1.234m provided for Disabled Facilities Grants.
- ❖ £0.977m on the Hillcrest Business Park Extensions
- ❖ £0.708m on Temporary Accommodation
- ❖ £0.580m on the Vehicle Replacement Programme
- ❖ £0.578m on the East Midlands Domestic Retrofit Project
- ❖ £0.572m on The Arnold Market Place (AMP)
- ❖ £0.255m on Digital Transformation
- ❖ £0.174m provided for Sports Facilities Investment.

At the end of the year capital grants and contributions received but not yet applied to capital expenditure totalled £1.474m. 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 £16.293m at 31 March 2025. No PWLB loans matured during 2024/25 and no additional PWLB loans were taken out in the year. Total external debt as at 31 March 2025 totalled £10.812m and therefore the Council remained in an "internally borrowed position", effectively using some of its reserves and balances to support capital expenditure in the short term. This approach is deemed prudent since although borrowing and investment rates are starting to increase, any further borrowing in advance of cash flow requirements would result in a significant additional cost to carry the extra debt. The Council has access to borrowing facilities at concessionary "certainty" rates from the PWLB. Loans taken from PWLB have special characteristics in that interest rates are based on the Government's cost of borrowing, rather than on market rates.

Revenue Outturn

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

Revenue Outturn	Estimate 2024/25 £000	Actual 2024/25 £000	Variance £000
Portfolio:			
Communities & Place	334	362	28
Lifestyles, Health & Wellbeing	1,729	1,592	(137)
Public Protection	1,251	1,594	343
Life Chances & Vulnerability	1,868	1,650	(218)
Environmental Services	4,279	4,586	307
Climate Change & Natural Habitat	2,109	2,015	(93)
Sustainable Growth & Economy	1,490	1,682	192
Corporate Resources & Performance	3,050	1,467	(1,583)
Net Portfolio Budget	16,110	14,938	(1,162)
Transfer (from)/to Earmarked Reserves	(1,172)	(10)	1,162
Net Council Budget	14,938	14,938	0
Financing:			
Business Rates	(6,539)	(6,748)	(209)
Council Tax	(7,333)	(7,333)	0
Funding Guarantee	(226)	(226)	0
Service Grant	(21)	(21)	0
Revenue Support Grant	(125)	(125)	0
New Homes Bonus	(710)	(710)	0
Transfer (from)/to General Fund Balance	16	225	209
Total Financing	(14,938)	(14,938)	0

The table shows the achievement of a balanced Net Council Budget, which is a positive result.

The General Fund balance at 31 March 2025 is £5.292m. This remaining balance will be available to support future revenue expenditure.

In addition to the General Fund balance, earmarked reserves are sums set aside to provide financing for specific future expenditure plans. The total balance of such reserves at 31 March 2025 is £8.594m as opposed to £8.604m at 31 March 2024.

Council Tax

Gedling collects its own council tax and, as a billing authority, for Nottinghamshire County Council, the Nottinghamshire Police and Crime Commissioner, the Combined Fire Authority and twelve parish councils. This has a significant impact on the Council's cash flow with the Council planning to collect around £94.3m and retaining only its own £7.3m for spend on services in 2024/25. Gedling's element of the council tax was increased by £5.48 (for a Band D equivalent property) in 2024/25 and during the year 97.5% of council tax due was collected, against a target of 98.5%.

Non-Domestic Rates

Under the Business Rates Retention Scheme, Gedling collects business rates income and pays over the appropriate shares to Central Government, Nottinghamshire County Council and the Combined Fire Authority. Gedling was due to collect business rates income of £26.2m in 2024/25 after applying a number of reliefs announced by the Government. These reliefs and the accompanying compensation grants from the Government impacted the Council's cash flow during 2024/25 and this impact will continue for a number of years. Gedling's share of business rates income amounted to £7.1m in 2024/25.

The Business Rates Retention Scheme introduced a requirement to maintain a provision for rating appeals. The system is complex and neither the degree of successful appeals nor the reduction in rateable value achieved can be pre-determined. Using the best information available the total provision at 31 March 2025 is £1.522m, of which Gedling's share under the scheme is £0.609m. This represents a decrease for Gedling's share of £0.716m from the position at 31 March 2024.

During the year 98.5% of the business rates due was collected against a target of 98.9%.

Balance Sheet

The Council's net worth increased from a net asset of £33.335m to £39.537m at 31 March 2025. The movement is largely due to a change in the pension liability and an increase in short term debtors.

❖ 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 2023, which set Gedling's contribution rates for 2023/24 to 2025/26, the funding level of the Nottinghamshire County Council Pension Fund was 100% of the accrued liabilities as at 31 March 2022, which has increased from 93% at the 2019 valuation.

Gedling's pension liability decreased by £2.9m to £1.5m during 2024/25. This was mainly due to decrease in the present value of the defined benefit obligation and an increase of the fair value of fund assets based on technical calculations and actuarial assumptions. This figure includes an asset ceiling figure of £11.4m. Whilst this has a significant impact on the Council's net worth, the increase in pension liability will be made good by the increases in future contributions and bears no relation to the cash position on the Pension Fund.

❖ Short Term Creditors

The value of short-term creditors and receipts in advance decreased by £0.1m during 2024/25.

❖ Short Term Debtors

The value of short-term debtors increased by £4.4m during 2024/25.

b. Non-Financial Performance

Key Achievements and Key Performance Measures:

The Council has made a commitment to closely align budget and performance management in line with good practice. To deliver this commitment, progress in respect of activities,

achievements and performance measures, grouped by the Council's priorities, is reported to Cabinet on a regular basis. Key achievements are deemed to be those making a real difference to peoples' lives, in keeping with the Council's key aim of Serving People, Improving Lives whilst key performance measures allow progress towards these to be monitored.

Economy:

To encourage and support healthy businesses in our town and local centres, improving local skills and employment opportunities, and promoting an economy that attracts visitors throughout the day and supports leisure activity.

Key Achievements

- ❖ This year, more than 650 stakeholders across the borough contributed to shaping the Ambition Arnold Visionary Masterplan. The plan, which has now been approved, sets a future vision to revitalise Arnold town centre and address its long-term sustainability. It ensures that the Council is ready to make the most of future funding opportunities as they arise

Significant progress was made this year on skills development including:

- ❖ 30 residents taking part in HGV driver training programme, with 18 so far securing work.
- ❖ 38 residents taking part in forklift truck driver training with 18 participants so far in work.
- ❖ 110 socially excluded residents taking part in the 'Transform Your Future' Programme, with 86 people supported to access basic skills and 107 supported to engage in job searching.
- ❖ More than 100 people accessing Digital Skills training.
- ❖ More than 40 people accessing ESOL training to improve their 'Everyday English' skills.
- ❖ In partnership with the Department for Work and Pensions, we have also held four well-attended jobs fairs.

Business support also remains strong including:

- ❖ 110 businesses being engaged in five Business Support Network events delivered across the year.
- ❖ Ongoing access to Business Advice Surgeries hosted by East Midlands Chamber.
- ❖ High interest from Gedling businesses in the Business Start Up/Growth grants managed by Nottinghamshire County Council, with 24 applications bought to panel and approved.
- ❖ Additionally, solid progress was made (and is now completed) on Hillcrest Park business units in Calverton which will further enable space for local business growth.
- ❖ Our focus on high street improvement has also continued. High Street Events Grant activity has involved volunteers removing graffiti, weeding and planting in local areas. The High Street Hero week held in February attracted 168 children from across the borough, increasing footfall to the high street.
- ❖ 'Finally, in Quarter 3 we received positive news from the Government, honouring the £20m commitment to a revised programme that builds on the work done to create a 3 year investment plan and ten-year vision as part of the Carlton Long Term Plan for Towns.

Community:

To enable a resilient, empowered, connected, inclusive and healthy community.

Key Achievements

- ❖ Our Leisure service achieved its highest ever membership numbers, with more than 5000 members registered as at Spring 2025, making a significant contribution to health and wellbeing across the borough.

A multitude of successful events were held across the borough, delivered or enabled by the Council, including:

- ❖ The Arnold Christmas lights switch on, attracting more than 2500 people to watch festive performances from local schools and choirs.
- ❖ The 9th Pride of Gedling Awards, with more than 120 nominations received.
- ❖ The Arnold Summer Fair, bringing communities together with a focus on heritage and history.
- ❖ A schools celebration event bringing together young people from across the borough.
- ❖ Arnold Remembrance Event with a record attendance of 2500 – 3000 people, with advisory support provided for Gedling and Mapperley events.
- ❖ Multiple civic events, a parish conference, leisure gala days, litter picking events ... and more!
- ❖ In Netherfield, the Council supported the development of a community mosaic designed by local artist Anna Dixon in liaison with local residents. This was installed in Jackie Bells Field along with the addition of a new tree to improve the green space.
- ❖ Carlton Hill Sensory Garden was re- developed, including replanting the garden and adding additional sensory elements along with replacement benches and enhanced signage.
- ❖ The Gedling Social Mobility Commission was mobilised with the intention of tackling inequality across the borough.
- ❖ A partnership 'Day of Action' at Burton Road Jubilee Park brought partners together including Red Snapper Immediate Justice, the police, Deputy Police Crime Commissioner, Rivendell View Care Home and Council staff to carry out improvements on the park.
- ❖ A week long Keep Britain Tidy 'Spring Clean' involved several community litter picks across parks in the borough. Volunteers from The Friends of Bestwood Country Park, Gedling Parks Community Group were amongst those taking part.

Place:

To promote and drive sustainable growth across the borough to meet current and future needs.

Key Achievements

- ❖ Four of our parks have again achieved Green Flag status, including Arnot Hill Park for the 18th year running, Burton Road Jubilee Park and Gedling Country Park (for the 9th year running) and Breck Hill Park (for the 3rd year running).
- ❖ Our housing team has succeeded in reducing long-term vacant homes to 0.79%, an achievement that exceeds the East Midlands (1.1%) and national (1.03%) averages.
- ❖ We completed the planting of more than 1,370 new trees and established a wildflower meadow for the Green Lung project at Digby Park, strengthening local biodiversity and climate change.

We funded improvements to our parks, playgrounds and community facilities by attracting external funding and local grant funding to deliver improvements including:

- ❖ The Queen's Canopy memorial at Gedling County Park,
- ❖ An upgraded playground at Valley Road in Carlton including a zip line, wheelchair accessible see saw, swings, trampolines and more.
- ❖ Four new art sculptures at Arnot Hill Park showing the history of Arnold and its surroundings.
- ❖ A new willow sculpture at Gedling Country Park park.
- ❖ Improvements at Conway Road tennis courts, investment in flood lights at Mellish Rugby Club and Pavoirs Rugby Club, and a new 3G pitch at Calverton Miners Welfare Football Club.
- ❖ Investments have also been made in retrofitting homes in partnership with Eon Energy, maximising external funding to enable home energy efficiency measures. Solar panels and external wall insulation were installed in 29 homes and 28 homes were improved to an Energy Performance Certificate rating (EPC) of band C or above.
- ❖ Other housing improvements have also been made, with the re-launch of our Selective Licensing scheme in Netherfield, giving us powers to make privately rented homes better for people to live in. The scheme makes it mandatory for landlords in certain areas to have licences for each of their private rented properties and currently covers Netherfield, Colwick, Carlton Hill, Daybrook and Newstead Village.
- ❖ The Council's carbon footprint has also reduced significantly in the past year with directly controlled emissions and emissions from energy use reducing by 45% (753 tonnes) since 2019.
- ❖ Environmental improvements to air quality have also been achieved this year, with the removal of the Air Quality Management Area along the A60 following a continued significant reduction in emissions thanks to actions taken by the Council in partnership with Nottinghamshire County Council and Nottingham City Council,
- ❖ The Council's Cabinet agreed to the progression of a feasibility study to consider the potential for a new Carlton Leisure and Community Wellbeing Centre. Work is underway, which will result in a set of detailed design proposals and a full business case.
- ❖ Finally, to enable us to meet 100% of the required housing target for Gedling, we took the challenging decision to withdraw from the Greater Nottinghamshire Local Development Plan to focus on meeting local housing targets with a specific plan for Gedling. By doing this, we can reduce the risk of speculative and uncontrolled development borough wide, while ensuring that as the borough grows, the critical infrastructure to enable it is put into place. Consultation on the Plan will continue into the new Financial Year and we are committed to listening carefully to all views before any final decisions are reached.

The Council:

To be a high performing, efficient and effective council.

Key Achievements

- ❖ Despite the ongoing financial and demand pressures that the Council faces, significant work has been done this year to ensure that the Council remains financially stable and can balance its budgets providing planned efficiency targets are achieved. Teams across the Council have worked hard to cut costs, make better use of ICT, to amalgamate managerial roles to ensure value for money and to consider alternative ways of delivering services within financial constraints. Financial prudence will continue to be a core focus for the Council to ensure that our wider objectives can be achieved.

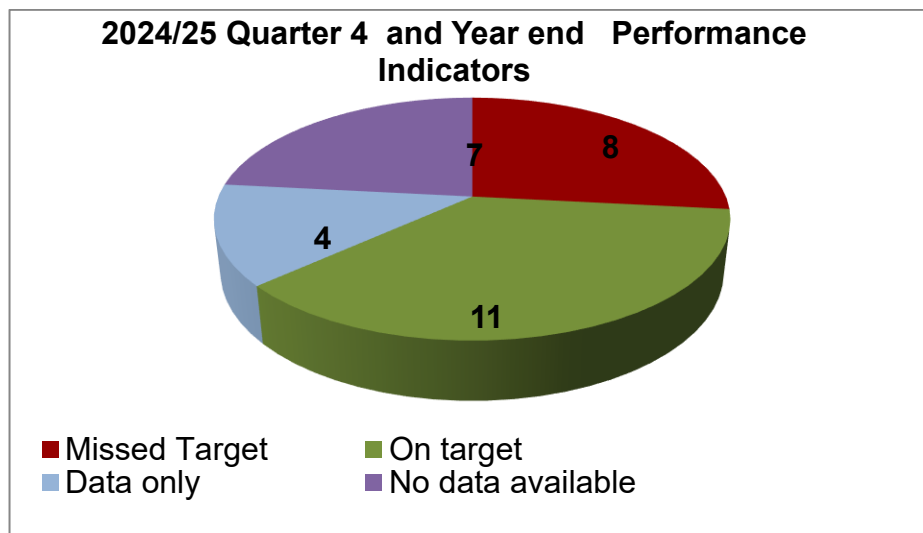
- ❖ As part of the Council's efficiency drive, we are also encouraging people to make better use of online services where they are able to do so. This year 8500 e-bills were issued, an increase of more than 1000 on last year's figures, resulting in significant savings on postage and printing costs.
- ❖ In our waste and streets services, new technology has been developed that, in the new Financial Year (2025/26) will better enable us to deliver services efficiently and will support our teams, and residents, to know exactly where service requests are up to.
- ❖ Similarly, within Customer Services, we are introducing new technology to help residents get through to the person they need to speak to more quickly and to enable our teams to resolve more enquiries at first point of contact, improving service for our residents and enabling more efficient ways of working within our teams.
- ❖ Internally, improvements have also been made to our procurement function, with a new service model in place to ensure greater responsiveness and to achieve greater value over time. Training has also taken place on the new Procurement Act which came into force in February 2025.
- ❖ A new Risk Management Framework has also been introduced to strengthen how we manage risk, supported by a new Corporate Risk Board with regular reporting to the Senior Leadership team, Audit Committee and Overview and Scrutiny Committee.
- ❖ We have also expanded our Trade Waste Service. This generates a small amount of income for the Council and ensures we are ready for the Government's Simpler recycling programme which started to be rolled out this year and will continue into 2025/26.
- ❖ Funding was also awarded to us for successful completion of the Government's Cyber Assessment Framework pilot, giving residents assurance that we are doing everything we can to keep their data safe.
- ❖ And we are updating our asset plans based on a strategic review of our overall assets within the financial year so that we spend limited public funding in the best possible way.

Actions:

There are 96 actions included in the Gedling Plan 2023-27 which were due for completion in 2024/25. 56 actions were completed in 2024/25, 38 were overdue and 2 are still in progress.

Performance Indicators:

Whilst Actions refer to the Council's broad aims, Performance Indicators are more specific and represent measurable targets that are monitored and reported to Members on a quarterly or annual basis as appropriate. In 2024/25, 11 out of the 30 indicators were on target, 8 were below the target and 4 indicators were used for tracking purposes only. Data was available for all of the indicators.



What we did well - 13 indicators were on target or slightly behind target. Examples of particularly positive results, either in terms of the performance against the target or when compared with 2024/25, are shown below :

- ❖ Average number of Swim School Members (12 month rolling period) was 4,070 against a target of 3,800.
- ❖ Number of visits to leisure centres was 1,298,058 against a target of 1,165,000.
- ❖ Current number of DNA members was 5,005 against a target of 4,500.
- ❖ Number of affordable homes delivered (gross) was 105 against a target of 75.
- ❖ Percentage of calls to the contact centre answered (or call back made) was 98.3% against a target of 94.0%
- ❖ Percentage of invoices paid within 30 days was 98.22% against a target of 99.00%
- ❖ Percentage of Business Rates collected was 98.4% against a target of 98.9%
- ❖ Percentage of food premisses scoring 4 or 5 in the national food hygiene rating scheme was 95% against a target of 95%
- ❖ Number of rented households with health and safety hazards that fall below the minimum legal standard that have been remediated following the council's intervention was 51 against a target of 50
- ❖ Percentage of Major planning applications processed within 13 weeks was 100% against a target of 92%
- ❖ Percentage of Minor planning applications processed within 8 weeks was 86.41% against a target of 86.00%
- ❖ Number of long term (over 6 months) empty homes in the Borough returned to use as a result of Gedling Borough Council intervention was 98 against a target of 70
- ❖ Number of attendances at the Bonington Theatre was 47,328 against a target of 48,000.

Where we need to improve - whilst overall performance is positive, 7 indicators were behind target. The two major areas of concern were:

- ❖ Number of attendances - Bonington Theatre was 47,328 against a target of 48,000
- ❖ Working Days Lost Due to Sickness Absence (rolling 12-month total) was 10.10 days against a target of 9.0 days.
- ❖ Average time to process new Housing Benefit claims (in calendar days) was 20.3 days against a target of 15 days
- ❖ Net additional homes provided was 462 against a target of 465
- ❖ Average time to process Housing Benefit change in circumstances (in calendar days) was 7.7 days against a target of 5 days
- ❖ Percentage of Council Tax collected was 97.49% against a target of 98.50%
- ❖ Average number of Swim School Members was 4,132 against a target of 4,200

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

The financial position remains extremely challenging with Central Government support to the Council continuing to fall.

The final settlement figures announced on 5 February 2024 related only to 2024/25 and is a one-year settlement and once again there was no multi-year settlement which many local authorities, including Gedling Borough Council lobbied for. However, the Government has attempted to provide some clarity for 2024/25 by ensuring the funding guarantee introduced last year is maintained, to ensure every Council sees at least a 4% increase in Core Spending Power next year before any local decisions on council tax. Core settlement funding was also uplifted with Revenue Support Grant increasing by CPI, and an increase in baseline funding levels. They also announced that they will continue with the previous year's approach to the Service Delivery Grant and New Homes Bonus in recognition that these grants are important to Councils. This means there will be no implementation of the Fair Funding Review or reset of the Business Rates system in 2024/25 and confirmed no further changes will be made to Council Tax referendum principles.

The total cumulative settlement reductions equate to 30% or £1.49m in cash terms over the periods from 2016/17 to 2024/25 compared to the base position of 2015/16. Excluding the grants now consolidated into RSG i.e. not additional funding, the equivalent cumulative settlement reductions equate to 33% or £1.62m over the same period.

The Council has always taken, and will continue to take, a proactive approach to funding cuts, actively seeking out ways to identify pressures, possible efficiencies and new sources of income. The Gedling Plan 2023-27 was presented to Members on 2 March 2023 and reaffirmed the Council's priorities as:

- ❖ Economy
- ❖ Community
- ❖ Place
- ❖ The Council

Since 2014/15 Council have approved six separate efficiency programmes totalling £7.5m net of risk provision. The total programme remaining for delivery over 2024/25 to 2025/26 is £0.298m (net of risk provision).

The progress of the current programme delivery has been positive and budget reductions achieved remain broadly in line with the profiled estimate.

A new efficiency programme totalling £108,600 for delivery in 2025/26 is now proposed for approval. A risk provision of £79,600 is included in the budget to manage the inherent risks of efficiency programme delivery

It is recognised that there continues to be significant risks in delivering the full amount of savings in the remaining projects.

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

Capital Estimate	Three Year Plan		
	2024/25 £000	2025/26 £000	2026/27 £000
Lifestyles, Health & Well-being	219	0	0
Environment	1,516	1,184	1,310
Sustainability Growth and Economy	3,734	2,300	1,200
Corporate Resources and Performance	3,919	1,219	663
Total Expenditure	9,388	4,703	3,173
Financing			
Capital Receipts	(1,015)	(839)	(283)
Capital Grants and Contributions	(3,544)	(1,200)	(1,814)
General Fund Revenue Contribution	(148)	0	0
Borrowing	(4,681)	(2,664)	(1,076)
Total Financing	(9,388)	(4,703)	(3,173)

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

- ❖ **Major Budget Pressure** - Since the approval of the original 2022/23 budget there has been a significant increase in inflationary pressures being faced by the Council, resulting in a substantial increase in costs across the medium term. The inflationary pressures arising have been caused by a range of factors: the aftermath of the Covid-19 pandemic; post-Brexit supply and labour shortages; the war in Ukraine and subsequent western sanctions; and more recently the previous Chancellor's fiscal statement and growth plan set out in September of last year; which all together created a 'perfect storm' culminating in an adverse impact on the economy, dampening growth with inflation rising significantly above the Bank of England target levels and resulting in an increasing Bank of England base rate.
- ❖ **Fair Funding Review** – Funding baselines for local authorities, as determined by the local government finance settlement, are based on an assessment of local authorities' relative needs and resources. This consists of a large number of economic and social indicators that underlie the distribution of Revenue Support Grant and the setting of tariffs and top-ups within business rate retention. The methodology behind this assessment was introduced over ten years ago, and has not been updated since the introduction of the 50% business rates retention system in 2013/14.

Since that time, demographic pressures have affected local areas in different ways, as has the cost of providing particular services. In recognition of these pressures, the Fair Funding Review will address concerns about the fairness of current funding distributions which have diverged from the needs basis. The outcome of this review will enable the Government to reconsider how the relative needs and resources of local authorities should be assessed in a world in which they will continue to have greater control over the money that they raise.

Transitioning to the new funding distribution. The Government recognises that introducing a new needs and resources formula could result in significant changes to the funding baselines of some local authorities. It is therefore intended to introduce transitional arrangements that are fair, transparent and easily understood so that budgetary impacts can be accommodated.

The latest consultation proposed that the starting baseline for the purposes of transition will be a measure of the current funding available to each local authority i.e. the Core Spending Power measure excluding one-off grants. This should mean that no authority will see its funding reduce as a result of the new system in the first instance. It proposed that transition be time-limited, establishing a fixed period of time to enable target allocations to be reached as soon as practicable.

Whilst the need for a transition period is usual in these circumstances there is a risk that the funding reductions that Gedling have suffered since 2015/16, as detailed in the CSP measure, will be locked in for a period if:

- a) the outcome of the review is that Gedling's funding is currently too low based on relative needs, which may be the case given that the disproportionate £1.5m CSP reductions (excluding one-off grants which may not be protected) we have faced are mainly due to the NHB scheme which takes no account of relative needs; and
- b) the current CSP is used as the comparative measure to apply protection similar to its use in the 2022/23 Lower Tier Services Grant.

Gedling will take an active part in any further Fair Funding Review consultation processes to ensure its position is understood and views are represented.

- ❖ **Business Rates Retention Scheme** – The Business Rates Retention Scheme will be retained at 50% for next year and there will also be no reset of the business rates baseline for 2024/25 which provides some funding certainty for next two years. If the reset is implemented in 2025/26 it is expected that some existing business rates growth could be removed upon reset, reducing income levels.

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

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.

For the year ended 31 March 2025 the Head of Internal Audit (BDO) Annual Report and Annual Statement for 2024/25, concluded an overall opinion of Moderate assurance, which is a positive level of assurance and demonstrates the work undertaken by the Council to strengthen its internal control environment.

The AGS assesses governance up to 31 March 2025. A number of proposed actions for 2024/25 have been identified in the AGS to address control and risk issues following a review of the governance framework which, whilst not all significant, are included to provide a proactive and holistic approach to governance, including assessing and monitoring the risks and assumptions underpinning the Council's Medium Term Financial Plan (MTFP), monitoring the emerging risk of workforce capacity to the delivery of the Gedling Plan and to governance compliance, reviewing the emergency planning arrangements to incorporate lessons learnt from the Covid-19 pandemic response and updating all business continuity plans to ensure they are fit for purpose for all business continuity risks, reviewing and adopting the principles of CIPFA's Position Statement: Audit Committees in Local Authorities to ensure that effective audit committee arrangements are in place in order to meet statutory responsibilities, ongoing monitoring of compliance with the Financial Management Code and implementation of planned actions as well as implementing system improvements to support the monitoring and timely implementation of internal audit actions by management.

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.

Financial Statements

- ❖ The Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards, rather than the amounts to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations, which may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- ❖ The Movement in Reserves Statement (MiRS) shows the movement from the start of the year to the end, on different reserves held by the authority, analysed into "usable" reserves (those that can be applied to fund expenditure or reduce local taxation) and other "unusable" reserves. The statement shows how the in-year movements of the authorities' reserves are broken down between gains and losses incurred in accordance with Generally Accepted Accounting Practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movement in the year, following those adjustments.
- ❖ The Balance Sheet shows the value, as at the balance sheet date, of the assets and liabilities recognised by the authority. The net assets are matched by the reserves held by the authority, reported as usable reserves (those that may be used to provide services subject to the need to keep a prudent level of reserves) and unusable reserves (those holding unrealised gains and losses and therefore not available to use in the provision of services).
- ❖ The Cashflow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cashflows as operating, investing and financing activities. The amount of cashflows arising from operating activities is a key indicator of the extent to which operations are funded by way of taxation and grant income, or from the recipients of services provided by the authority. Investing activities represent the extent to which the cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cashflows from financing activities are useful when predicting claims on future cashflows to the Council by providers of capital, ie. Borrowing.

Supplementary Statements

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

7. Summary

The Council's financial and non-financial position in 2024/25 remains robust, given the extent of the financial challenges it faces. The revenue outturn represents an underspend that is broadly in line with expectations and the capital programme has been actively managed. The Council continues to maintain a level of reserves and balances that will provide financial resilience for 2024/25 and although the recovery from the Covid-19 pandemic and the impacts of the 'Cost of Living' crisis are likely to present a significant challenge in the medium term, the Council will not lose sight of achieving the Gedling Plan and delivering its aim of 'Serving People, Improving Lives'.

No material events took place between the reporting date of 31 March 2025 and the date the Statement of Accounts was authorised for issue by the Chief Financial Officer.

ANNUAL STATEMENT OF ACCOUNTS 2024/25

STATEMENT OF ACCOUNTING POLICIES

FOR GEDLING BOROUGH COUNCIL

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2024/25 financial year and its position at the year end of 31 March 2025. 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 2024/25 (the 2024/25 Code), supported by International Financial Reporting Standards (IFRS).

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

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

2. Accruals of Income and Expenditure

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

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

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

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

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

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

4. Exceptional items

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

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

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

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

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

6. Charges to Revenue for Non-Current Assets

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

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

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

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The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 require local authorities to approve an MRP policy at the beginning of each financial year, determining how the amount to be set aside for the repayment of principal on outstanding debt is to be calculated. This policy is included in the Treasury Management Strategy Statement for 2024/25, which was approved by Council on 5 March 2025.

7. Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

The Local Government Pension Scheme

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

- 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

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STATEMENT OF ACCOUNTING POLICIES

retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate that reflects the time value of money and the characteristics of the liability.
- The assets of Nottinghamshire County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price;
 - unquoted securities – professional estimate;
 - unitised securities – current bid price;
 - property – market value.

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

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners 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

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Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

8. Events After the Balance Sheet Date

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

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

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

9. Financial Instruments

Financial Liabilities

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has not undertaken any repurchase or early settlement of borrowing during 2023/24.

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STATEMENT OF ACCOUNTING POLICIES

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

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

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

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

Expected Credit Loss Model

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

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

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

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Fair Value through Profit and Loss (FVPL)

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

The Authority holds an investment in the CCLA property fund (a pooled investment fund) which is classified as FVPL. Gains and losses on the fund must now be charged to the Comprehensive Income and Expenditure Statement, however a statutory override effective until 31 March 2025 requires that gains and losses on pooled investment funds must be reversed out through the Movement in Reserves Statement to the Pooled Investment Funds Adjustment Account.

Fair Value through Other Comprehensive Income (FVOCI)

These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the Comprehensive Income and Expenditure Statement when the asset is disposed of. The Authority did not hold any FVOCI instruments during 2023/24.

10. Foreign Currency Conversion

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

11. Government Grants and Contributions

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

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

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

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

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

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Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Community Infrastructure Levy

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

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

12. Intangible Assets

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

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

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

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

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13. Inventories

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

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

14. Investment Property

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

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

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

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

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

15. Leases

Leases are now accounted for under IFRS 16 which came into effect for Local Authorities from 1st April 2024. The Council has conducted an exercise to determine if there are any leases that would fall into the new standard.

The Authority as Lessee:

Recognition exemptions for IFRS 16;

If the following criteria aren't met an election can be made to account for lease payments as an expense to I&E on a straight-line basis over the lease term or another systematic basis for the following two types of leases:

i) leases with a lease term of **12 months or less** and containing no purchase options – this election is made by class of underlying asset; and

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ii) leases where the underlying asset has a **low value** when new (such as personal computers or small items of office furniture) – this election can be made on a lease-by-lease basis.

Under IFRS 16, a lease is defined as a contract granting an entity the right to utilise a specific asset for a prescribed period of time in exchange for agreed-upon consideration. To determine whether a contract grants control of the asset to the lessee, the agreement must provide the following to the lessee:

- The right to substantially all economic benefits from the use of the asset
- The right to dictate how the asset is used by the entity

An asset is typically identified by being explicitly specified in a contract, but an asset can also be identified by being implicitly specified at the time it is made available for use by the customer.

Upon lease commencement a lessee recognises a right-of-use asset and a corresponding lease liability on the Balance sheet.

The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Adjustments may also be required for lease incentives, payments at or prior to commencement and restoration obligations or similar.

After lease commencement, a lessee shall measure the right-of-use asset using a cost model, unless:

- i) the right-of-use asset is an investment property and the lessee fair values its investment property under [IAS 40](#); or
- ii) the right-of-use asset relates to a class of PPE to which the lessee applies [IAS 16](#)'s revaluation model, in which case all right-of-use assets relating to that class of PPE can be revalued.

Under the cost model a right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

The lease liability is subsequently remeasured to reflect changes in:

- the lease term (using a revised discount rate);
- the assessment of a purchase option (using a revised discount rate);
- the amounts expected to be payable under residual value guarantees (using an unchanged discount rate); or
- future lease payments resulting from a change in an index or a rate used to determine those payments (using an unchanged discount rate).

The remeasurements are treated as adjustments to the right-of-use asset.

Property, plant and equipment recognised under right-of-use assets are 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).

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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 qualifying right-of-use assets.

The Authority as Lessor:

Finance Leases

These are classified as Finance leases if;

- the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised
- the lease term is for the major part of the economic life of the asset, even if title is not transferred
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset
- the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made

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

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Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

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

Operating Leases

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

16. Overheads and Support Services

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

17. Property, Plant and Equipment

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

Recognition

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

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Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- 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);

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- 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

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to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

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

Provisions

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it 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.

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Contingent Assets

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

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

Reserves

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

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

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

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

20. VAT

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

21. Fair Value Measurement

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

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

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

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

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

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

22. Collection Fund

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

Accounting for Council Tax and NDR

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

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

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

Gedling's Balance Sheet includes the authority's share of the year end balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts,

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overpayments and prepayments and appeals. Where debtor balances are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

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

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STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS FOR GEDLING BOROUGH COUNCIL

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

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

THE RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER

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

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

- Selected suitable accounting policies, and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code;
- Kept proper accounting records, which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities;
- Assessed the Authority's ability to continue as a going concern, disclosing as applicable, matters related to going concern;
- Used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future; and
- Maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

CERTIFICATION

I certify that this Statement of Accounts presents a True and Fair view of the financial position of the Authority as at 31 March 2025 and its income and expenditure for the year then ended.

Signed:



T Adams ACMA CGMA
Chief Financial Officer

Date: 30/06/2025

Financial Statements

ANNUAL STATEMENT OF ACCOUNTS 2024/25

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2023/24			2024/25		
Gross Exp £000s	Gross Inc £000s	Net Exp £000s	Gross Exp £000s	Gross Inc £000s	Net Exp £000s
Net Cost of Services:					
427	(107)	320	552	(192)	360
5,874	(9,193)	(3,319)	6,120	(4,590)	1,530
4,069	(2,239)	1,830	4,290	(2,671)	1,619
20,192	(19,110)	1,082	21,102	(19,473)	1,629
6,913	(2,060)	4,853	7,072	(2,565)	4,507
2,607	(651)	1,956	2,656	(493)	2,163
2,379	(1,555)	824	3,541	(1,904)	1,637
9,989	(1,170)	8,819	6,304	(1,788)	4,516
52,450	(36,085)	16,365	51,637	(33,676)	17,961
Cost of Services					
Other Operating Expenditure:					
853	0	853	921	0	921
39	0	39	39	0	39
44	0	44	49	0	49
41	0	41	(58)	0	(58)
977	0	977	951	0	951
Financing and Investment I&E:					
380	0	380	359	0	359
423	0	423	(17)	0	(17)
0	(1,371)	(1,371)	0	(1,055)	(1,055)
200	(542)	(342)	508	(712)	(204)
0	0	0	0	0	0
0	36	36	0	(17)	(17)
0	(158)	(158)	0	(206)	(206)
1,003	(2,035)	(1,032)	850	(1,990)	(1,140)
Taxation and Non Specific Grants:					
0	(8,114)	(8,114)	0	(8,330)	(8,330)
0	(6,044)	(6,044)	0	(7,149)	(7,149)
0	(925)	(925)	0	(1,082)	(1,082)
0	(2,022)	(2,022)	0	(4,323)	(4,323)
0	(17,105)	(17,105)	0	(20,884)	(20,884)
54,430	(55,225)	(795)	53,438	(56,550)	(3,112)
(Surpl)/Def on Provision of Services					
	(510)	(510)			(655)
	(5,670)	(5,670)			(2,435)
	(6,180)	(6,180)			(3,090)
	(6,975)	(6,975)			(6,202)
Total Comprehensive Income and Expenditure					

ANNUAL STATEMENT OF ACCOUNTS 2024/25

MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement (MIRS) shows the movement, from the start of the year to the end, on the different reserves held by the authority, analysed into "usable reserves" (ie. those that can be applied to fund expenditure or reduce local taxation), and other "unusable reserves". The Statement shows how the in-year movements of the authority's reserves are broken down between gains and losses incurred in accordance with Generally Accepted Accounting Practices, and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/(Decrease) line shows the statutory General Fund Balance movement in the year, following those adjustments. The General Fund balance at 31 March 2025 is £5.292m.

2024/25 Statement

Balance at 1 April 2024 per Balance Sheet

Total Comprehensive Income and Expenditure

Adj between Acc'g and Funding basis under regs. (note 9)

Net Increase/(Decrease) before transfers to Earmarked Reserves

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

Increase or (Decrease) in the year 2024/25

Balance at 31 March 2025 per Balance Sheet

Unallocated Reserves	Earmarked Reserves	Total General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	TOTAL RESERVES
£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
4,913	8,604	13,517	562	2,174	16,253	17,082	33,335
3,112	0	3,112	0	0	3,112	3,090	6,202
(2,743)	0	(2,743)	(312)	2,064	(991)	991	0
369	0	369	(312)	2,064	2,121	4,081	6,202
10	(10)	0	0	0	0	0	0
379	(10)	369	(312)	2,064	2,121	4,081	6,202
5,292	8,594	13,886	250	4,238	18,374	21,163	39,537

2022/23 Comparatives

Balance at 1 April 2023 per Balance Sheet

Total Comprehensive Income and Expenditure

Adj between Acc'g and Funding basis under regs. (note 9)

Net Increase/(Decrease) before transfers to Earmarked Reserves

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

Increase or (Decrease) in the year 2023/24

Balance at 31 March 2024 per Balance Sheet

Unallocated Reserves	Earmarked Reserves	Total General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	TOTAL RESERVES
£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
766	6,200	6,966	0	6,936	13,902	12,458	26,360
795	0	795	0	0	795	6,180	6,975
5,756	0	5,756	562	(4,762)	1,556	(1,556)	0
6,551	0	6,551	562	(4,762)	2,351	4,624	6,975
(2,404)	2,404	0	0	0	0	0	0
4,147	2,404	6,551	562	(4,762)	2,351	4,624	6,975
4,913	8,604	13,517	562	2,174	16,253	17,082	33,335

ANNUAL STATEMENT OF ACCOUNTS 2024/25

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 2024			31 March 2025	
£000s	£000s		£000s	£000s
24,393		Property, Plant & Equipment (note 13)		
3,663		Land and Buildings	25,848	
640		Vehicles, Plant and Equipment	3,609	
2,012		Infrastructure	585	
496		Community Assets	1,878	
1,800		Assets Under Construction	1,232	
		Assets Held for Sale	1,800	
	33,004			34,952
	3,967	Investment Property (note 14)		4,513
	102	Intangible Assets (note 15)		118
	877	Long Term Investments		894
	17	Long Term Debtors (note 18)		11
	37,967	LONG TERM ASSETS		40,488
10,709		Short Term Investments	3,090	
189		Inventories	165	
9,545		Short Term Debtors (note 19)	13,972	
3,943		Cash and Cash Equivalents (note 20)	8,115	
	24,386	CURRENT ASSETS		25,342
(181)		Short Term Borrowing (under 1year)	(2)	
(9,087)		Short Term Creditors (note 21)	(8,959)	
	(9,268)	CURRENT LIABILITIES		(8,961)
(816)		Provisions over 1 year (note 22)	(708)	
(10,812)		Long term Borrowing (PWLb)	(10,812)	
(4,458)		Net Pensions Liability (note 32)	(1,536)	
(3,316)		Capital Grants & Contributions Received in Advance (note 11)	(3,891)	
(348)		Revenue Grants & Contributions Received in Advance (note 11)	(385)	
	(19,750)	LONG TERM LIABILITIES		(17,332)
	33,335	NET ASSETS / (LIABILITIES)		39,537

ANNUAL STATEMENT OF ACCOUNTS 2024/25

BALANCE SHEET

31 March 2024	
£000s	£000s
	33,335
4,913	
8,604	
562	
2,174	
	16,253
0	
6,795	
(123)	
(4,458)	
14,552	
2	
652	
(338)	
	17,082
	33,335

NET ASSETS / (LIABILITIES) AS ABOVE

Usable Reserves (MiRS p39)

General Fund
Earmarked Reserves (note 10)
Capital Receipts Reserve
Capital Grants and Contributions Unapplied

Unusable Reserves (note 24)

Deferred Capital Receipts
Revaluation Reserve
Pooled Investment Funds Adjustment Account
Pensions Reserve
Capital Adjustment Account
Collection Fund Adjustment Account - CTax
Collection Fund Adjustment Account - NDR
Short-term Accumulating Compensated Absences Account

TOTAL RESERVES

31 March 2025	
£000s	£000s
	39,537
5,292	
8,594	
250	
4,238	
	18,374
0	
7,205	
(106)	
(1,536)	
16,089	
79	
(178)	
(390)	
	21,163
	39,537

ANNUAL STATEMENT OF ACCOUNTS 2024/25

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.

2023/24		2024/25
£000s		£000s
795	Net Surplus / (Deficit) on the Provision of Services per the Comprehensive Income and Expenditure Statement	3,112
1,753	Total of adjustments to net Surplus/(Deficit) on Provision of Services for non-cash movements	(482)
(873)	Total of adjustments to the net Surplus/(Deficit) on Provision of Services for items that are investing and financing activities	(5,269)
1,675	Net cash flow from operating activities (see note 25)	(2,639)
(1,495)	Investing activities (see note 26)	9,290
(5,437)	Financing activities (see note 27)	2,479
(5,257)	Net Increase / (Decrease) in Cash & Cash Equivalents	9,130
9,200	Cash and Cash Equivalents at the beginning of the reporting period	3,943
3,943	Cash and Cash Equivalents at the End of the Reporting Period	8,115

Analysis of Cash and Cash Equivalents at Balance Sheet dates:

Bank Account balances and cash in transit
 Imprest accounts
 Cash equivalents

Total Cash and Cash Equivalents per Balance Sheet

31 March 2024	31 March 2025
£000s	£000s
(552)	420
5	5
4,490	7,690
3,943	8,115

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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

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

At the balance sheet date, the following new accounting standards and amendments to existing standards have been published but not yet adopted by the Code.

IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) issued in August 2023. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

IFRS 17 Insurance Contracts issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts

The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non investment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a change in accounting policy due to an amendment to standards, which would normally be disclosed under IAS 8. However, the adaptations also include a relief from the requirements of IAS 8 following a change in accounting policy as confirmed in paragraph 3.3.1.4.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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 2025 for which there is a significant risk of causing a material adjustment in the forthcoming financial year are set out below. This list does not include assets and liabilities carried at fair value based on a recently observed market price.

Most valuations in 2024/25 were carried out by the Council's in-house valuer E. Wimble MRICS, a chartered surveyor. However valuations were also commissioned from external valuers as necessary. The Council's valuer is responsible for reporting on all values. In line with the RICS Material Valuation Uncertainty Leaders' Forum (UK), material valuation uncertainty (MVU) declarations are no longer required unless an individual valuer believes there is a reason for such a declaration. It is the Council valuer's professional judgement that none of the valuations for the 2024/25 Accounts are subject to MVU.

An impairment review of property values at the balance sheet date was completed at 31 March 2025. Any material differences have been reflected in value compared to the carrying amount.

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements in relation to the discount rate used, the rate at which salaries are projected to increase, changes in the retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For example, a one year increase in the mortality assumption (life expectancy) would result in an increase of £3.404m in the pension liability and a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £1.280m. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. See note 32 on pages 81 to 88 for further details.
Pensions Assets	The Council participates in the Nottinghamshire Local Government Pension Fund. In line with the RICS Material Valuation Uncertainty Leaders' Forum (UK), material valuation uncertainty declarations are no longer required unless the individual valuer believes that there is reason for such a declaration. The Actuary has confirmed that no MVU declaration has been made in respect of Pension Fund property assets in 2024/25.	As the Actuary has confirmed that no MVU declarations have been made in 2024/25, there is no impact on Gedling's share of the property assets held within the Pension Fund.
Property Plant and Equipment	Depreciation and amortisation is provided to write down the assets to their residual values over their estimated useful lives. The selection of these residual values and useful lives requires the exercise of management judgements considering anticipated usage levels in service provision and levels of repairs and maintenance. A review of balance sheet values is undertaken each year end to assess if any of the assets have not been used at the estimated rates and if any impairment charges are required.	If the useful lives of assets are reduced, depreciation increases and the carrying amount of the asset falls. If assets lives were 10% lower than estimated the annual depreciation charge would be increased by approximately £209,752. However, as the asset values are reviewed on an annual basis this level of incorrect estimation is unlikely. See note 13 on pages 59 to 61 for further details.

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

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

Provisions	<p>The Authority has made provisions of £50,000 each for Transferred Housing Stock Repairs and Transferred Housing Stock Environmental Warranty Excesses. These provide amounts to cover for an estimated number of future claims. It is possible the actual number may exceed the estimate. The Business Rate Retention scheme introduced a requirement to maintain a provision for rating appeals. The system is complex and neither the number of successful appeals nor the percentage reduction in rateable value (RV) achieved can be pre-determined. The current provision totals £1,522,011 of which the Council's share as billing authority is £608,804.</p>	<p>A change of 5% in the assumed RV reduction achieved for each NDR appeal could increase or decrease the provision requirement by around £76,100. Of this, the Council's share as billing authority would be £30,440. See note 22 on page 70 for further details on Provisions.</p>
Arrears	<p>An estimate of the impairment allowance for doubtful debts is based upon the age and type of each debt. A collective assessment matrix is used, including the value of items with shared characteristics, eg. the type of debtor and the period overdue, together with a weighting factor for the probability of default. The loss allowance for impairment at 31 March 2025 is £1,906,621. When assessing the expected credit loss provisions and the use of a collective provision matrix ensures that where arrears rise there is a corresponding increase in the expected credit loss provision.</p>	<p>If collection rates were to deteriorate, a 10% increase on the impairment amount would require an additional £190,662 to be set aside as an allowance.</p>

ANNUAL STATEMENT OF ACCOUNTS 2023/24

NOTES TO THE FINANCIAL STATEMENTS

5. EXPENDITURE AND FUNDING ANALYSIS

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

2023/24				2024/25		
Net Exp chg'ble to General Fund Balance £000s	Adjs between Funding & Acc'g Basis £000s	Net Exp in CIES (page 36) £000s		Net Exp chg'ble to General Fund Balance £000s	Adjs between Funding & Acc'g Basis £000s	Net Exp in CIES (page 36) £000s
			Net Cost of Services:			
324	(4)	320	Communities and Place	362	(2)	360
(3,275)	(44)	(3,319)	Lifestyles, Health and Wellbeing	1,591	(61)	1,530
1,859	(29)	1,830	Public Protection	1,649	(30)	1,619
1,099	(17)	1,082	Life Chances and Vulnerability	1,650	(21)	1,629
4,898	(45)	4,853	Environmental Services	4,586	(79)	4,507
1,970	(14)	1,956	Climate Change and Natural Habitat	2,184	(21)	2,163
863	(39)	824	Sustainable Growth and Economy	1,681	(44)	1,637
2,295	6,524	8,819	Performance	3,408	1,108	4,516
10,033	6,332	16,365	Cost of Services	17,111	850	17,961
			Other Operating Expenditure:			
853	0	853	Payment of Precepts to Parishes	921	0	921
39	0	39	Drainage Board Levy	39	0	39
0	44	44	Pensions Administration Cost	0	49	49
2	39	41	(Gain)/Loss on disposal of PPE	4	(62)	(58)
894	83	977		964	(13)	951
			Financing and Investment I&E:			
380	0	380	Interest Payable on Debt	359	0	359
0	423	423	Net Pensions Interest Cost	0	(17)	(17)
(1,359)	(12)	(1,371)	Interest Receivable & similar income	(1,055)	0	(1,055)
(222)	(120)	(342)	Inc & Exp re. Investment properties & changes in their fair value	(229)	25	(204)
0	0	0	(Gain)/Loss on disposal of Inv't Assets	0	0	0
0	36	36	(Gain)/Loss on Pooled Investm't Funds	0	(17)	(17)
(158)	0	(158)	Mvt on Impairment Loss Allowances	(206)	0	(206)
(1,359)	327	(1,032)		(1,131)	(9)	(1,140)
			Taxation and Non Specific Grants:			
(8,003)	(111)	(8,114)	Council Tax Income	(8,253)	(77)	(8,330)
(7,190)	1,146	(6,044)	Non Domestic Rates	(7,979)	830	(7,149)
(925)	0	(925)	Non Ring-fenced Government Grants	(1,082)	0	(1,082)
0	(2,022)	(2,022)	Capital grants and contribs (note 11)	0	(4,323)	(4,323)
(16,118)	(987)	(17,105)		(17,314)	(3,570)	(20,884)
(6,550)	5,755	(795)	(Surpl)/Def on Prov'n of Services	(370)	(2,742)	(3,112)
£000s			Opening General Fund Balance	£000s		
(6,966)			(Surplus)/Deficit on General Fund	(13,516)		
(6,550)				(370)		
(13,516)			Closing General Fund Balance	(13,886)		

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

6. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

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

2024/25

Communities and Place 0
Lifestyles, Health and Wellbeing 0
Public Protection 0
Life Chances and Vulnerability 0
Environmental Services 0
Climate Change and Natural Habitat 0
Sustainable Growth and Economy 0
Corporate Resources and Performance 1,323

Cost of Services

Other income and expenditure from the Expenditure and Funding Analysis (4,376)

Difference between the General Fund (surplus)/deficit and the CIES (surplus)/deficit on the Provision of Services

Adjs. between Funding and Accounting Basis			
Adjustments for capital purposes	Net change for Pension adjustments	Other Differences	Total Adjustments
£000s	£000s	£000s	£000s
0	(3)	1	(2)
0	(67)	6	(61)
0	(32)	2	(30)
0	(22)	1	(21)
0	(94)	15	(79)
0	(24)	3	(21)
0	(38)	(6)	(44)
1,323	(225)	10	1,108
1,323	(505)	32	850
(4,376)	32	752	(3,592)
(3,053)	(473)	784	(2,742)

2023/24

Communities and Place 0
Lifestyles, Health and Wellbeing 0
Public Protection 0
Life Chances and Vulnerability 0
Environmental Services 0
Climate Change and Natural Habitat 0
Sustainable Growth and Economy 0
Corporate Resources and Performance 5,733

Cost of Services

Other income and expenditure from the Expenditure and Funding Analysis (2,080)

Difference between the General Fund (surplus)/deficit and the CIES (surplus)/deficit on the Provision of Services

Adjs. between Funding and Accounting Basis			
Adjustments for capital purposes	Net change for Pension adjustments	Other Differences	Total Adjustments
£000s	£000s	£000s	£000s
0	(4)	0	(4)
0	(42)	(2)	(44)
0	(23)	(6)	(29)
0	(15)	(2)	(17)
0	(52)	7	(45)
0	(20)	6	(14)
0	(27)	(12)	(39)
5,733	(211)	1,002	6,524
5,733	(394)	993	6,332
(2,080)	467	1,036	(577)
3,653	73	2,029	5,755

Adjustments for Capital purposes

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

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

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Net Change for Pensions adjustments

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

Other operating expenditure is adjusted for pensions administration.

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

Other Differences

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

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

7. SEGMENTAL ANALYSIS

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

Depreciation, Amortisation & Revaluation Losses

Communities and Place
Lifestyles, Health and Wellbeing
Public Protection
Life Chances and Vulnerability
Environmental Services
Climate Change and Natural Habitat
Sustainable Growth and Economy
Corporate Resources and Performance

2023/24	2024/25
£000s	£000s
0	0
300	260
10	13
42	72
661	653
429	437
1	1
74	(131)
1,517	1,305
0	0
(7,386)	(4,338)
(748)	(908)
(430)	(273)
(1,875)	(2,151)
(423)	(300)
(860)	(703)
(1,363)	(1,283)
(13,085)	(9,956)

External Income from Customers

Communities and Place
Lifestyles, Health and Wellbeing
Public Protection
Life Chances and Vulnerability
Environmental Services
Climate Change and Natural Habitat
Sustainable Growth and Economy
Corporate Resources and Performance

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

8. EXPENDITURE AND INCOME ANALYSED BY NATURE

	2023/24	2024/25
	£000s	£000s
Employee benefits expenses	16,663	17,180
Other service expenses	34,239	32,508
Depreciation, amortisation & revaluation losses	2,016	1,981
Interest payments	379	359
Precepts and levies	891	959
Costs associated with the disposal of fixed assets	41	(58)
Expenditure on investment properties and reductions in fair value	201	509
Total Expenditure per CIES	54,430	53,438
Fees, charges and other service income	(13,085)	(9,956)
Interest and investment income	(1,547)	(1,055)
Income from council tax and NDR	(14,157)	(15,480)
Government grants and other contributions	(25,772)	(29,124)
Income from the disposal of assets	0	0
Income from investment properties and increases in fair value	(542)	(712)
Income from gains on pooled investment funds	36	(17)
Decreases on Impairment Loss Allowances	(158)	(206)
Total Income per CIES	(55,225)	(56,550)
(Surplus)/Deficit on the Provision of Services	(795)	(3,112)

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

9. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2024/25	Usable Reserves				Total	Mov't on
	General Fund Balance	Capital Receipts Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Mov't on Usable Reserves	Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s
<u>Adjustments primarily involving the Capital Adjustment Account (note 24)</u>						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CIES):						
Charges for depreciation & impairment of non-current assets	1,786	0		0	1,786	(1,786)
Revaluation losses/(reversals) on Property Plant and Equipment	93	0		0	93	(93)
Movement in fair value of investment properties	26	0		0	26	(26)
Amortisation of intangible assets	102	0		0	102	(102)
Capital grants & contributions applied	(440)	0		0	(440)	440
Revenue Expenditure Funded from Capital Under Statute	544	0		0	544	(544)
Carrying Amounts debited as part of the gain or loss on disposals of non-current assets	0	0		0	0	0
Insertion of items NOT debited or credited to the CIES:						
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	(1,016)	0		0	(1,016)	1,016
Capital expenditure charged against General Fund Balance	33	0		0	33	(33)
<u>Adjustments primarily involving the Capital Grants Unapplied Account</u>						
Capital grants and contributions unapplied, credited to the CIES	(4,110)	0		4,110	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account		0	(373)	(2,046)	(2,419)	2,419
<u>Adjustments primarily involving the Pooled Investment Funds Adjustment Account</u>						
Transfer of the gain/loss on pooled investments	(17)	0		0	(17)	17
Sub-total of items adjusted	(2,999)	0	(373)	2,064	(1,308)	1,308

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

9. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

<u>2024/25 (Continued)</u>	Usable Reserves				Total Mov't on Usable Reserves	Mov't on Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Receipts Reserve	Capital Grants Unapplied		
	£000s	£000s	£000s	£000s	£000s	£000s
Sub-total of adjustments from prev. page	(2,999)	0	(373)	2,064	(1,308)	1,308
<u>Adjustments primarily involving the Capital Receipts Reserve</u>						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES (PPE)	(61)	0	61	0	0	0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES (Investment Assets)	0	0	0	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	0	0
<u>Adjustments primarily involving the Deferred Capital Receipts Reserve</u>						
Transfer of interest on deferred capital receipt	0	0	0	0	0	0
<u>Adjustments primarily involving the Pensions Reserve</u>						
Reversal of items relating to retirement benefits debited or credited to the CIES	2,073	0	0	0	2,073	(2,073)
Employers pension contributions and direct payments to pensioners payable in the year	(2,560)	0	0	0	(2,560)	2,560
<u>Adjustments primarily involving the Collection Fund Adjustment A/C</u>						
Amount by which Council Tax & NDR income credited to the CIES differs to that income calculated for the year in accordance with statutory requirements	752	0	0	0	752	(752)
<u>Adjustments primarily involving the Accumulated Absences Account</u>						
Amount by which officer remuneration credited to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	52	0	0	0	52	(52)
Total Net adjs between Accounting basis and Funding basis under regulation (per Movement in Reserves Statement on p39)	(2,743)	0	(312)	2,064	(991)	991

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

9. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

<u>2023/24 Comparatives</u>	Usable Reserves				Total Mov't on Usable Reserves	Mov't on Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Receipts Reserve	Capital Grants Unapplied		
	£000s	£000s	£000s	£000s	£000s	£000s
<u>Adjustments primarily involving the Capital Adjustment Account (note 24)</u>						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CIES):						
Charges for depreciation & impairment of non-current assets	1,742	0	0	0	1,742	(1,742)
Revaluation losses/(reversals) on Property Plant and Equipment	187	0	0	0	187	(187)
Movement in fair value of investment properties	(120)	0	0	0	(120)	120
Amortisation of intangible assets	87	0	0	0	87	(87)
Capital grants & contributions applied	(486)	0	0	0	(486)	486
Revenue Expenditure Funded from Capital Under Statute	4,831	0	0	0	4,831	(4,831)
Carrying Amounts debited as part of the gain or loss on disposals of non-current assets	0	0	0	0	0	0
Insertion of items NOT debited or credited to the CIES:						
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	(724)	0	0	0	(724)	724
Capital expenditure charged against General Fund Balance	(60)	0	0	0	(60)	60
<u>Adjustments primarily involving the Capital Grants Unapplied Account</u>						
Capital grants and contributions unapplied, credited to the CIES	(1,535)	0	0	1,535	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	(6,297)	(6,297)	6,297
<u>Adjustments primarily involving the Pooled Investment Funds Adjustment Account</u>						
Transfer of the gain/loss on pooled investments	36	0	0	0	36	(36)
Sub-total of items adjusted	3,958	0	0	(4,762)	(804)	804

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

9. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

<u>2023/24 Comparatives (Continued)</u>	Usable Reserves				Total Mov't on Usable Reserves	Mov't on Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Receipts Reserve	Capital Grants Unapplied		
	£000s	£000s		£000s	£000s	£000s
Sub-total of adjustments from prev. page	3,958	0	0	(4,762)	(804)	804
<u>Adjustments primarily involving the Capital Receipts Reserve</u>						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES (PPE)	(10)	0	0	0	(10)	10
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES (Investment Assets)	0	0	562	0	562	(562)
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	0	0
<u>Adjustments primarily involving the Deferred Capital Receipts Reserve</u>						
Transfer of interest on deferred capital receipt	(12)	0	0	0	(12)	12
<u>Adjustments primarily involving the Pensions Reserve</u>						
Reversal of items relating to retirement benefits debited or credited to the CIES	2,585	0	0	0	2,585	(2,585)
Employers pension contributions and direct payments to pensioners payable in the year	(2,513)	0	0	0	(2,513)	2,513
<u>Adjustments primarily involving the Collection Fund Adjustment A/C</u>						
Amount by which council tax & NDR income credited to the CIES differs to the council tax income calculated for the year in accordance with statutory requirements	1,191	0	0	0	1,191	(1,191)
<u>Adjustments primarily involving the Accumulated Absences Account</u>						
Amount by which officer remuneration credited to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(5)	0	0	0	(5)	5
Total Net adjs between Accounting basis and Funding basis under regulation (per Movement in Reserves Statement on p39)	5,194	0	562	(4,762)	994	(994)

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

10. TRANSFERS TO/FROM EARMARKED RESERVES

Contributions to Earmarked Reserves provide financing for future expenditure plans, and contributions posted back from such reserves helped to meet General Fund expenditure during 2023/24 and 2024/25.

	Balance 31 Mar 2023	Transfers out during 2023/24	Transfers in during 2023/24	Balance 31 Mar 2024	Transfers out during 2024/25	Transfers in during 2024/25	Balance 31 Mar 2025
Reserve:	£000s			£000s			£000s
Financial Transparency	0			0			24
IT Equip't Replacement & Investment	667			794	(88)	117	823
Community and Crime	180			261	0	0	261
Risk Mgt & Budget Red'n	37			16	(13)	15	18
Housing and Housing Benefits	197			132	(102)	54	84
Insurance	274			255	(135)	35	155
Efficiency & Innovation	347			441	(26)		415
Asset Management	489			500	(53)	107	554
Local Plan Reserve	242			214	(168)	(16)	30
S106 Revenue	171			232	(53)	132	311
Earmarked Grants	1,364			1,417	(563)	384	1,238
Joint Use Maintenance	160			133	(17)	11	127
CCTV	95			102	0	33	135
Apprentices	43			36	0	0	36
NDR Pool	1,081			1,681	(448)	967	2,200
Transformation	179			1,652	(420)	91	1,323
Economic Development	83			81	0	0	81
Leisure Strategy	182			248	0	0	248
Property Management	64			64	0	0	64
Selective Licencing	331			331	0	136	467
Additional Restrictions Grant (ARG)	14			14	(14)	0	0
Total Earmarked Reserves per Balance Sheet p40-41	6,200	(1,119)	3,523	8,604	(2,100)	2,090	8,594
Net Movement in Year per MiRS p39		2,404			(10)		

Financial Transparency Reserve - to provide adequate resourc to enable the provision of information required under the Local Government Transparency Code

IT Replacement & Investment - to provide for the cost of replacing personal computing facilities based on a rolling programme, and investment in new equipment.

Community and Crime Reserve - to fund future community and crime initiatives, including mobile radios.

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

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

The authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement (CIES). The sums included within both Taxation and Non-Specific Grant Income and Cost of Services are analysed further below.

	2023/24 £000s	2024/25 £000s
<u>Credited to Taxation and Non-Specific Grant Income:</u>		
Revenue Support Grant	(117)	(125)
New Homes Bonus	(334)	(710)
Local CTRS Support Grant	0	0
Lower Tier Services Grant	(124)	(21)
Funding Guarantee	(350)	(226)
Covid-19 related non-ringfenced grants (see below)	0	0
Non Ring-fenced Grants	(925)	(1,082)
Community Infrastructure Levy (CIL)	(1,455)	(1,114)
DEFRA - Domestic Food Waste	0	(1,104)
UKSPF - Various	(29)	(732)
D2N2 - Hillside Industrial Units	0	(643)
DFG - DCLG Funding	(200)	(329)
Section 106 Developer Contributions	(60)	(213)
Football Foundation - Lambley Lane Pavillion	0	(87)
Lawn Tennis Association - Conway Road	0	(81)
Greenwood Community Forest Initiative	0	(20)
Lambley Lane Changing Rooms	(21)	0
King George V Toilets	(40)	0
FCC Lambley Lane	(100)	0
EM Domestic Retro Fit Grant	(117)	0
Capital Grants and Contributions	(2,022)	(4,323)
S31 Grants included in Non Domestic Rates income	(2,512)	(4,504)
Local Tax Income Guarantee included in Non Domestic Rates Income	0	0
Local Tax Income Guarantee included in Council Tax Income	0	0
Total Non Ring-fenced Grants included in CIES on page 38	(5,459)	(9,909)
<u>Credited to Services:</u>		
Housing Benefits	(18,103)	(18,575)
Grants for Revenue Expenditure funded from Capital	(1,318)	(1,658)
Other Grants & Contributions	(1,549)	(1,985)
Total grants & contributions credited to Services	(20,970)	(22,218)
Total Grants, Contributions and Donated Assets	(26,429)	(32,127)

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

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

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

Grants and Contributions Received in Advance

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

Capital

Developers' Section 106 Contributions

2023/24	2024/25
£000s	£000s
(3,316)	(3,891)
(3,316)	(3,891)
(348)	(385)
(348)	(385)

Revenue

Developers' Section 106 Contributions

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

12. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2023/24	2024/25
	£000s	£000s
Opening Capital Financing Requirement (CFR)	12,621	15,729
Additions:		
Property, Plant & Equipment (note 13)	4,323	3,171
Investment Properties	0	572
Intangible Assets	102	118
Revenue expenditure funded from capital under statute (REFCUS)	6,209	2,202
Total Capital Investment	10,634	6,063
Financing:		
Capital receipts	0	0
Government Grants	(893)	(1,095)
Other Grants and Contributions	(5,909)	(3,388)
Minimum Revenue Provision (MRP)	(724)	(1,016)
Total Sources of Finance	(7,526)	(5,499)
Closing Capital Financing Requirement (CFR)	15,729	16,293
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	3,973	564
Increase/(Decrease) in Capital Financing Requirement (CFR)	3,973	564

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

13. PROPERTY, PLANT & EQUIPMENT

Movements in 2024/25

Cost or Valuation:

	Land & Bldgs. £000s	Vehicles Plant & Equipm't £000s	Infra-Struct. Assets £000s	Comm'y Assets £000s	Assets Under Constrn. £000s	Assets Held for Sale £000s	Total £000s
As at 1 April 2024	25,160	10,835	1,508	8,689	496	1,800	48,488
Additions	1,108	713	0	118	1,232	0	3,171
Revaln incr/(decr) recognised in the Revaluation Reserve	(371)	0	0	0	0	0	(371)
Revaln incr/(decr) recognised in the Surplus/Deficit on Provision of Services	0	0	0	0	0	0	0
Derecognition-Disposals	0	(783)	0	0	0	0	(783)
Derecognition-Decommissioned	0	0	0	0	0	0	0
Other movements in cost or valuation	497	0	(4)	3	(496)	0	0

As at 31 March 2025

Accumulated Depreciation and Impairment:

As at 1 April 2024	(767)	(7,172)	(864)	(6,681)	0	0	(15,484)
Depreciation Charge	(713)	(767)	(55)	(251)	0	0	(1,786)
Depreciation written out to the Revaluation Reserve	934	0	0	0	0	0	934
Depreciation written out to the Surplus/Deficit on Provision of Services	0	0	0	0	0	0	0
Derecognition-Disposals	0	783	0	0	0	0	783
Derecognition-Decommissioned	0	0	0	0	0	0	0

As at 31 March 2025

	(546)	(7,156)	(919)	(6,932)	0	0	(15,553)
Net Book Value 31/3/24	24,393	3,663	644	2,008	496	1,800	33,004
Net Book Value 31/3/25	25,848	3,609	585	1,878	1,232	1,800	34,952

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

13. PROPERTY, PLANT & EQUIPMENT (Continued)

Comparative Movements in 2023/24

Cost or Valuation:

	Other Land & Bldgs. £000s	Vehicles Plant & Equipm't £000s	Infra-Struct. Assets £000s	Comm'y Assets £000s	Assets Under Constrn. £000s	Assets Held for Sale £000s	Total £000s
As at 1 April 2023	21,570	9,930	1,504	8,522	0	0	41,526
Additions	3,739	1,032	0	170	248	0	5,189
Revaln incr/(decr) recognised in the Revaluation Reserve	222	0	0	0	0	0	222
Revaln incr/(decr) recognised in the Surplus/Deficit on Provision of Services	(129)	0	0	0	0	0	(129)
Derecognition-Disposals	7	(127)	4	(4)	0	0	(120)
Derecognition-Decommissioned	0	0	0	0	0	0	0
Other movements in cost or valuation	(249)	0	0	1	248	1,800	1,800

As at 31 March 2024

Accumulated Depreciation and Impairment:

As at 1 April 2023	(378)	(6,496)	(812)	(6,406)	0	0	(14,092)
Depreciation Charge	(612)	(803)	(52)	(275)	0	0	(1,742)
Depreciation written out to the Revaluation Reserve	230	0	0	0	0	0	230
Depreciation written out to the Surplus/Deficit on Provision of Services	0	0	0	0	0	0	0
Derecognition-Disposals	(7)	127	0	0	0	0	120
Derecognition-Decommissioned	0	0	0	0	0	0	0

As at 31 March 2024

	(767)	(7,172)	(864)	(6,681)	0	0	(15,484)
Net Book Value 31/3/23	21,192	3,434	692	2,116	0	0	27,434
Net Book Value 31/3/24	24,393	3,663	644	2,008	496	1,800	33,004

Depreciation

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

Land and Buildings	Generally 25 to 95 years however Arnot Hill House, a listed building, has a life of 170 years.
Vehicles, Plant and Equipment	5 to 25 years
Infrastructure	10 to 25 years

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

13. PROPERTY, PLANT & EQUIPMENT (Continued)

Revaluation

The authority carries out a rolling programme which ensures that all Property, Plant and Equipment required to be measured at Current Value is revalued at least every two years. Items within a class of Property, Plant and Equipment are revalued simultaneously within that rolling programme. Most valuations in 2024/25 were completed by the Council's in-house valuer, E. Wimble MRICS, a chartered surveyor. However valuations were also commissioned from external valuers as deemed necessary. Lambert Smith carried out the valuations of Gedling Brough Council Civic Centre and the Arnold Market Place (AMP).

Valuations of land and buildings are carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. An impairment review is carried out annually on the Land and Buildings Portfolio. Due to Covid-19 there was previously a risk of material valuation uncertainty (MVU). However, as per the RICS Material Valuation Uncertainty Leaders' Forum (UK), MVU declarations are no longer required unless the individual valuer believes that there is reason for such a declaration. It is the Council valuer's professional judgement that none of the valuations for the 2024/25 Accounts are subject to MVU. Vehicles, Plant and Equipment are valued on a depreciated historic cost basis as a proxy for Current Value.

Capital Commitments

At 31 March 2025 there were two significant capital contracts that had been entered into but not fully completed. The construction costs relating to the Hillcrest Business Park extension project totalling £500,000. Also five Refuses Collecting Vehicles totalling £1,086,000. This represents the sums remaining to be paid in 2025/26 and not the value of the contracts.

14. INVESTMENT PROPERTY

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

	2023/24	2023/24
	£000s	£000s
Rental from Investment Property	239	(235)
Direct operating expenses arising from Investment Property	18	6
Net (Gain)/Loss	257	(229)

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

Investment property is valued on an annual basis, and an impairment review is also completed at the balance sheet date. Most valuations in 2024/25 were completed by the Council's in-house valuer, E. Wimble MRICS, a chartered surveyor. However valuations were also commissioned from external valuers as deemed necessary. The Council's valuer is however responsible for reporting on all values. Due to Covid-19 there was previously some risk of material valuation uncertainty (MVU). However as per the RICS Material Valuation Uncertainty Leaders' Forum (UK), MVU declarations are no longer required unless the individual valuer believes that there is reason for such a declaration. It is the Council valuer's professional judgement that none of the valuations for the 2024/25 Accounts are subject to MVU.

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

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NOTES TO THE FINANCIAL STATEMENTS

14. INVESTMENT PROPERTY (Continued)

Long Term Investment Property:

Balance at the start of the year

Additions (purchase, construction & subsequent expenditure)

Transfers

Net gain/(loss) from fair value adjustments

Balance at the end of the year per Balance Sheet

2023/24	2024/25
£000s	£000s
5,646	3,967
0	572
(1,800)	0
121	(26)
3,967	4,513

15. INTANGIBLE ASSETS

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

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

The carrying amount of intangible assets is amortised on a straight line basis. The full amortisation of **£101,549** charged to revenue in 2024/25 was charged to IT and then absorbed as an overhead across all relevant service headings in Cost of Services.

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

Gross carrying amount

Accumulated amortisation

Net carrying amount at start of year

Additions

Derecognition of decommissioned assets:

Gross carrying amount

Accumulated amortisation

Amortisation for the year

Net carrying amount at end of year per Balance Sheet

Represented by:

Gross carrying amount

Accumulated amortisation

Total

2023/24	2024/25
£000s	£000s
1,081	1,183
(994)	(1,081)
87	102
102	118
0	0
0	0
(87)	(102)
102	118
1,183	1,301
(1,081)	(1,183)
102	118

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NOTES TO THE FINANCIAL STATEMENTS

16. FINANCIAL INSTRUMENTS

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

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

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

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

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

Initial Recognition

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

Initial Measurement

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

Soft Loans

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

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

16. FINANCIAL INSTRUMENTS (Continued)

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

The only "soft loans" identified by the Council in 2024/25 were car loans to employees. It is the Council's view that the outstanding sum of £11k is not material and accordingly, no calculation for fair value has been undertaken. Car loans are therefore recognised in the balance sheet at the value of the sums loaned, less repayments made.

Subsequent Measurement

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

Financial liabilities:

- * Amortised cost

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

Financial assets:

- * Amortised cost

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

- * Fair value through profit and loss (FVPL)

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

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

Premiums and Discounts

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

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

No premiums or discounts were paid or received by the Council during 2024/25

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

16. FINANCIAL INSTRUMENTS (Continued)

The Council's Financial Instruments at 31 March 2024

(a) Financial Liabilities at Amortised Cost:

- (i) **Long and Short Term Borrowing** - Total long term debt outstanding on the balance sheet on 31 March 2025 is £10.812m, all held with the Public Works Loan Board (PWLb). The short term borrowing balance of £2k shown on the Balance Sheet is represented by accrued interest only. PWLB loans have special characteristics in that the interest rates are based on the Government's cost of borrowing rather than on market rates, and a penalty charge is payable on early redemption that is over and above the cost to the lender.

The Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, and these are termed the PWLB certainty interest rates. As a result of its PWLB commitments for fixed rate loans, a comparison of the terms of these loans with the new borrowing rates available from PWLB has been used to calculate the fair value. If a value is calculated on this basis the carrying amount of the Council's outstanding loans of £10.812m would be valued at £6.620m (excluding accrued interest). If the Council was to seek to repay the loans to PWLB, the PWLB would discount the charge based on the premature redemption interest rates, totalling £2.951m. The exit price for the outstanding PWLB loans including the penalty discount would therefore be £7.861m (excluding accrued interest).

This redemption charge is a supplementary measure of the fair value of the outstanding PWLB loans of £10.812m. It measures the economic effect of the terms agreed by the Council with the PWLB, compared with estimates of the terms that would be offered for market transactions undertaken at the balance sheet date, which have been assumed to be the PWLB premature redemption interest rates. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB against what would be paid if the loans were at prevailing market rates.

If the discount rate applied to each outstanding loan was to increase by 1%, the discount would increase from £2,951m to £4.063m and the exit price from £7,861m to £6,748m (excluding accrued interest). These amounts would be reversed if the discount rate was to fall, i.e. the penalty and the exit price would rise.

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

- (ii) **Long and Short Term Creditors** - Operational creditors are financial instruments of short duration, with no formal effective interest rate, and are required to be valued at their original amounts, i.e. the carrying amount is a reasonable approximation of fair value. Long term creditors are represented by grants received in advance of £4.276m. Short-term creditors outstanding at 31 March 2025, which are classed as financial instruments, totalled £4.741m.

(b) Financial Assets at Amortised Cost

- (i) **Short Term Investment** - Investments held at 31 March 2025 amounted to £3.090m, including accrued interest, and consisted of fixed term deposits with approved counterparties. Term deposit rates were fixed at inception, with interest paid on maturity. No formal calculation of EIR is deemed necessary, and the carrying amount is a reasonable approximation of the fair value.
- (ii) **Long Term Debtors** - As discussed above, the only soft loans identified by Gedling Borough Council are car loans to employees. The sum outstanding at 31 March 2025 is £12k, which is not deemed material.
- (iii) **Short Term Debtors** - Operational debtors are financial instruments of short duration, with no formal effective interest rate, and are required to be valued at their original amount, i.e. the carrying amount is a reasonable approximation of fair value. Short term debtors outstanding at 31 March 2025, which are classed as financial instruments, totalled £6,182m net of impairment provisions for doubtful debts (see note 19).

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NOTES TO THE FINANCIAL STATEMENTS

16. FINANCIAL INSTRUMENTS (Continued)

- (iv) **Cash and Cash Equivalents** - The fair value of cash balances in hand (or overdrawn) is deemed to be the carrying value. The Council's in hand cash balances at 31 March 2025 totalled £0.420m as a result of daily cashflow management. This balance is combined on the Balance Sheet as part of the overall Cash and Cash Equivalents balance of £8.115m in hand, including a total of £7.690m held in Money Market Funds. Whilst the value of these funds can technically fluctuate, suggesting treatment as fair value through profit and loss, the Council invests with Low Volatility Net Asset Value (LVNAV) products, which have an exceptionally low level of fluctuation. The Money Market Funds are AAA rated, and this would not be the case if the Funds were not deemed stable.

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

The Council has a long term investment of £1m with the CCLA Local Authority Property Fund (LAPF). Under IFRS9 this investment is classified as a financial asset at fair value through profit and loss, whereby fluctuations in the certificated value of the fund would generally be charged to the CIES. However, a statutory override in place until 31 March 2025 requires these fluctuations to be reversed out via the MiRS to a Pooled Investment Funds Adjustment Account and held on the balance sheet.

The certificated value of the property fund investment increased from £877,118 at 31 March 2024 to £893,994 at 31 March 2025. The gain of £16,876 was debited to CIES and reversed out in accordance with the statutory override. The current balance on the Pooled Investment Funds Adjustment Account is a loss of £106,006.

Dividends received in respect of the property fund investment totalled £44,171 in 2024/25. These have been credited to the CIES and are included in the surplus on the provision of services.

A summary of the Council's exposure to financial instruments at 31 March 2025 is shown below:

Summary of Financial Instruments

Financial liabilities at amortised cost

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

Total Financial Liabilities

Financial assets at amortised cost

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

Financial assets at fair value through profit and loss

Pooled Investment Funds

Total Financial Assets

31/3/24	31/3/25
£000s	£000s
(10,812)	(10,812)
(181)	(2)
(3,664)	(3,664)
(3,763)	(3,763)
(18,420)	(18,241)
10,709	3,090
17	12
3,155	3,155
3,943	8,115
877	894
18,701	15,266

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NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

Credit Risk

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

The Council also operates maximum investment limits with individual counterparties and Money Market Funds. Any investment in excess of these limits is subject to the specific approval of the Chief Financial Officer. The Council did not experience any non-performance from any of its counterparties in respect of its temporary investments or cash equivalents during 2023/24

Impairment of Financial Assets - the Expected Credit Loss Model

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

Impairment losses must be calculated to reflect the expectation that future cashflows might not take place because the borrower could default on their obligations. Provision for trade receivables (debtors) is made on a lifetime expected loss basis using a collective provision matrix, and credit risk plays a crucial role in assessments. The Council has historically used such a matrix, and this has been reviewed to ensure that it is sufficiently "forward looking" and not simply based on past experience. The overall decrease of £205k in the Council's impairment loss allowances for financial instruments during 2024/25 has been credited to the financing and investment section of the CIES, in accordance with the requirement of IFRS9.

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

No provision for impairment has been made for short term investments on the basis that these are fixed term deposits with high quality counterparties and the risk is assessed as negligible. The Council's treasury advisers have calculated that the historic risk of default on the entire short term investment portfolio at 31 March 2025 is 0.006%, and would amount to an expected credit loss provision of less than £200. This is not deemed to be material.

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

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NOTES TO THE FINANCIAL STATEMENTS

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

Liquidity and Refinancing Risk

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

PWLB Maturity Analysis

Short Term Borrowing (repayable within 1 year)

Principal
Interest accruals

Short Term Borrowing per Balance Sheet

Long Term Borrowing

Repayable in 1 to 2 years
Repayable in 2 to 5 years
Repayable in 5 to 10 years
Repayable in over 10 years

Long Term Borrowing per Balance Sheet

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

Market Risk:

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

Price Risk:

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

Foreign Exchange Risk:

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

31/3/24	31/3/24
£000s	£000s
0	0
(181)	(2)
(181)	(2)
0	0
0	0
(681)	(681)
(10,131)	(10,131)
(10,812)	(10,812)

18. LONG TERM DEBTORS

Car Loans
Other - Cycle Scheme

Total Long Term Debtors per Balance Sheet

2023/24	2023/24
£000s	£000s
16	11
1	0
17	11

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NOTES TO THE FINANCIAL STATEMENTS

19. SHORT TERM DEBTORS

	2023/24			2024/25		
	Financial Instrum'ts	Statutory Debts	Total	Financial Instrum'ts	Statutory Debts	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Central Government Departments	1,210	1,573	2,783	1,580	2,234	3,814
Other Local Authorities	66	3,075	3,141	255	3,530	3,785
Other Entities and Individuals	3,991	2,284	6,275	6,254	2,534	8,788
Total Short Term Debtors	5,267	6,932	12,199	8,089	8,298	16,387
Less Impairment Loss Allowance	(2,112)	(542)	(2,654)	(1,907)	(508)	(2,415)
Net Short Term Debtors per Balance Sheet	3,155	6,390	9,545	6,182	7,790	13,972

Amounts in respect of council tax and business rates are outside the scope of financial instruments, being "statutory debtors". The balance has reduced at 31 March 2025.

In accordance with IFRS9, the reduction on the impairment loss allowance for financial instruments between 2023/24 and 2024/25 has been credited to the Financing and Investment section in the Comprehensive Income and Expenditure Statement.

20. CASH AND CASH EQUIVALENTS

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

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

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

	31/03/24	31/03/25
	£000s	£000s
Cash balance at bank and cash in transit	(552)	420
Imprest Accounts	5	5
	(547)	425
Call Accounts	4,490	7,690
Total Cash and Cash Equivalents per Balance Sheet	3,943	8,115

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NOTES TO THE FINANCIAL STATEMENTS

21. SHORT TERM CREDITORS AND RECEIPTS IN ADVANCE

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

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

	2023/24			2024/25		
	Financial Instrum'ts	Statutory Creditors	Total	Financial Instrum'ts	Statutory Creditors	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Central Government Departments	(4)	(3,323)	(3,327)	0	(2,202)	(2,202)
Other Local Authorities	(1,498)	(1,341)	(2,839)	(1,800)	(1,400)	(3,200)
Other Entities and Individuals	(2,261)	(660)	(2,921)	(2,941)	(616)	(3,557)
Total Short Term Creditors per Balance Sheet	(3,763)	(5,324)	(9,087)	(4,741)	(4,218)	(8,959)

Amounts due in respect of council tax, business rates and HMRC taxes are outside the scope of financial instruments, being "statutory creditors". The balance of statutory creditors at 31 March 2025 remains significant due Transitional Protection balances repayable to MHCLG and Pool Levy payable to the Pool Lead of Newark and Sherwood Council.

22. PROVISIONS

Over one year:

Balance at 1 April 2024

Additional Provisions made in 2024/25

Used in 2024/25

Reversed in 2024/25

Balance at 31 March 2025

Transf'd Stock Env. Warranties	Transf'd Stock Repairs	NDR Appeals	Total Provisions
£000s	£000s	£000s	£000s
(50)	(50)	(716)	(816)
0	0	(360)	(360)
0	0	628	628
0	0	(160)	(160)
(50)	(50)	(608)	(708)

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 £608,000 has been made, representing the Council's estimated share of such liabilities at 31 March 2025.

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NOTES TO THE FINANCIAL STATEMENTS

23. USABLE RESERVES

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

24. UNUSABLE RESERVES

Deferred Capital Receipts	0	0
Revaluation Reserve	6,795	7,205
Pooled Investment Funds Adjustment Account	(123)	(106)
Capital Adjustment Account	14,552	16,089
Pensions Reserve	(4,458)	(1,536)
Collection Fund Adjustment Account - Council Tax	2	79
Collection Fund Adjustment Account - Non Domestic Rates	652	(178)
Accumulated Absences Account	(338)	(390)

Total Unusable Reserves

31/03/24	31/03/25
£000s	£000s
0	0
6,795	7,205
(123)	(106)
14,552	16,089
(4,458)	(1,536)
2	79
652	(178)
(338)	(390)
17,082	21,163

Revaluation Reserve

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

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

Balance at 1 April

Upward revaluation of assets	655	780
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(145)	(125)
Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services	510	655
Difference between fair value depreciation and historic cost depr'n	(219)	(246)
Accumulated gains on assets sold or scrapped	0	0
Amount written off to the Capital Adjustment Account	(219)	(246)

Balance at 31 March

2023/24	2024/25
£000s	£000s
6,504	6,795
655	780
(145)	(125)
510	655
(219)	(246)
0	0
(219)	(246)
6,795	7,204

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

24. UNUSABLE RESERVES (Continued)

Pooled Investment Funds Adjustment Account

The introduction of IFRS9 requires pooled investment funds to be classified at Fair Value through Profit and Loss (FVPL), whereby all gains and losses are immediately charged to the Surplus and Deficit on the Provision of Services. However, in the case of certain property funds, including the CCLA LAPF in which the Council has an investment of £1m, a statutory override initially in place until 31 March 2025 requires these gains and losses to be neutralised via the Movement on Reserves Statement to the Pooled Investment Funds Adjustment Account (PIFAA). The increase in value of the Council's property fund investment in 2024/25 represents a loss, which has been reversed out to the PIFAA in accordance with the regulations.

Balance at 1 April

Gain/(Loss) on CCLA Property Fund in year

Balance at 31 March

2023/24	2024/25
£000s	£000s
(87)	(123)
(36)	17
(123)	(106)

Capital Adjustment Account

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

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

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

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

24. UNUSABLE RESERVES (Continued)

Capital Adjustment Account (continued)

Balance at 1 April

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

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

Adjusting amount written out of the Revaluation Reserve

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

Capital financing applied in the year:

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

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

Balance at 31 March

2023/24	2024/25
£000s	£000s
14,046	14,552
(1,742)	(1,786)
(187)	(93)
(87)	(102)
(4,831)	(544)
9	0
(6,838)	(2,525)
219	246
(6,619)	(2,279)
0	0
486	440
5,735	2,419
724	1,016
60	(33)
7,005	3,842
120	(26)
14,552	16,089

Pensions Reserve

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

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

24. UNUSABLE RESERVES (Continued)

Balance at 1 April

Actuarial gains or (losses) on pensions assets and liabilities

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

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

Balance at 31 March

2023/24	2024/25
£000s	£000s
(10,056)	(4,458)
5,670	2,435
(2,585)	(2,073)
2,513	2,560
(4,458)	(1,536)

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:

Balance at 1 April

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

Balance at 31 March

2023/24	2024/25
£000s	£000s
87	2
(85)	77
2	79

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

24. UNUSABLE RESERVES (Continued)

Collection Fund Adjustment Accounts (continued)

Non Domestic Rates:

Balance at 1 April

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

Balance at 31 March

2023/24	2024/25
£000s	£000s
1,758	652
(1,106)	(830)
652	(178)

Accumulated Absences Account

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

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

Balance at 1 April

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

Amounts accrued at the end of the current year

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

Balance at 31 March

2023/24	2024/25
£000s	£000s
(343)	(338)
343	343
(343)	(343)
5	(52)
(338)	(390)

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

25. CASH FLOW STATEMENT - OPERATING ACTIVITIES

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

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

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

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

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

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

Cash flows for operating activities include the following items:

Interest Received
Interest Paid

2023/24	2024/25
£000s	£000s
795	3,112
1,742	1,786
187	93
87	102
(735)	1,137
1,130	(3,037)
20	23
72	(487)
0	0
(750)	(99)
1,753	(482)
(873)	(5,269)
1,675	(2,639)

2023/24	2024/25
£000s	£000s
(1,392)	(1,157)
202	534

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

26. CASH FLOW STATEMENT - INVESTING ACTIVITIES

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

Purchase of short term and long term investments

Other payments for investing activities

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

Proceeds from short-term and long term investments

Capital grants & contributions

Other receipts from investing activities

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

2023/24	2024/25
£000s	£000s
(6,279)	(2,782)
0	0
(18)	(6)
0	0
2,780	7,520
(1,152)	235
3,174	4,323
(1,495)	9,290

27. CASH FLOW STATEMENT - FINANCING ACTIVITIES

Receipt of short-term and long-term borrowing

Other receipts from financing activities

Movement on NDR debtor with preceptors and CLG

Movement on Council Tax debtors with Preceptors

Community Infrastructure Levy held for Parishes

Grants & contributions held for other principal parties

Other payments for financing activities

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

2023/24	2024/25
£000s	£000s
0	0
9	(5)
(2,645)	1,302
(1,397)	384
(940)	797
(460)	1
(4)	0
(5,437)	2,479

28. MEMBERS' ALLOWANCES

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

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

28. MEMBERS' ALLOWANCES (Continued)

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

	2023/24	2024/25
	£000s	£000s
Allowances:		
Basic	190	191
Special Responsibility	130	131
Expenses:		
Conferences and subsistence	0	2
	320	324

The figures above include payments made to independent members.

29. EXTERNAL AUDIT COSTS

The authority is required to disclose amounts paid to its appointed auditors for work carried out in performing statutory functions. For 2023/24, Mazars are the appointed auditors for accounts and inspection work, however KPMG are the appointed auditors for grant certification work. Amounts paid to the appointed auditor for work carried out in providing additional services such as tax advice must also be disclosed, the purpose being to demonstrate that the objectivity of the auditor is not compromised by fees for other work being significant in relation to audit costs.

	2023/24	2024/25
	£	£
Audit services carried out by the appointed auditor (Mazars)	53,600	142,149
Additional fees to be paid to the appointed auditors in respect of previous years	0	112,789
Total fees for statutory audit services in the year	53,600	254,938
Fees for tax advisory services	0	0
Total fees paid to the appointed auditor	53,600	254,938

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

30. OFFICERS' REMUNERATION

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

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

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

The remuneration paid to the Authority's senior employees in 2024/25, and in 2023/24 for comparison, is detailed in the table below.

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

2024/25

	Salary, Fees & All'wces	Exps All'wces	Benefits in Kind	Comp'n for loss of Office	Total exc Pension Contribs	Employer Pension Contribs	Total
	£	£	£	£	£	£	£
Chief Executive	139,204	255	0	0	139,458	25,669	165,128
Director of Transformation (Started May 2025)	45,074	0	0	0	45,074	0	45,074
Director of Operations (Started January 2025)	16,849	0	0	0	16,849	3,665	20,514
Director of Place	77,500	65	0	0	77,565	16,464	94,029
Deputy Chief Executive & Monitoring Officer	86,594	0	0	0	86,594	18,260	104,854
Chief Finance Officer & S151 Officer	77,413	0	0	0	77,413	16,446	93,859

2023/24

Chief Executive	127,690	255	0	0	127,945	25,043	152,988
Director of Corporate Resources & S151 Officer	93,448	0	0		93,448	9,358	102,807
Executive & Monitoring Officer	78,242	0	0	0	78,242	16,557	94,799
Acting Chief Finance Officer & S151 Officer	64,998	0	0	0	64,998	13,923	78,922

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

30. OFFICERS' REMUNERATION (Continued)

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

Number of Employees in each Remuneration Band:

(excluding employer pension contributions)

£50,000 to £54,999

£55,000 to £59,999

£60,000 to £64,999

£65,000 to £69,999

£70,000 to £74,999

£75,000 to £79,999

2023/24 Number	2024/25 Number
7	10
2	5
0	3
1	4
0	0
4	2
14	24

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

31. EXIT PACKAGES (TERMINATION BENEFITS)

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

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

Three compulsory redundancies were made during 2024/25. There was five terminations agreed for reasons other than redundancy. Incurring total liabilities of £95,643. 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 £	
	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25
0 to 20,000	0	2	6	5	6	7	13,380	68,164
20,001 to 40,000	0	1	1	0	1	1	67,234	27,479
40,001 to 60,000	0	0	0	0	0	0	0	0
60,001 to 80,000	0	0	0	0	0	0	0	0
100,001 to 150,000	0	0	0	0	0	0	0	0
	0	3	7	5	7	8	80,614	95,643

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

32. POST-EMPLOYMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME

(i) Participation in the Pension Scheme:

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

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

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

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

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

(ii) Explanation of terms:

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

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

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

Service cost - comprising:

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

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

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

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

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

An amendment to IAS19 requires that when determining any past service cost, or gain or loss on settlement, the net defined benefit liability is to be remeasured using current assumptions, and the fair value of plan assets at the time of the event. The amendment does however note that this extra remeasurement does not need to be applied where the application of that remeasurement is not material. The Actuary has treated no events as "material special events" in 2024/25.

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

In 2018 the Court of Appeal ruled that changes made to the pension schemes for judges and firefighters were unlawful on the grounds of age discrimination, a decision known as the "McCloud and Sargeant" judgement, and this was upheld by the Supreme Court. Regulations in respect of the McCloud and Sargeant judgements came into force on 1 October 2023. The Council previously included an allowance to reflect the potential impact of the McCloud case, and this has been rolled by the Actuary in obtaining the accounting results for 2024/25.

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Comprehensive Income and Expenditure Statement (CIES):

Cost of Services:

a) Service cost comprising:

Current service cost

Past service cost

Reconciliation Adjustments

b) Other Operating Expenditure:

Administration Cost

c) Financing & Investment Income & Expenditure:

Net Interest Cost

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

Re-measurement of the net defined liability comprising:

Return on plan assets less interest (gain) / loss

Other actuarial (gains) / losses

Actuarial (gains) and losses on changes in financial assumptions

Actuarial (gains) and losses on changes in demographic assumptions

Experience (gains) and losses on the defined benefit obligation

Changes in Impact of asset ceiling

Total Re-measurements (See Comprehensive Income and Expenditure Statement on page 38)

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

Movement in Reserves Statement:

Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code (see note 9)

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

Employer's contributions payable to the scheme

Discretionary payments (added years, pension strain etc)

Total

2023/24	2024/25
£000s	£000s
2,128	2,028
0	13
(10)	0
44	49
423	(17)
2,585	2,073
(3,302)	1,313
0	0
(1,674)	(14,612)
(1,428)	(269)
734	(276)
0	11,409
(5,670)	(2,435)
(3,085)	(362)
(2,585)	(2,073)

2023/24	2024/25
£000s	£000s
2,394	2,442
120	118
2,514	2,560

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

	2020/21	2021/22	2022/23	2023/24	2024/25
	£000s	£000s	£000s	£000s	£000s
Present value of the funded defined benefit obligation	156,086	143,998	99,657	100,906	89,443
Fair value of assets	(88,191)	(94,617)	(90,731)	(97,489)	(100,209)
Net liability arising from the funded defined benefit obligation (LGPS)	67,895	49,381	8,926	3,417	(10,766)
Impact of asset ceiling	0	0	0	0	11,409
Present value of the unfunded obligation (Discretionary Benefits)	1,561	1,436	1,130	1,041	893
Net Pension Liability on the Balance Sheet	69,456	50,817	10,056	4,458	1,536

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits. These total £90.336m, including funded and unfunded obligations.

The net pension liability of £1.536m has a substantial impact on the net worth of the authority, as recorded in the Balance Sheet, reducing it by 10.5%. 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:

Opening defined benefit obligation

Current service cost	2,128	2,028
Interest Cost	4,758	4,964
Change in financial assumptions	(1,674)	(14,612)
Change in demographic assumptions	(1,428)	(269)
Experience loss/(gain) on defined benefit obligation	734	(276)
Estimated Benefits Paid (net of transfers in)	(3,933)	(4,095)
Past Service Cost including curtailments	0	13
Contributions by Scheme Participants	695	745
Unfunded Pension Payments	(120)	(108)
Adjustment for rounding (see offsetting adjustment on assets)	0	0

Closing defined benefit obligation

2023/24	2024/25
£000s	£000s
100,786	101,946
2,128	2,028
4,758	4,964
(1,674)	(14,612)
(1,428)	(269)
734	(276)
(3,933)	(4,095)
0	13
695	745
(120)	(108)
0	0
101,946	90,336

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

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

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

Opening fair value of scheme assets

Interest on assets	4,335	4,981
Return on plan assets in excess of interest	3,302	(1,313)
Other actuarial gains/(losses)	0	0
Administration expenses	(44)	(49)
Contributions by Employer including Unfunded Benefits	2,513	2,560
Contributions by Scheme Participants	695	745
Estimated Benefits paid including Unfunded Benefits	(4,053)	(4,203)
Adjustment for rounding (see offsetting adjustment on liabilities)	10	(1)

2023/24	2024/25
£000s	£000s
90,731	97,489
4,335	4,981
3,302	(1,313)
0	0
(44)	(49)
2,513	2,560
695	745
(4,053)	(4,203)
10	(1)
97,489	100,209

Closing fair value of scheme assets

The table below provides a reconciliation to the asset Ceiling

Opening Impact of asset ceiling

Interest on impact of asset ceiling	0	0
Actuarial Gains/ (Losses)	0	(11,409)

0	0
£000s	£000s
0	0
0	0
0	(11,409)
0	(11,409)

Closing Impact of asset ceiling

LGPS assets allocated to Gedling Borough Council by asset class:

Public Equities	52,880	58,956	51,947	52
Gilts	1,876	2,334	8,321	8
Other Bonds	5,374	4,836	6,447	6
Property	10,769	10,364	10,273	10
Cash and Temporary Investments	4,748	5,869	5,457	6
Inflation-linked Pooled Fund	4,580	4,959	6,932	7
Infrastructure	7,132	7,048	7,343	7
Private Equities	3,372	3,122	3,489	4

2022/23	2023/24	2024/25	
£000s	£000s	£000s	%
52,880	58,956	51,947	52
1,876	2,334	8,321	8
5,374	4,836	6,447	6
10,769	10,364	10,273	10
4,748	5,869	5,457	6
4,580	4,959	6,932	7
7,132	7,048	7,343	7
3,372	3,122	3,489	4
90,731	97,488	100,209	100

Total assets allocated to Gedling Borough Council

It is estimated that Gedling Borough Council's share of the total assets in the Fund is approximately 1.38%. Information regarding the detail of the total assets held in the Fund at 31 March 2025 is summarised in the table below. This represents the percentages of the total Fund held in each asset class, split by those that have a quoted market price in an active market, and those that do not. Further information regarding the Fund's precise asset allocations is available from Nottinghamshire County Council Pension Fund as administering authority.

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

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

Asset Class		Quoted	Unquoted	Total
		%	%	%
Fixed Interest Gov't Securities	UK	3.0	0.0	3.0
Index Linked Government Securities	UK	5.0	0.0	5.0
Corporate Bonds	UK	2.0	0.0	2.0
	Overseas	5.0	0.0	5.0
Equities	UK	15.0	0.0	15.0
	Overseas	37.0	0.0	37.0
Property	All	0.0	10.0	10.0
Others:	Private equities	0.0	3.0	3.0
	Infrastructure	0.0	7.0	7.0
	Inflation-linked Unit Trust	0.0	7.0	7.0
	Credit	0.0	3.0	3.0
	Cash/temporary investments	0.0	3.0	3.0
Total		67.0	33.0	100.0

(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 2022 (the next triennial valuation of the Fund will be carried out as at 31 March 2025, and will set contributions for the period from 1 April 2026 to 31 March 2029). The actuary's estimate for the duration of Gedling Borough Council's liabilities is 15 years.

Significant assumptions used by the actuary as at 31 March 2025 are as follows:

Expected return on assets:

The discount rate is the annualised yield at the 15-year point on the Merrill Lynch AA rated corporate bond yield curve which has been chosen to meet the requirements of IAS19 and with the consideration of the Council's liabilities. This is consistent with the approach used at the last accounting date.

Mortality assumptions:

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

		31 Mar 23	31 Mar 24	31 Mar 25
		Years	Years	Years
Retiring today-	Male	20.7	20.4	20.4
	Female	23.5	23.3	23.3
Retiring in 20 years-	Male	22.0	21.7	21.7
	Female	25.0	24.7	24.7

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

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

Financial Assumptions

The financial assumptions used for IAS19 purposes are as follows, and were set with reference to market conditions at 31 March 2025

	31 Mar 23	31 Mar 24	31 Mar 25
	%	%	%
Consumer Price Index increase	4.80	4.90	5.80
Salary Increase	2.95	2.95	2.90
Pension Increase	3.30	3.25	3.20
Discount rate for liabilities	3.95	3.95	3.90

IAS19 suggests that in assessing the future levels of long-term inflation, assumptions should be used that result in a best estimate of the ultimate cost of providing pension benefits whilst also giving consideration to the gilt market (in line with general price levels), to give an indication of market expectations. Pension increases in the LGPS are expected to be based on the Consumer Prices Index (CPI). To derive assumptions on CPI, the actuary first makes an assumption on the Retail Price Index (RPI), and then makes an adjustment. A Single Equivalent Inflation Rate (SEIR) approach is used to derive an appropriate RPI assumption, rounded to the nearest 0.05%, for the duration of the Council's pension liabilities, ie 15 years. An adjustment is then made by the actuary to reflect the expectation that CPI will be lower than RPI. This is consistent with the approach used at the previous accounting date. The actuary's estimate of CPI for Gedling Borough Council is 2.90%.

Salaries are assumed to increase at 1% above CPI, ie. 3.90%. This is consistent with the approach at the previous accounting date.

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

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

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

Sensitivity analysis:

Adjustment to discount rate:

Present value of total obligation

Projected service cost

Adjustment to long term salary increase:

Present value of total obligation

Projected service cost

Adjustment to pension increase and deferred revaluation

Present value of total obligation

Projected service cost

Adjustment to mortality age rating assumption

Present value of total obligation

Projected service cost

	£000s	£000s	£000s
+0.1%	0%	-0.1%	
89,056	90,223	91,648	
1,594	1,647	1,702	
+0.1%	0%	-0.1%	
90,461	90,223	90,213	
1,647	1,647	1,647	
+0.1%	0%	-0.1%	
91,559	90,223	89,142	
1,704	1,647	1,591	
+ 1 Year	None	- 1 Year	
93,627	90,223	87,179	
1,704	1,647	1,591	

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.

Asset Ceiling

Accounting Standards state that if an employer has an accounting surplus, it should be recognised to the extent that it is able to recover the surplus either through reduced contributions in the future, or through refunds. The present value of such economic benefits is commonly referred to as the "asset ceiling". The Actuary has therefore incorporated an asset ceiling into the Gedling's balance sheet, however the relevant calculations have shown that the impact of the asset ceiling on the Council is £11.9m.

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 2025 and will set contribution rates for the period from 1 April 2026 to 31 March 2029 (financial years 2026/27, 2027/28 and 2028/29). There are no minimum funding levels in the LGPS, however contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

Estimated costs for 2024/25

The actuary's estimate of the total pension expense for the year to 31 March 2025 is £1,713,000. Service cost is estimated to be £1,647,000, net interest on the defined liability £17,000, and administration expenses £49,000. Expected employer contributions are £2,435,000, and contributions for discretionary benefits are £117,600, as per the Council's own budget for 2025/25.

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

33. RELATED PARTIES

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

Central Government

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

Members

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

Officers

Officers on the Council's Senior Leadership Team (SLT), Service Managers, and the closest members of their families, have the potential to significantly influence the policies of the Council, however this is limited by the Scheme of Delegation. During 2024/25 no interests were declared by members of SLT and the statutory disclosure requirements in respect of officer remuneration are satisfied by note 30 on pages 79 to 80.

Other Public Bodies

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

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

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

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

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

33. RELATED PARTIES (Continued)

<u>Organisation/Body</u>	<u>Nature of relationship</u>	<u>Receipts £000s</u>	<u>Payments £000s</u>
Change Network Ltd	GBC Officer but not directly employed by GBC and is a shareholder/board member	0	131
Citizens' Advice Bureau	Elected Member has a management interest	0	41
East Midlands Council	Elected Member is a representative	0	10
Futures advice, skills and employment Ltd	Elected Members are board members and/or representatives	0	150
Gedling Indoor Bowls Centre Ltd (Community Amateur Sports Club)	Elected Member has a connection to the organisation	(97)	0
Gedling Play Forum	Elected Members have a management interest and connection to the organisation	(1)	11
Inspire	Elected Member has a connection to the organisation	(5)	43
Jigsaw Homes	Elected Members are board members and/or representatives	(112)	2
Positively Empowered Kids CIC	Elected Members are a representative	0	17
Redhill Academy Trust	Elected Member is a board member	(56)	0
Robert Mellors School	Elected Member is governor	(10)	0
Unison	Elected Member is a branch administrator / organiser	0	10
Other Local Authorities	Material employee relationships	(592)	1,279
Parish Councils	GBC Elected Members on parish councils	(93)	241

34. CONTINGENT LIABILITIES

Thurrock Council (APSE)

The Council faces a potential financial liability due to Thurrock Council issuing legal proceedings against 23 council members of the Association for Public Service Excellence (APSE). Thurrock Council allege that APSE provided "negligent" valuations of solar farm assets that Thurrock Invested in. The claim is currently paused following an agreement between the parties to stay the proceedings with the intention of to allow Thurrock to reach a final determination against a separate claim against the businessman who led the venture.

35. CONTINGENT ASSETS

Truck Cartel Legal Claim

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

Fraudulent Activity

The financial impact of fraudulent activity identified in July 2022 has been quantified as £934k. Whilst £328k has been recovered, £606k has been lost to revenue, and subsequently to the General Fund. This element is the subject of an insurance claim.

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE FINANCIAL STATEMENTS

36. EVENTS AFTER THE BALANCE SHEET DATE

The final Audited Statement of Accounts will be authorised for issue by the Chief Financial Officer, following approval by the Audit Committee. Events taking place after Audit Committee approval will not be reflected in the financial statements or notes. Where events taking place before Audit Committee approval provide information about conditions existing at 31 March 2025, the figures in the financial statements and notes will be adjusted in all material respects to reflect the impact of this information.

37. LEASES

COUNCIL AS A LESSEE

In 2024/25 the Council has adopted IFRS 16 Leases, as required by the Code of Practice for Local Authority Accounting in the United Kingdom operating leases, both where it is the Lessor and where it is the Lessee, to ensure that these are documented and classified as required by IFRS16. Following this work it has been concluded that the operating leases, where Gedling Borough Council is the lessee, fall below the de-minimus limits and therefore do not constitute a Right of Use Asset.

COUNCIL AS A LESSOR

The most significant items for Gedling are operating leases where the Council is the Lessor, and include business units. It is estimated that at 31 March 2025 the total "non-cancellable" lease rental income due in future years in respect of these leases is approximately £3.3m (23/24 £3.8m) as shown below.

The Council leases out property under operating leases

The maturity analysis of these lease receivables is

Less than one year
One to five years
More than five years

	31/03/24	31/03/25
	£000s	£000s
	505	441
	1,318	1,156
	1,983	1,738
	3,806	3,335

ANNUAL STATEMENT OF ACCOUNTS 2024/25

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).

2023/24			2024/25		
Council Tax £000s	NDR £000s	Total £000s	Council Tax £000s	NDR £000s	Total £000s
INCOME:					
(88,733)	0	(88,733)	(94,335)	0	(94,335)
(316)	0	(316)	(97)	0	(97)
0	(22,932)	(22,932)	0	(26,245)	(26,245)
(89,049)	(22,932)	(111,981)	(94,432)	(26,245)	(120,677)
<u>Apportionment of previous year deficits</u>					
0	1,719	1,719	0	877	877
0	310	310	0	158	158
0	0	0	0	0	0
0	34	34	0	18	18
0	1,376	1,376	0	702	702
0	3,439	3,439	0	1,755	1,755
<u>Other Income to Collection Fund</u>					
0	(1,275)	(1,275)	0	(562)	(562)
0	(1,275)	(1,275)	0	(562)	(562)
EXPENDITURE:					
<u>Precepts, Demands and Shares</u>					
0	12,218	12,218	0	13,164	13,164
67,111	2,199	69,310	70,194	2,369	72,563
10,481	0	10,481	10,960	0	10,960
3,487	244	3,731	3,582	263	3,845
7,151	9,775	16,926	7,332	10,531	17,863
853	0	853	921	0	921
89,083	24,436	113,519	92,989	26,327	119,316

ANNUAL STATEMENT OF ACCOUNTS 2024/25
COLLECTION FUND STATEMENT (Continued)

2023/24				2024/25		
Council Tax £000s	NDR £000s	Total £000s		Council Tax £000s	NDR £000s	Total £000s
			<u>Other Charges to Collection Fund</u>			
438	196	634	Sums written off	652	239	891
457	185	642	Incr/(Decr) in Impairment Allowance	(67)	(61)	(128)
0	(1,661)	(1,661)	Incr/(Decr) in Provision for Appeals	0	(269)	(269)
0	0	0	Transitional Protection Pyts payable	0	0	0
0	379	379	Renewables	0	502	502
0	0	0	Miscellaneous Expenditure	0	0	0
0	99	99	Costs of Collection	0	100	100
895	(802)	93		585	511	1,096
929	2,866	3,795	Net Deficit/(Surplus) for Current Yr.	(858)	1,786	928
(964)	(4,254)	(5,218)	Add Balance BFwd from Previous Yr.	(35)	(1,388)	(1,423)
(35)	(1,388)	(1,423)	Balance CFwd (Surplus) / Deficit (notes 2 and 4 to the Collection Fund Accounts)	(893)	398	(495)

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE COLLECTION FUND ACCOUNTS

1. COUNCIL TAX BASE

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

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

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

2023/24	2024/25
Number	Number
11	10
6,519	6,530
9,565	9,711
7,953	8,067
6,223	6,305
4,735	4,805
1,966	1,980
1,388	1,405
144	150
38,504	38,963

Council Tax Base

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 surplus of £0.035m. By 31 March 2025, this had moved to a surplus of £0.893m.

Balance Sheet Deficit/(Surplus) Allocation:

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

Council Tax Deficit attributable to Gedling BC

TOTAL

2023/24	2024/25
£000s	£000s
(27)	(675)
(5)	(105)
(1)	(34)
(33)	(814)
(2)	(79)
(35)	(893)

3. NON DOMESTIC RATES (NDR)

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

2023/24	2024/25
66,163,421	67,586,625
51.2p	54.6p
49.9p	49.9p

ANNUAL STATEMENT OF ACCOUNTS 2024/25

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 surplus of £1.388m. By 31 March 2025, this had moved to a deficit of £0.398m.

	2023/24	2024/25
Balance Sheet Deficit/(Surplus) Allocation:	£000s	£000s
Central Government	(694)	199
Nottinghamshire County Council	(125)	36
Combined Fire Authority	(14)	4
	(833)	239
NDR (Surplus) / Deficit attributable to Gedling BC	(555)	159
TOTAL	(1,388)	398

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

(i) Arrears:

Uncertainties

An estimate of the impairment allowance for doubtful NDR and Council Tax debts is based upon the age and type of each debt. A collective assessment matrix is used, incorporating the value of items with shared characteristics, eg. the type of debtor and the period overdue, together with a weighting factor for the probability of default. The total Collection Fund impairment allowance at 31 March 2025 is £3,561,445, of which £251,204 and £256,382 represent Gedling's shares of NDR and Council Tax respectively.

ANNUAL STATEMENT OF ACCOUNTS 2024/25

NOTES TO THE COLLECTION FUND ACCOUNTS (Continued)

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

Effect if actual results differ from assumptions

If collection rates were to deteriorate, a 10% increase on the impairment amount would require an additional total of £558,345 to be set aside as an allowance, of which Gedling's share as billing authority would be approximately £25,120 for NDR and £25,638 for Council Tax. The collection rate for Council Tax in 2024/25 was 97.49%, and the rate has not varied by more than +/- 0.3% in any of the past five years. The collection rate for NDR in 2024/25 was 98.5% which represents an increase of 0.62% on that for 2023/24.

(ii) Appeals:

Uncertainties

The Business Rates Retention scheme introduced a requirement to maintain a provision for rating appeals. The system is complex and neither the number of successful appeals nor the percentage reduction in rateable value (RV) achieved can be pre-determined. The current provision totals £1,522,012 of which the Council's share as billing authority is 40%, ie £608,805.

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 £76,101. Of this, the Council's share as billing authority would be 40%, ie. £30,440.

Audit Statements

ANNUAL STATEMENT OF ACCOUNTS 2024/25

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Accompanying Statements

ANNUAL STATEMENT OF ACCOUNTS 2024/25

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Report to Audit Committee

Subject: External Audit Progress Report (Mazars)

Date: 16 September 2025

Author: Chief Finance Officer & Section 151

1 Purpose of Report

To inform Members of the progress of the External Audit for the 2024/25 Statement of Accounts.

Recommendation:

1. Note the External Audit progress Reports attached at Appendix 1 as presented by Mazars.

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.

Due to the Fraud identified in July 2022 and the governments statutory backstop arrangements the Councils external auditors Mazars issued disclaimed audit opinions for its Statement of Account for the years 2021/22, 2022/23 and 2023/24.

The attached report sets out the current position with the external audit for the 2024/25 Statement of Accounts.

3 Proposal

Members note the current position on the progress report and note the likelihood that the Council will not be able to return to an unqualified audit opinion prior to Local Government reorganisation.

4 Financial Implications

At the July Audit Committee recommended that Council approve an additional £88,549 for the External Audit scale fees for 2024/25. This fee increase was

based on a full External Audit being carried out by Mazars but did not include the re-building assurance work that would have been needed to form an opinion of opening balances. The likelihood that Mazars will now not carry out a full in-depth audit on some areas may have an impact on the final audit fee that will be charged. There is a possibility that the fee will be at a reduced rate, once we have some clarity of the final fee it will be brought to the attention of the Audit Committee. At a future meeting.

5 Legal Implications

None arising directly from this report, The Accounts and Audit Regulations 2015 mandates that Local Authorities in the UK must have external audits. It outlines the framework for audits of local authorities, including the requirement to appoint an external auditor.

6 Equalities Implications

There are no equalities implications directly arising from this report.

7 Carbon Reduction/Environmental Sustainability Implications

There are no carbon reduction/environmental sustainability implications arising from this report.

8 Appendices

Appendix 1 – External Audit Progress Report

Statutory officer Approval:

Approved by: Chief Financial Officer

Date: 05/09/2025

Approved by: Monitoring Officer

Date: 05/09/2025

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External Audit Progress Report

Gedling Borough Council

September 2025

Contents

1. [Backstop update](#)
2. [Value for money arrangements](#)

01

Backstop update

Backstop update

Background

The statutory backstop established a date in legislation by which local authorities were required to publish their financial statements irrespective of whether their external auditor had obtained sufficient appropriate audit evidence to issue a non-disclaimed audit opinion. The introduction of the backstop led to many local authority audits being disclaimed. Gedling Borough Council received disclaimed audit opinions on the 2021/22, 2022/23 and 2023/24 financial statements. This disclaimed opinion included reference to the fraud that exposed IT control weaknesses over the financial ledger, adding complexity to the Council's position.

Audit suppliers have worked with the National Audit Office (NAO) and the Financial Reporting Council (FRC) to develop guidance to support local audit suppliers to rebuild assurance after previous audits have been disclaimed. In June 2025, the NAO issued its guidance to auditors on the special considerations for rebuilding assurance. The Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06 was published with the endorsement of the Financial Reporting Council (FRC). The NAO issued its suite of LARRIGs to support auditors in meeting the requirements of the Government's backstop arrangements included in the Accounts and Audit (Amendment) Regulations 2024. LARRIG 06 makes clear the work required to rebuild assurance following a disclaimer of opinion may be significant and will vary between authorities.

The LARRIG emphasises the timely delivery of audited financial statements is a collective enterprise where both accounts preparers and auditors have important responsibilities. Effective governance and internal controls, allied to accurate and timely financial reporting, are essential conditions to support a return to the timely delivery of unqualified audited financial statements.

You can access the NAO's suite of LARRIGs here: www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/

Rebuilding following a disclaimer of opinion

Under normal circumstances and following a financial year where the auditor has given an unmodified opinion on the financial statements, auditors would usually rely on assurance obtained in the prior period to be satisfied that the opening balances in the current year are free from material error. Following the completion of audit procedures on in-year transactions, the auditor would usually be able to form an opinion on the current year's financial statements.

When a disclaimer of opinion has been issued in the prior periods, no such assurance can be taken and the auditor must design alternative audit procedures to be able to form a position on the current year's financial statements.

Risk assessment process

The guidance requires auditors to consider the facts and circumstances impacting the financial statements and the different classes of transactions and account balances, and to apply professional judgement in determining the appropriate level of audit work to rebuild assurance. In general, the greater the number of financial years subject to a disclaimed opinion, the greater risk of material misstatement that auditors need to address when determining the most appropriate way to rebuild assurance. Even in circumstances where only one year's financial statements have been subject to a disclaimed opinion, the inherent risk of material misstatement will inevitably be higher than would ordinarily be the case.

Backstop update

LARRIG 06 places an emphasis on the risk assessment procedures auditors should undertake. We will conduct a comprehensive risk assessment which considers:

- the Council’s system of internal control for the periods subject to disclaimed audit opinions; and
- a detailed assessment of the potential risks for each account balance.

Initial risk assessment

Based on their local assessment of the level of risk, audit teams need to determine the most efficient approach to re-build assurance recognising the desire of all system partners to return to a position where audit suppliers can issue non-disclaimed audit opinions as soon as possible. In accordance with guidance set out in the LARRIG, this may require audit teams to depart from the approach to substantive audit testing they have adopted in previous years.

Possible options for substantive testing are set out in the LARRIG and can broadly be split between two approaches:

- **Proof in total approach:** the total reserves balances is deduced by undertaking procedures on the top-half of the balance sheet, and targeted substantive procedures are performed. Must be undertaken in one audit year.
- **Historic testing approach:** Full substantive tests of detail on transactions recognised in financial statements that received a disclaimed audit opinion. Assurance to be rebuilt over a number of years.

At this stage, we have undertaken our initial risk assessment and determined that the historic testing approach is appropriate for Gedling Borough Council. As a consequence, we are dependent on the development and agreement of what testing is required to rebuild by testing historic balances and whether this can be completed in time for local government reorganisation. This historic testing would need to include sufficient and appropriate over the IT control weaknesses exposed by the fraud.

Backstop update

Timeline and further reporting

As previously communicated to members, we will be issuing a disclaimed audit opinion on the Council’s 2024/25 financial statements.

Going forward, given that the Council’s initial risk assessment would require the audit of previously disclaimed years to rebuild assurance, it is unlikely that the Council will be able to return to an unqualified audit opinion before Local Government Reorganisation (LGR). In addition to the number of disclaimed years, the previously identified fraud perpetrated against the Council may impact the integrity of financial data during some or all of those disclaimed periods.

The implications for post-LGR unitary authorities has yet to be determined by system leaders, who may require additional work to be performed to partially rebuild assurance. We will keep members informed of any developments when we receive further guidance. We anticipate being able to present our Audit Strategy Memorandum to members in early 2026.

It should be noted that there is no impact on our VFM reporting, which is detailed further on the following page.

Implications for audit fees

PSAA have yet to determine the impact of the auditor’s procedures for rebuilding assurance on the scale audit fee for 2024/25 and beyond. It will deal with this through its scale fee variation approval process. We will be transparent in communicating with the Section 151 officer any additional or reduced audit costs arising from our work on rebuilding assurance and will update the Committee in due course.

02

Value for money arrangements

Value for money arrangements

Value for money 2024/25 progress

The NAO's revised Code of Audit Practice from 2024/25, requires auditors to issue their Auditor's Annual Report, which includes commentary on the Council's Value for Money arrangements, by 30 November each year.

We are currently carrying out our fieldwork and plan to complete our work on the VFM arrangements and submit our draft report to management in advance of 30 November 2025.

Contact

Forvis Mazars

Mark Surridge

Partner

Mark.Surridge@mazars.co.uk

Jennie Norman

Manager

Jennifer.Norman@mazars.co.uk

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Report to Audit Committee

Subject: Internal Audit Progress Report

Date: 16 September 2025

Author: Gurpreet Dulay – Internal Audit Partner (BDO)

Purpose

To summarise the outcome of internal audit activity completed by the BDO Internal Audit Team for the period July to September 2025.

Recommendation(s):

THAT:

Members to note the progress of the delivery against the 2025/26 Internal Audit Plan, including the Executive Summary for the following audit reports: People Services and Risk Management.

1. Background

1.1 The Internal Audit Plan for 2025/26 was approved by the Audit Committee on 18 March 2025. The progress report provides a summary update of the work undertaken by BDO for 2025/26 and the schedule in which we anticipate presenting the final reports to the Audit Committee over 2025/26.

2. Proposal

2.1 Since the last Audit Committee meeting, two reports have been finalised (People Services and Risk Management). We have commenced scoping and fieldwork for audits that form part of the 2025/26 Internal Audit Plan and we anticipate that these will be presented to the Audit Committee over the course of the year.

2.2 The BDO Global Risk Landscape Report has been included as an appendix to our Progress Report. This sets out the results of BDO's research with over 500 risk leaders from various sectors to identify the key views and approaches taken to risk.

3. Financial Implications

3.1 The Internal Audit Plan is delivered within the approved budgets.

4. Legal Implications

4.1 The Accounts and Audit Regulations 2015 require authorities to undertake effective internal audit to evaluate the effectiveness of risk management, control and governance processes. This report provides the annual position of internal audit for 2025/26 and is provided to Committee in accordance with the Council's Constitution and delegations contained therein.

5. Equalities Implications

5.1 There are no equalities implications arising directly from these reports.

6. Carbon Reduction/Environmental Sustainability Implications

6.1 There are no carbon reduction/environmental sustainability implications arising directly from these reports.

7. Appendices

7.1 BDO Internal Audit Progress Report – September 2025.
Appendix 1 – BDO Global Risk Landscape Report

Gedling Borough Council
Internal Audit Progress Report
September 2025

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Summary of 2025/26 Work

Internal Audit

This report is intended to inform the Audit Committee of progress made against the 2025/26 internal audit plan. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Global Internal Audit Standards in the UK Public Sector. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.

Internal audit methodology

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in Appendix I of this report and are based on us giving either ‘substantial’, ‘moderate’, ‘limited’ or ‘no’ opinion. The four assurance levels are designed to ensure that the opinion given does not gravitate to a ‘satisfactory’ or middle band grading. Under any system we are required to make a judgement when making our overall assessment.



Internal audit plan 2025/26

We are now making good progress in the delivery of the audit plan.

We are pleased to present the following reports to this Audit Committee meeting:

- ▶ People Services
- ▶ Risk Management.

Fieldwork is in progress in respect of the following audits:

- ▶ Main Financial Systems.

We anticipate presenting this report at future Audit Committee meetings.

Value added

We are also presenting the following reports to this Audit Committee meeting:

- ▶ BDO - Global Risk Landscape

This report examines the attitudes of 500 global risk leaders to a range of emerging and evolving risks such as Artificial Intelligence (AI), cyber-attacks and supply chain, and offers practical takeaways to manage risks.

The theme and title of this year's report is “The risk rift: why playing safe means losing growth” which highlights a big mistake in risk management - focusing too much on compliance rather than the bigger picture of risk. By shifting from a compliance-first to a risk-first mindset, organisation can take advantage of greater strategies to navigate and leverage risks for growth and opportunity.






Our research found that 69% of organisations surveyed took a risk-averse or risk-minimising approach, with 74% of Executives saying that embedding risk thinking into their organisation's culture is a priority.

Review of 2025/26 work

AUDIT	AUDIT COMMITTEE	PLANNING	FIELDWORK	REPORTING	DESIGN	EFFECTIVENESS
Risk Management	September 2025	✓	✓	✓	S	M
Main Financial Systems (Fraud)	December 2025	✓	✓			
Asset Management - Commercial Assets	March 2026	✓				
Asset Management - Residential Assets	December 2025	✓				
Freedom of Information Requests and Complaints	June 2026	✓				
Corporate Governance	June 2026	✓				
People Services	September 2025	✓	✓	✓	L	M
Cyber Security	March 2026	✓				

People Services

CRR Reference: CR002, CR003 and CR012

Design Opinion	 Limited	Effectiveness Opinion	 Moderate
Recommendations	 1	 4	 0



SCOPE

Background

- ▶ Gedling Borough Council (the Council) has approximately 450 employees to deliver its services to the residents and the public. The Council requires a suitably skilled, well-motivated and engaged workforce that meet the changing needs of residents and the challenging internal and external environments in which it operates.
- ▶ We undertook an audit of the Council's workforce strategy in 2022/23 and provided Moderate assurance over the control design and Limited assurance for the control effectiveness. This was principally due to the low completion of performance development reviews leading to training needs not being understood for staff development. To ensure sufficient coverage of risks relating to the Council's workforce, this review will focus on sickness and absence management, workforce development and succession planning.

Sickness and Absence Management

- ▶ Effective sickness management processes, underpinned by clear policies and procedures, support the Council to improve attendance at work, the health and wellbeing of staff and to deliver services to residents.
- ▶ As reported to the August 2024 Joint Consultative and Safety Committee, the Council's outturn for absence per employee between June 24 - May 25 was 11.34 days. It reported that the main reasons for absence across the 12-month period were:
 - Anxiety/stress/depression - 28%
 - Operation or post-operative recovery - 15%
 - Back Problem - 8%.
- ▶ While the policy is owned and applied by the HR and Workforce Team, line managers should take responsibility for managing sickness absence of staff who report directly to them. Employees that are off sick from work also have a responsibility to engage appropriately with the process.
- ▶ The HR and Workforce Team are refreshing the sickness and absence management policies and procedures, including trigger points for escalation of sickness absence for employees with a large number of days or episodes of absence over a rolling 12-month period. The Council use the Zellis HR System to record absences of staff.

Workforce Development and Succession Planning

- ▶ Succession planning and workforce development is essential to ensure that organisational skills or knowledge is not lost when personnel leave the authority or change roles. The Workforce Strategy audit performed in 2022/23 identified a Medium finding for the lack of succession planning for critical roles.
- ▶ Workforce development is the ability to align the workforce to the needs of the organisation through an ongoing process of skills development and effective management of change, enabling employee development activity to be aligned to business need and ensuring that adverse impacts of restructuring are minimised through early planning.

Purpose

- ▶ The purpose of this review is to provide assurance over the Council's people services processes, including management of sickness absence, succession planning for and workforce/people development to ensure there is appropriate forward planning and oversight of areas where single points of failure are prevalent.

Areas reviewed

The following areas were covered as part of this review:

Sickness and Absence Management

- ▶ Confirmed that the Council had appropriately communicated policies and practices around sickness and absence management to line managers and staff (for example through communications, and/or training).
- ▶ For a sample of recorded staff absences (focusing on short term absences) between 1 June 2024 and 31 May 2025, we reviewed whether the Council's policies and procedures were adhered to when managing absences. Specifically, we assessed whether:
 - The absence was recorded on Zellis with sufficient detail of the cause/reason for the absence.
 - A return-to-work meeting had been performed with the employee on their first day and documented on the SC1 form with any remedial actions needed to enable to employee to effectively complete their role. We also confirmed that the form had been accurately filed in the employee's file on Idox.
- ▶ For a sample of staff who had met the trigger points for escalation in the past 12 months, we assessed whether appropriate escalation actions have been taken with the employee and documented in accordance with the Council's Sickness and Absence Management Policy.
- ▶ Verified how sickness data was reported and scrutinised by the Council, whether trends were analysed, and action plans were initiated accordingly. We focused on:
 - Whether there was root cause analysis that supported the actions identified.
 - Whether the Council reviewed any disparities in the data between staff groups.
 - Whether areas where there were higher levels of sickness absence were prioritised, and there was adequate support provided to Directors to risk assess and proactively manage sickness absence levels.

Workforce Development and Succession Planning

- ▶ Processes for monitoring and succession planning arrangements for staff in high risk or critical roles and for those with short notice periods. This included assessing whether succession plans were documented for these roles to transfer knowledge and skills to other staff.
- ▶ Whether standard operating procedures were documented for processes performed by staff in key roles to ensure that procedures were in place for information sharing to mitigate loss of knowledge if staff in key roles were to leave the Council.
- ▶ Training, support and guidance provided to line managers to assess whether clear principles were set to enable these individuals to develop others in their team, to support their progression and upskill staff.



AREAS OF STRENGTH

We identified the following areas of good practice:

- ▶ We reviewed a sample of ten staff that had met the trigger points for escalation through the Formal Absence Management Procedure. Of these, five staff had illnesses or absences that fell outside the scope of escalation. For the remaining five staff, the HR and Workforce Team were proactive to ensure it was appropriately managed and investigated with meetings and notices of concern being issued where appropriate.
- ▶ The Council have rolled out a new process to replace the formal annual performance development reviews, promoting monthly one-to-one meetings between staff and

their line manager provide a more regular frequency of performance monitoring and opportunity to raise concerns or development ambitions. The purpose of the system change is to allow greater oversight from managers over the learning development of their officers which is important in effective upskilling and succession planning. While we are unable to provide assurance over the effectiveness of these new meeting structures as they have only recently been implemented, the objective supports more regular and ongoing oversight of performance. This is notwithstanding the risk around monitoring compliance with these meeting identified in Finding 2.

- ▶ The Assistant Director of Workforce has identified control gaps and areas for improvement across a range of people-related procedures, including sickness and absence management, which have been incorporated into their objectives and work plan for the coming year. Some action has been taken to address these matters, for example, the Attendance Management Policy is currently out for consultation with stakeholders and the Council are assessing options for replacing the HR system to allow for more self-service access.



AREAS OF CONCERN

Finding	Recommendation and Management Response
The Council have not defined or identified business-critical roles, resulting in succession plans not being in place for high-risk roles, ie where there is a statutory duty to hold a role, where the post holder performs a statutory duty for the Council, there is only one individual with the necessary skills or qualifications to perform a role in the Council, etc. Furthermore, there were departments performing critical roles where processes were not formally documented into Standard Operating Procedures (SOPs) (Finding 1 - High).	<p><u>Recommendation</u></p> <p>A. The Senior Leadership Team should complete a risk analysis of roles across the Council to define and identify roles that are considered business critical. We have provided a template that it could use for this in Appendix I.</p> <p>B. For roles that are considered high risk or business critical, the Council should develop formal succession plans to document factors and information such as:</p> <ul style="list-style-type: none"> • Notice period of the current post-holder • Statutory responsibilities required for the role • Skills and competencies required for the role and whether these exist more widely in the organisation • Short, medium and long-term plans to provide for these roles, ie internal replacements, full recruitments, etc. <p>C. The documented succession plan for the business-critical roles should be retained by the HR and Workforce Team. This should be reviewed and updated periodically or as circumstances change.</p> <p>D. For each of the business-critical roles identified, SOPs should be documented for the key responsibilities of the role and</p>

		<p>processes followed to reduce disruption and enable continuity in the event that a post holder leaves the Council.</p> <p><u>Management Response</u></p> <p>A. The SLT will conduct a risk analysis of roles using the template provided.</p> <p>B. We have already identified this work as per our objectives for 25/26. Managers to be trained in succession planning, knowledge transfer and importance of having SOPs. Points identified above will be included in the plans.</p> <p>C. Agreed</p> <p>D. The Assistant Director of Workforce will work with ADs to ensure SOPs are completed and a process identified to regularly review and update. This can be monitored at the Budget & Performance Board as this work aligns to 121 reviews and training staff.</p> <p>Target Date: A. 1 December 2025, B-D. 31 March 2026.</p>
	<p>The HR and Workforce Team does not monitor the completion of monthly one-to-one performance meetings between staff and their line managers. This process was introduced partly because there was low compliance of the annual performance development reviews, therefore, there is a risk that these continue to not be held, thereby limiting performance oversight and staff development (Finding 2 - Medium).</p>	<p><u>Recommendation</u></p> <p>The HR and Workforce Team should establish a process for monitoring the completion of one-to-one meetings to ensure that these are being held and documented on the forms. Any non-compliance should be escalated to the relevant Assistant Director.</p> <p><u>Management Response</u></p> <p>A pulse survey will be completed in October to check staff are receiving 121s and the system is working. A more formal review with managers will take place in January 2026, followed by a further pulse survey in February. These will continue until the practice is fully embedded.</p> <p>Target Date: 31 October 2025.</p>
	<p>The Attendance Management Policy does not clearly define roles and responsibilities for identifying and escalating sickness absence. Furthermore, there were some process inefficiencies through manual controls, which could result in non-compliance or inconsistencies. The Council are consulting with stakeholders on amendments to the Policy, which could incorporate some</p>	<p><u>Recommendation</u></p> <p>A. As part of its review and refresh of the Attendance Management Policy, the Council should provide clarity over:</p> <ul style="list-style-type: none"> Documenting the roles and responsibilities of staff and line managers clearly for notifying and recording sickness absence.

	<p>of our recommendations (Finding 3 - Medium).</p>	<ul style="list-style-type: none"> Placing the responsibility on the line manager for identifying and escalating absences that meet the Stage One trigger points. <p>B. In accordance with its wider transformation programme, if the Council do opt to procure an alternative HR system, it should incorporate into its specification that the alternative solution allows staff and line managers self-service access to record sickness absence. This solution may also enable the HR and Workforce Team or line managers to be automatically notified when an employee has met a trigger point.</p> <p><u>Management Response</u></p> <p>A. The roles and responsibilities of staff and managers is incorporated into the revised policy. A flow chart is also included on what happens and when. However, a shorter management guide is being produced to be used when the training is rolled out. This will provide a quicker aide memoir for managers use. The Policy will include hyperlinks to assist managers to find the information they need quickly.</p> <p>B. The upgraded HR system allows greater access and visibility of absence data for managers and self-service for staff. Alerts can also be set aligned to triggers. The system needs to be configured to our policy and managers trained in the use of the absence module.</p> <p>Target Date: A. 30 November 2025, B. 30 June 2026.</p>
	<p>We identified non-compliance with the management of sickness absence, including six instances (60%) where a return-to-work meeting was not held on the employee's first day back at work, and in some cases taking a month to complete (Finding 4 - Medium).</p>	<p><u>Recommendation</u></p> <p>A. The HR and Workforce Team should periodically review a sample of SC1 Forms to check whether these have been completed properly, identifying trends or hot spots for non-compliance. Where non-compliance is identified, additional training should be offered to line managers.</p> <p>B. As a longer-term solution, the Council should seek to digitalise the sickness absence process and the return-to-work forms. This could allow for automatic notifications to</p>

		<p>line managers to complete return-to-work forms and have mandatory fields. These features would need to be considered as part of a procurement process for an integrated system.</p> <p><u>Management Response</u></p> <p>A. The training of managers in the new policy needs to take place first and time allowed to embed the new procedures. Managers will be trained not to accept incomplete forms. HR can review a sample of forms for correct completion on a bi-monthly basis, until standards are met.</p> <p>B. Plans are being made when the HR system is upgraded to the Cloud in April/May 26 sickness processes will be digitised. A period of training in the new system will follow in June 26.</p> <p>Target Date: A. 30 November 2025, B. 30 June 2026.</p>
	<p>Reporting on sickness absence in the HR Dashboard Report is high level and does not provide analysis on the root cause of sickness absence at a departmental level (Finding 5 - Medium).</p>	<p><u>Recommendation</u></p> <p>As part of a procurement exercise for a new HR system, if this is opted for, the Council should incorporate self-service reporting and access to sickness absence data for staff into the line manager's functionality specification.</p> <p><u>Management Response</u></p> <p>Procurement of for the HR system has already been completed. The upgraded HR system will include self-serving reporting for managers on sickness data. Managers will be trained in the new functionality which will provide more reports and greater analysis of trends for managers' decision making and monitoring of absences to reduce sickness absence levels.</p> <p>Target Date: 30 June 2026.</p>



CONCLUSION

We conclude that the Council has a Limited design and Moderate effectiveness of controls for sickness and absence management and workforce strategy.

This review was conducted at a point in time when the Council are undertaking a transformation programme and significant changes to how it manages its workforce. Therefore, we would expect there to be significant improvement in the next year, with control gaps identified in this audit incorporated into the Assistant Director for Workforce's objectives. They only joined the Council in October 2024.

Control Design

The control design was Limited because the system of internal controls was weakened with system objectives at risk of not being achieved.

There were significant gaps in the preparation of succession planning for business-critical roles, with the first step recommended by the Chartered Institute for Personnel Development (CIPD), to identify which roles are considered business critical, not being defined. We have seen this risk materialise in other audits, where staff have left the Council and there were not suitable provisions in place prior to their departure to support continuity.

There were also control design gaps identified in the management of sickness absence, underpinned by an outdated policy that does not meet the Council's requirements. Although, this has been recognised by the Council who are consulting with stakeholders about a new policy. Sickness absence processes were manual, often leading to the HR and Workforce Team not being aware of sickness absence until a month after it occurred. Furthermore, there was a reliance placed on line managers to identify and escalate absences where triggers had been met, although departmental sickness absence reports are provided for managers where staff hit escalation triggers. In practice, this did not always happen consistently.

Control Effectiveness

The control effectiveness was Moderate because there was non-compliance with key procedures and controls places the system objectives at risk.

For sickness absence management, the SC1 Form was not completed consistently by line managers, leading to elements of the information on the form being missing. Furthermore, information collected on the root cause for sickness absence was not analysed at a departmental level and shared with directorates to address local trends for sickness absence. This data was collected on the SC1 Form and input into Zellis.

The HR and Workforce Team are proactively seeking to address known challenges, including a change in the performance review process, replacing the annual formal process with more regular one-to-one meetings between staff and line managers. This is to support development and growth, and to address challenges earlier. As this process develops, it will be important to monitor compliance with the process to ensure it is effective, as in the Workforce Strategy audit there was high levels of non-compliance identified with the formal performance review process.

Risk Management

CRR Reference: All Corporate Risks

Design Opinion	S Substantial	Effectiveness Opinion	M Moderate
Recommendations	0 3 0		



SCOPE

Background

- ▶ The Chartered Institute of Public Finance and Accountancy's (CIPFA) Good Governance Standard for Public Services identifies the importance of effective risk management in the delivery of public services. Further guidance on risk management is prescribed by the Institute of Internal Auditors (IIA) and the government's 'Orange Book'.
- ▶ Local authorities face a wide range of strategic, operational and financial risks, from both internal and external factors. Risk management is a planned and systematic approach to identifying, evaluating and responding to risks and providing assurance that responses are effective.
- ▶ Gedling Borough Council's (the Council) Risk Management Framework and Strategy was approved and adopted by Cabinet on 28 March 2024. This establishes the Council's overarching objectives and principles for risk management, including its risk appetite, and guidance on the processes, procedures, roles and responsibilities for monitoring and managing risks.
- ▶ The Corporate Risk Scorecard is a key enabler of the Risk Management Framework and Strategy and provides assurance on the key risks identified as corporate risks. This is presented to the Senior Leadership Team (SLT) and the Audit Committee quarterly. SLT includes risk as part of its agenda to oversee any change in risk level which impacts the Corporate Risk Register.
- ▶ In January 2024, the Council implemented a risk management module on the Ideagen Pentana System (Pentana). This system is also used for performance management, so the aim was to create a uniform process for risk management to ensure that it remained central to decision making. Each risk is allocated to a risk owner to update the risk score and mitigating controls. The Chief Financial Officer and Deputy Chief Executive review local risks regularly to evaluate the impact on corporate risks.
- ▶ Following a restructure of the senior management governance structures, a Corporate Risk Board has been created to oversee and monitor risks across the Council. This meets every two months. Workshops for risk owners were also held in October 2024 to provide training and support on how to word risks effectively and monitor risks. Individual meetings were also held with departmental risk owners in May 2025.

Purpose

- ▶ The purpose of this review was to provide assurance over the Council's risk management arrangements at a corporate and departmental level. We also assessed whether there was a clear golden thread between the Corporate Risk Scorecard and Departmental Risk Registers, ensuring mitigating controls were documented and monitored at different levels of the organisation.

Areas reviewed

The following areas were covered as part of this review:

- ▶ The Risk Management Strategy and Framework to assess whether these provided a robust structure for risk management, including clarity over governance structures

and processes for risk management. We also assessed whether the Council have established and documented its risk appetite.

- ▶ Interviewed a selection of risk owners to enquire about their understanding of the Council's risks management procedures, and their roles and responsibilities for identifying and monitoring risks.
- ▶ Training for risk owners on Pentana and on the Council's risk management processes and procedures, to ascertain whether sufficient support had been provided to risk owners to manage and own their risks.
- ▶ A walkthrough of Pentana to assess whether risks had been identified, scored, allocated to owners and had documented mitigating actions to reduce the risk to a tolerable level. We assessed whether the risks have been worded properly (in accordance with CIPFA and government guidance for risk management) with clear and actionable mitigating controls to support effective risk management.
- ▶ Enquired about departmental risk management processes for identifying and documenting new or emerging risks. We reviewed departmental risk registers to ascertain whether these aligned with the Council's corporate risks and its broader Gedling Plan.
- ▶ The minutes or actions of all Corporate Risk Board meetings to assess whether there has been appropriate oversight and scrutiny of key risks, including those that were considered high risk.

Exclusions

- ▶ We did not review or observe departmental meetings as during our testing it was identified that this was not how departments evaluated and discussed local risks.



AREAS OF STRENGTH

We identified the following areas of good practice:

- ▶ The Council's Risk Management Framework meets the core expectation of guidance from CIPFA, the Government's Orange Book and the IIA, providing a robust framework and control environment for governance, risk management, and control processes across the Council.
- ▶ The Risk Management Framework incorporates risk management into strategic decisions and processes, supported by clear governance structures. The Framework establishes the Council's risk appetite as 'moderate', setting a clear tone and expectation to officers on the level of risk it is willing to tolerate in key decisions.
- ▶ The Council have established a Corporate Risk Board, attended by Senior Leadership Team members, with its inaugural meeting held in February 2025. The Corporate Risk Board meets before the Audit Committee to scrutinise and challenge high departmental risks and corporate risks. It also monitors risks where the risk score has increased to ascertain the reasons why. The introduction of the Corporate Risk Board demonstrates the culture for improving oversight and management of key risks.
- ▶ All risk owners interviewed demonstrated a good understanding of the importance of risk management and understood their responsibilities in identifying, analysing and mitigating risks through controls to reduce the risk to within the Council's risk appetite. The interviews were with Assistant Directors from different departments, who retain the responsibility of department risk management in their service areas.
- ▶ Assistant Directors that we interviewed understood their responsibilities for identifying and managing risks proactively. There was a positive perception for an effective risk management culture.
- ▶ Pentana enables an interactive and live tool for risk management. Each risk is aligned to the relevant corporate risk to create a risk tree, demonstrating the relationship of a change in one risk to other risks across the Council. The introduction of Pentana has improved monitoring and oversight of departmental risks, allowing for central monitoring on whether risks have been reviewed and updated each quarter.



AREAS OF CONCERN

Finding	Recommendation and Management Response
<p>We identified inconsistencies and non-compliance with Risk Management Framework in how risk owners documented quarterly reviews for departmental risks, which indicated a lack of understanding of their responsibilities for the ongoing review of their risks, in some instances (Finding 1 - Medium).</p>	<p><u>Recommendation</u></p> <p>A. Guidance for risk owners on how to complete each section of Pentana should be added to the Risk Management Toolkit, potentially with examples on how to document these. We have provided brief guidance in Appendix II based on our understanding of how the system should be used.</p> <p>B. A secondary risk owner should be considered for each departmental risk to ensure there is continuity if a risk owner is unavailable due to absence or departure from the Council. Alternatively, risk owners should be instructed to re-allocate their risks on Pentana as part of a handover process if they were to leave or have a known period of absence.</p> <p>C. The Performance and Insight Manager should generate a report from Pentana for all risks on the final day of each quarter and check for any quarterly reviews that have not been completed. These should be reported to the Corporate Risk Board on an exception basis (ie those that have not been updated).</p> <p>D. The Review of Internal Control Form which Directors and Assistant Directors must sign as part of the annual Assurance Statements should be updated to explicitly include confirmation that all risks within their service area have been reviewed and updated quarterly on Pentana. This could be included under Section 1.4 of the existing Review of Internal Control Form template.</p> <p><u>Management Response</u></p> <p>A. The Council have prepared a step-by-step guidance document for staff to refer to, using the structure proposed in Appendix II. This will provide staff with instructions on how use Pentana to add a risk and controls, and the expectations for how these should be worded. This was presented to the Corporate Risk</p>

		<p>Board in August 2025 for approval to roll out.</p> <p>B. We don't have capacity for more than a manager and risk owner, if a risk owner were to leave it is the Manager's responsibility to re-allocate the risk.</p> <p>C. This can be done but it is easier to look at the screen (which the Section 151 Officer and Monitoring Officer do every quarter to check for updates).</p> <p>D. This action will be undertaken for Assurance Statements in 2025/26.</p> <p>Target Date:</p> <p>A. 31 December 2025</p> <p>B. Completed - allocating recommendations to managers to re-allocate the risk if their staff leave</p> <p>C. 30 September 2025</p> <p>D. 1 April 2026.</p>
	<p>Increases and decreases to risk scores were not explained on Pentana for some risks, making it unclear as to what event has changed or what change in controls has caused the variation in the risk score. This could impact the Corporate Risk Board's ability to effectively scrutinise risk score changes (Finding 2 - Medium).</p>	<p><u>Recommendation</u></p> <p>In line with the action proposed in Recommendation 1A, written guidance should be prepared for staff on how to use Pentana and the expectations for narrative to be provided when risk scores are increased or decreased. It may be beneficial for the Council to prepare examples that risk owners can refer to, demonstrating the type of narrative expected.</p> <p><u>Management Response</u></p> <p>Training has been delivered and workshops delivered. For clarity we accept the recommendation to have clear written process and instruction linked to Pentana which will reiterate that at every review risk scores should be reviewed and updated. This has been prepared and reviewed by the Corporate Risk Board in August 2025. There have been some teething problems with the system and getting everyone to use it correctly, however the arrangements for effective risk management are in place it's just making sure individual managers are following instructions.</p> <p>We are now having the Corporate Risk Board meetings every other month where we raise issues and will raise non-compliance.</p> <p>Target Date: 31 December 2025.</p>

	<p>Some risks on Pentana did not identify the cause, event and consequence of the risk, as recommended in the Orange Book guidance (Finding 3 - Medium).</p>	<p><u>Recommendation</u></p> <p>The Risk Management Toolkit should be updated with guidance on how to write a risk, using the model proposed by the Orange Book of cause, event and consequence. As part of training or workshops delivered to staff, this should be included to explain the expectations on how risks should be presented on Pentana.</p> <p><u>Management Response</u></p> <p>We will take staff through the orange book guidance at the next board meeting. The Risk framework was one shared by BDO as an illustration of a risk management strategy implemented by another lower tier local authority, which we largely adopted. We can review and update to add specific wording this will be later in the year once risk reviews are properly embedded as that is the priority.</p> <p>As part of the workshops in May we did advise risk owners to properly consider whether their risks made sense and what exactly they were trying to achieve on the basis that some of the risk owners were new and they were best placed to understand the risks within their departments.</p> <p>Target Date: 31 October 2025.</p>
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ADDED VALUE

We provided the Council with an example of a corporate risk and how it is currently recorded on Pentana and provided methods by which it could be improved, including basing the wording of the risk around the cause, event and consequence per Orange Book guidance. We also identified how controls and further actions could be more targeted and specific to improve the accountability of risk owners on the actions they will take to mitigate risks.



CONCLUSION

We conclude that the Council has a Moderate design and effectiveness of controls for risk management.

Control Design

The control design is Substantial because the Council has a sound system of internal controls designed to achieve its system objectives but there were some exceptions.

Over the past two years, the Council have taken significant governance and process steps to improve risk management at a corporate and departmental level. The Risk Management Strategy and Toolkit has established a clear framework on the Council's approach to risk management, identifying the roles and responsibilities of all staff for effectively managing risks.

Furthermore, the implementation of the risk management module on Pentana has facilitated an improvement in how risk is documented and monitored, aligning risk management with the Council's broader performance management processes.

However, there remains room for improvement on how the Council document and monitor risks. We recognise that risk management must be proportionate, and there is no dedicated team or department for risk management, but there could be more guidance and examples for risk owners on how to document risks and controls to improve consistency. We have provided some guidance which the Council may wish to tailor and use in Appendix I.

Control Effectiveness

Similarly, the control effectiveness was Moderate as there was evidence of non-compliance with some controls, that may put some of the system objectives at risk.

As the new risk management processes on Pentana have only recently been implemented, it is expected that it may take some time for all risk owners to be aware of and competent in completing wording risks appropriately and documenting the quarterly reviews. However, these are important factors to improve risk management further at the Council.

From our interviews with Assistant Directors, it was clear that there was a broad understanding of risk management procedures and the expectations of risk owners; this did not always translate into these being recorded on Pentana.

It is important to note the positive direction of travel for risk management at the Council underpinned by a culture for improvement being led from the top. The Corporate Risk Board has formalised the governance and oversight of risk, providing a forum for the Senior Leadership Team to oversee and scrutinise higher significance risks.

Sector update

Our quarterly Local Government briefing summarises recent publications and emerging issues relevant to local authority providers that may be of interest to your organisation. It is intended to provide a snapshot of current issues for Elected Members and Executive Directors.

CITY EXPANSION OPTION EXPLORED IN COUNCILS SHAKE-UP

Nottingham City Council is exploring further options to expand the city's boundary amid a consultation to reorganise local government.

Residents of the city and the county have been asked to share their views on proposals to replace the existing council structure with two new unitary councils.

Two core options are currently being considered in Nottinghamshire include Broxtowe, and either Rushcliffe or Gedling, combining with Nottingham.

The two core options currently being considered in Nottinghamshire are known as 1b and 1e. These options are for a new authority to be created combining Nottingham, Broxtowe and either Rushcliffe or Gedling, with a second new unitary authority covering the rest of Nottinghamshire.

However, while the preferred option of Nottinghamshire County Council is 1b (for Gedling to be part of the unitary authority with Nottingham and Broxtowe) due to financial reasons, the City Council has an alternative preferred option that would change the existing boundaries of neighbouring boroughs and districts. The Deputy Leader for Nottingham City Council confirmed the authority was in favour of an option that would effectively see only parts of neighbouring districts combined with Nottingham, not the entire district or borough.

He said: "The suggestion that the city expands into the whole of the Rushcliffe district is quite something. "There are areas and villages or towns in there that do not have a shared identity with Nottingham."

He added: "Ultimately the end goal here has to be not just lines moved on a map, but services that actually are good value for money that meet the needs of people and create new authorities that actually deliver for people."

The public consultation remains open until 14 September 2025. The deadline for the final proposal to be submitted to the Government is 28 November 2025.

Nottingham expansion option explored in councils shake-up - BBC News

FOR INFORMATION

For the Audit Committee and Senior Leadership Team

MINISTERS DID NOT DO A COST REVIEW OF COUNCIL MERGERS

The UK Government did not perform its own analysis of the cost of local government reform, relying on 2020 cost estimates prepared by the County Council Network.

In December 2024, the Government announced an historic reform of local government, replacing the two-tier authority structure with unitary authorities that will be responsible for performing all the duties of local government.

The Governments reported that merging councils into 21 unitary authorities could save £2.9bn over five years. A freedom of information request submitted by the BBC has found that this figure was based on a report commissioned by the County Council Network in 2020 and that the Government did not perform its own analysis of the potential savings. The County Council Network has now revised its analysis, lowering the expectations on the savings that will be created and citing some instances where it may cost more money than it currently does.

The Chair of the County Council Network has stated that local government reform delivered at the right scale has the potential to provide billions of pounds in efficiency savings that can be invested into

public services. However, he added “We are concerned over the potential costs of reorganisation where proposals seek to replace the two-tier system with multiple small unitary councils”.

The District Councils’ Network has raised concerns over the impact on local government, which is already facing funding pressures. It has called on the Government to commission its own analysis of local government reorganisation to consider the optimal size of the unitary authorities to maximise the potential savings.

In response, the Ministry for Housing, Communities and Local Government has said “Councils across the country have also told us that bringing services together under one roof means residents get joined-up support when they need it most, while clearer structures mean people know exactly who’s responsible for delivering their services”. It has also emphasised that reorganisation will be developed at a local level.

Nottinghamshire is currently undertaking a public consultation on its options for local government reform.

Ministers didn’t do cost review of council mergers - BBC News

FOR INFORMATION

For the Audit Committee and Senior Leadership Team

LOCAL GOVERNMENT PAY: INFLATION EXCEEDS 3.2% DEAL FOR FOURTH MONTH IN A ROW

Prices rose by 3.8% in the year to July 2025, according to government’s preferred measure, compared with 3.2% pay settlement for council staff in England, Wales and Northern Ireland

Inflation has outpaced the 2025-26 local government pay rise for the fourth consecutive month (between April and July 2025). Prices increased by 3.8% in the year to July 2025, according to the Consumer Price Index (CPI) measure from the Office for National Statistics. The CPI was 3.6% in June, 3.4% in May, and 3.5% in April. This was higher than the 3.2% pay increase for council staff in England, Wales, and Northern Ireland.

The Bank of England has forecasted that CPI is expected to rise to 4% in September 2025 before dropping towards its 2% target. The local government pay round was settled with an agreement for a backdated pay increase to April 2025.

Local government pay: inflation exceeds 3.2% deal for fourth month in a row - Community Care

FOR INFORMATION

For the Audit Committee and Senior Leadership Team

LEADERSHIP IN LOCAL GOVERNMENT

CMI has partnered with the Social Market Foundation to explore the role that quality leadership and management can play in improving local government effectiveness

Effective leadership and management are crucial for public sector performance, including local government. The Chartered Management Institute (CMI) have partnered with the Social Market Foundation to conduct research, based on expert insights, survey data and case studies to examine the latest leadership and management challenges in local government.

We have summarised the key findings and the proposed improvements that this report by the CMI have made.

Key findings

- ▶ Only 67% think that senior leadership in their organisation is effective at ensuring the organisation succeeds, raising questions about how widespread good leadership is.
- ▶ Less than half (only 45%) of surveyed leaders and managers agreed that in 2022, the leadership in their council was effective at attracting talent.

- ▶ 40% of leaders and managers said the senior leadership in their authority were poor at motivating staff or failed to do it at all.
- ▶ Only 44% think that their organisation is performing well in ensuring accountability for failure and just under a quarter (24%) think addressing staff underperformance is poor.

Proposed improvements

- ▶ The Office for Local Government (Oflog) should prioritise leadership and management quality, adopting and sharing best practices across the sector to collectively improve leadership standards.
- ▶ The Department for Levelling Up, Housing and Communities (now the Ministry for Housing, Communities and Local Government) should establish a leadership academy to provide managers and leaders with access to high quality leadership training.
- ▶ The Department for Levelling Up, Housing and Community should create a 10-year workforce strategy for local government, supporting by an increase in funding to local authorities to improve recruitment and retention of staff.
- ▶ The workforce strategy should recognise the importance of diversifying the workforce, introducing a direct entry system for leaders from other industries to bring in fresh ideas and perspectives.

Management and leadership in local government report - CMI

FOR INFORMATION

For the Audit Committee and Senior Leadership Team

ASYLUM HOTELS: STATEMENT ON HIGH COURT RULING

Council to press ahead with planning and legal steps over asylum accommodation hotels despite Court of Appeal Ruling

A High Court judge ruled in favour of Epping Forest District Council in a court case against the owner of a hotel that was being used to accommodate asylum seekers pursuant to the duties imposed on the Home Secretary under the Immigration and Asylum Act 1999.

This judgement concluded that the use of the hotel constituted a material change of use to which the planning permission was granted, thereby it contravened the lawful use of the property. Epping Forest District Council sought an injunction pursuant to the Town and Country Planning Act 1990 to restrain the current use of the hotel.

The Court of Appeal has set aside the interim injunction.

However, West Northamptonshire Council has stated that the Court of Appeals ruling does not change its course of action to take legal steps against hotels in its jurisdiction.

The Leader of West Northamptonshire Council said “We note the Court of Appeal’s decision to overturn the High Court’s interim injunction granted to Epping Forest District Council and await the outcome of the full injunction hearing in October”.

According to reports in *The Times* at least 13 local authorities will continue with plans for legal action against hotels accommodating asylum seekers, despite the Court of Appeals ruling.

In response to the High Court’s original ruling, the Chair of the Local Government Association said “we continue to stress to government that the Home Office must work much more closely with councils regarding asylum accommodation decisions and on improving the current asylum system in the long-term. Councils understand their places and communities best and the Home Office should be drawing on this experience in any locating decisions and through the existing engagement around asylum and resettlement that the LGA facilitates”.







Asylum hotels: Statement on High Court ruling | Local Government Association

Council to press ahead with “planning and legal steps” over asylum accommodation hotels despite Court of Appeal ruling in Epping Forest case | Local Government Lawyer

FOR INFORMATION





For the Audit Committee and Senior Leadership Team

Key performance indicators




QUALITY ASSURANCE	KPI	RAG RATING
The auditor attends the necessary, meetings as agreed between the parties at the start of the contract	All meetings attended including Audit Committee meetings, pre-meetings, individual audit meetings and contract reviews have been attended by either the Engagement Partner or the Engagement Manager.	
Positive result from any external review	Following an External Quality Assessment by the Institute of Internal Auditors in May 2021, BDO was found to 'generally conform' (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards	
Quality of work	We received two responses to our audit satisfaction surveys for 2024/25 reviews, with an average score of 4.3/5 for the overall audit experience and for the value added from our work. The number of responses is lower than we would expect, and we will work with the management team to increase the number of responses to our surveys.	  
Completion of audit plan	We have progressed the 2025/26 Internal Audit Plan, with two audits presented to this Audit Committee meeting and other audits in the planning phase.	

Appendix I

OPINION SIGNIFICANCE DEFINITION

LEVEL OF ASSURANCE	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION	FINDINGS FROM REVIEW
Substantial 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 	In the main, there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally, a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non-compliance with some controls, that may put some of the system objectives at risk.
Limited 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non-compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE DEFINITION

RECOMMENDATION SIGNIFICANCE	
High 	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium 	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low 	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

FOR MORE INFORMATION:

Gurpreet Dulay

Gurpreet.Dulay@bdo.co.uk

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Global Risk Landscape 2025

The Risk Rift: Why playing safe means losing growth



Foreword

In fast-changing times, proactive risk management is the key to growth



Page 176
Jonathan Lanes
Partner and Head of Risk Advisory Services, BDO LLP

jonathan.lanes@do.co.uk



Alisa Voznaya
Partner and Head of Risk Consulting, BDO LLP

alisa.voznaya@bdo.co.uk

The lesson from the past 12 months is clear: forget about waiting for the turbulence to pass. In an era of non-stop crisis, businesses that want to grow and meet their targets must take a proactive approach to risk.

The problem is that few are - and things are getting worse. This is our 10th annual report on global risk, and it is remarkable that our survey of 500 senior leaders worldwide found that 69% now say their companies are risk-averse or risk-minimising, compared to 61% last year. This is likely to have grown even more since we conducted the survey, given the increasing risk of a global trade war and frequent US policy changes.

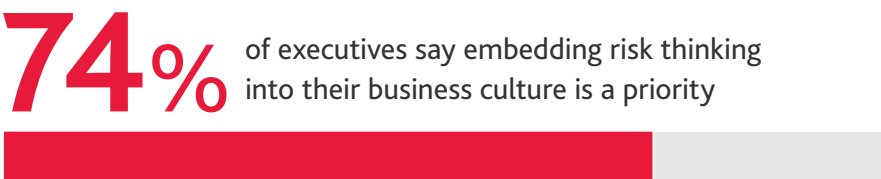
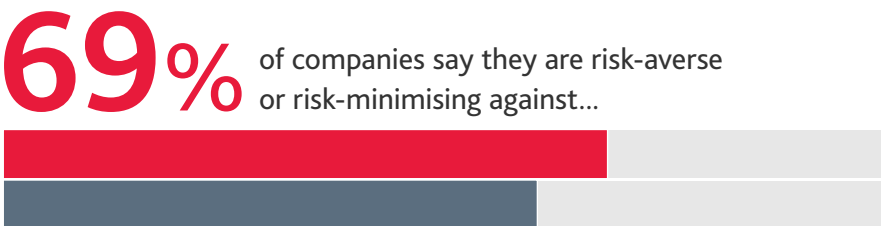
Senior managers were already frustrated with their risk management efforts. Given a list of six risk management failings, executives on average said half applied to their organisation. None of the 500 global respondents, all senior leaders, gave their risk management a clean bill of health. Notably, CEOs were particularly critical of compliance overspend, suggesting that risk management strategies as they stand are failing to deliver value.

Part of the problem is that businesses are increasingly taking a compliance-led approach to risk, with a box-ticking mentality distracting from real risk management.

Fortunately, many executives recognise this as an issue – 74% say that embedding risk thinking in the company culture will start to tilt the balance from a heavy focus on compliance to real risk strategies that can deliver more value and opportunities for the business.

This means recognising that growth will require change, which also means that the risk landscape will shift, potentially exposing the business to additional risk vectors in areas such as supply chain or cybersecurity.

It has never been more critical for businesses to take a proactive approach to risk and ensure their risk management strategies are not weighed down by box-ticking. If they can make this adjustment, businesses can improve their risk posture and ensure they are better placed to take advantage of the many opportunities the current global risk landscape is creating. ■



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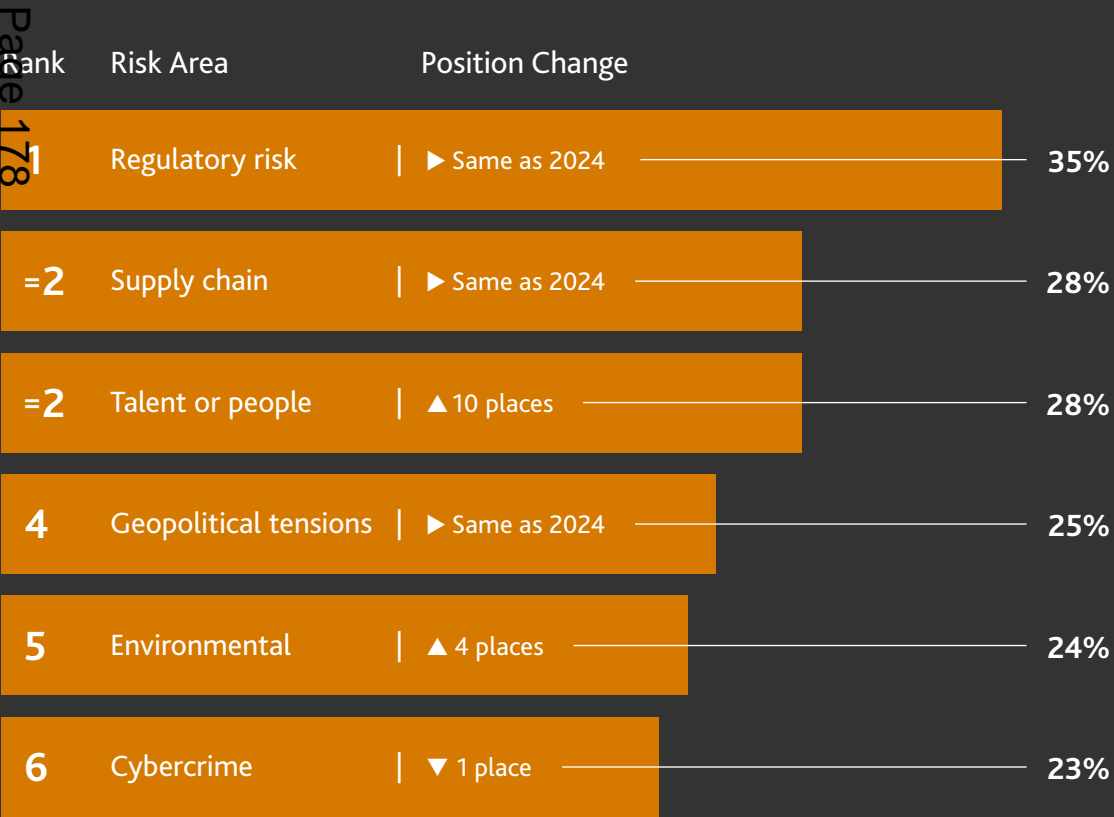
Executive summary

On a cliff edge: the state of risk in 2025

Some 84% of executives say the global risk landscape is more than ever defined by crisis. As a result, many businesses are taking a safety-first approach – but this risks sacrificing growth.

See page 06

THE TOP RISKS ORGANISATIONS ARE UNPREPARED FOR

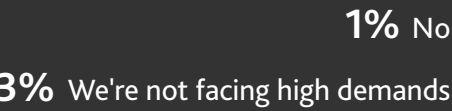


Regulation vs real risk management

Regulators are asking for ever-more information about risks. Some executives say it can help make companies safer – to an extent.

See page 09

ARE REGULATORY DEMANDS FOR EXTRA REPORTING REDUCING COMPANY RISK PROFILES?

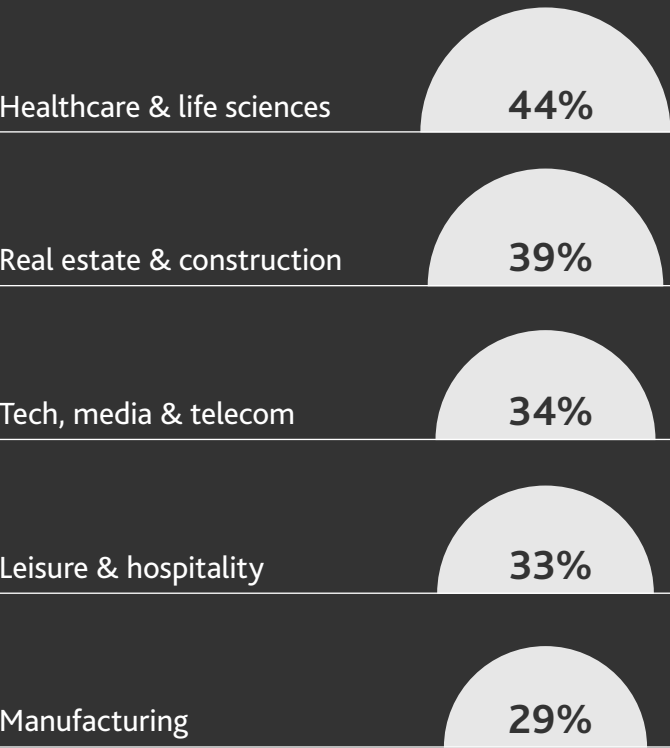


Workforce risk is back on the agenda

For the first time since the pandemic, companies are getting worried about talent and people risks – 28% said one of these was a top three risk, against just 12% in 2024. AI could make this issue more pressing.

See page 11

THE SECTORS WHERE LEADERS ARE MOST UNPREPARED FOR PEOPLE/TALENT RISK

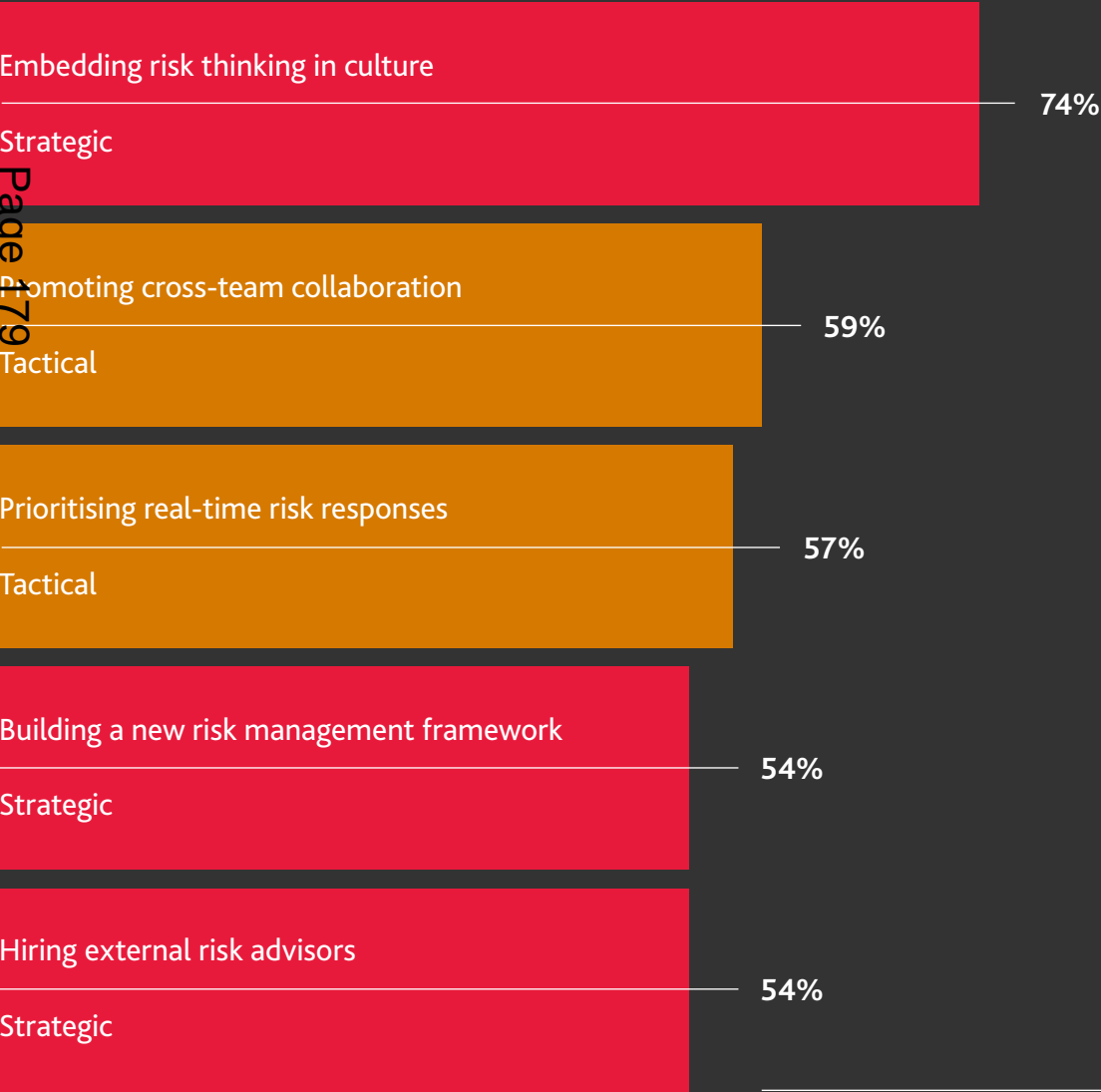


The risk rift

Regulators' demands for information on risk can help drive risk reduction – up to a point. Companies must not create a box-ticking environment that can distract from real risk management strategies.

See page 12

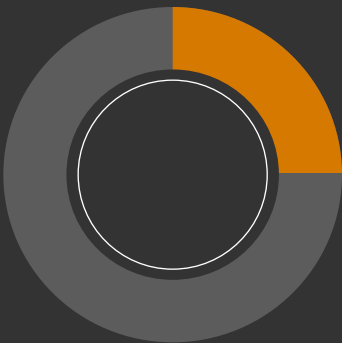
WHAT ARE COMPANIES DOING TO TILT THE BALANCE TOWARD REAL RISK MANAGEMENT?



Cyber breaches: no end in sight

Cyberattacks are rising up the risk agenda as the threat landscape continues to evolve, accelerated by AI. However, CTOs are worried that the growing focus on cyber compliance might distract from practical risk reduction.

See page 16



25%

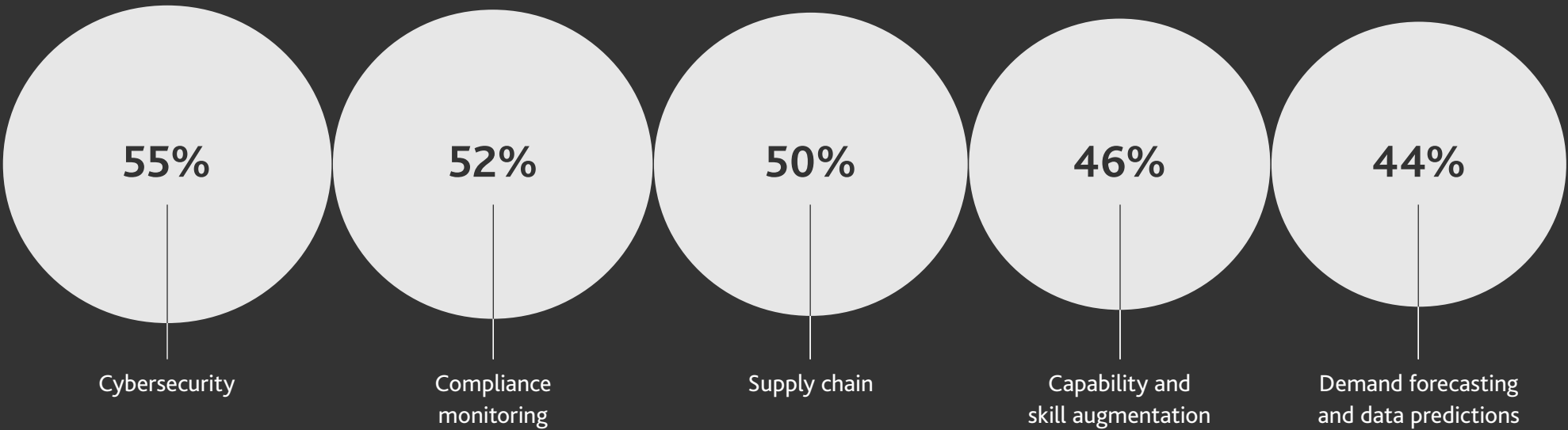
of CEOs cite cybercrime as a top three risk in 2025

The risk/reward gap on AI

Attitudes towards AI have shifted again over the past year – more executives see it as an opportunity than a risk (but some see it as both). Leaders believe AI can improve risk management, but a thoughtful, structured approach is needed.

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WHERE AI IS EXPECTED TO HAVE THE MOST IMPACT IN THE NEXT 12 MONTHS

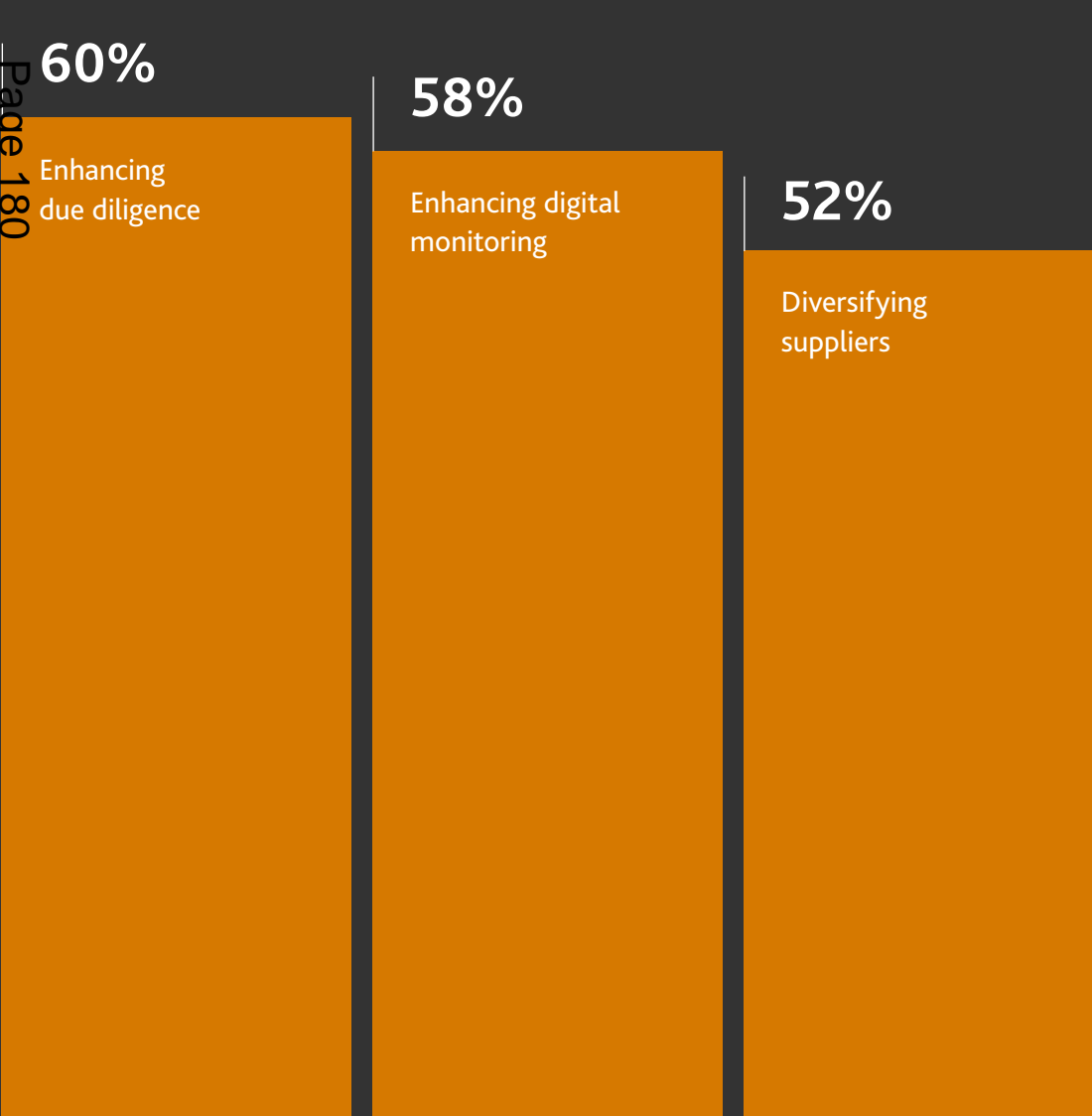


Avoid supply chain ruptures by 'flexsourcing'

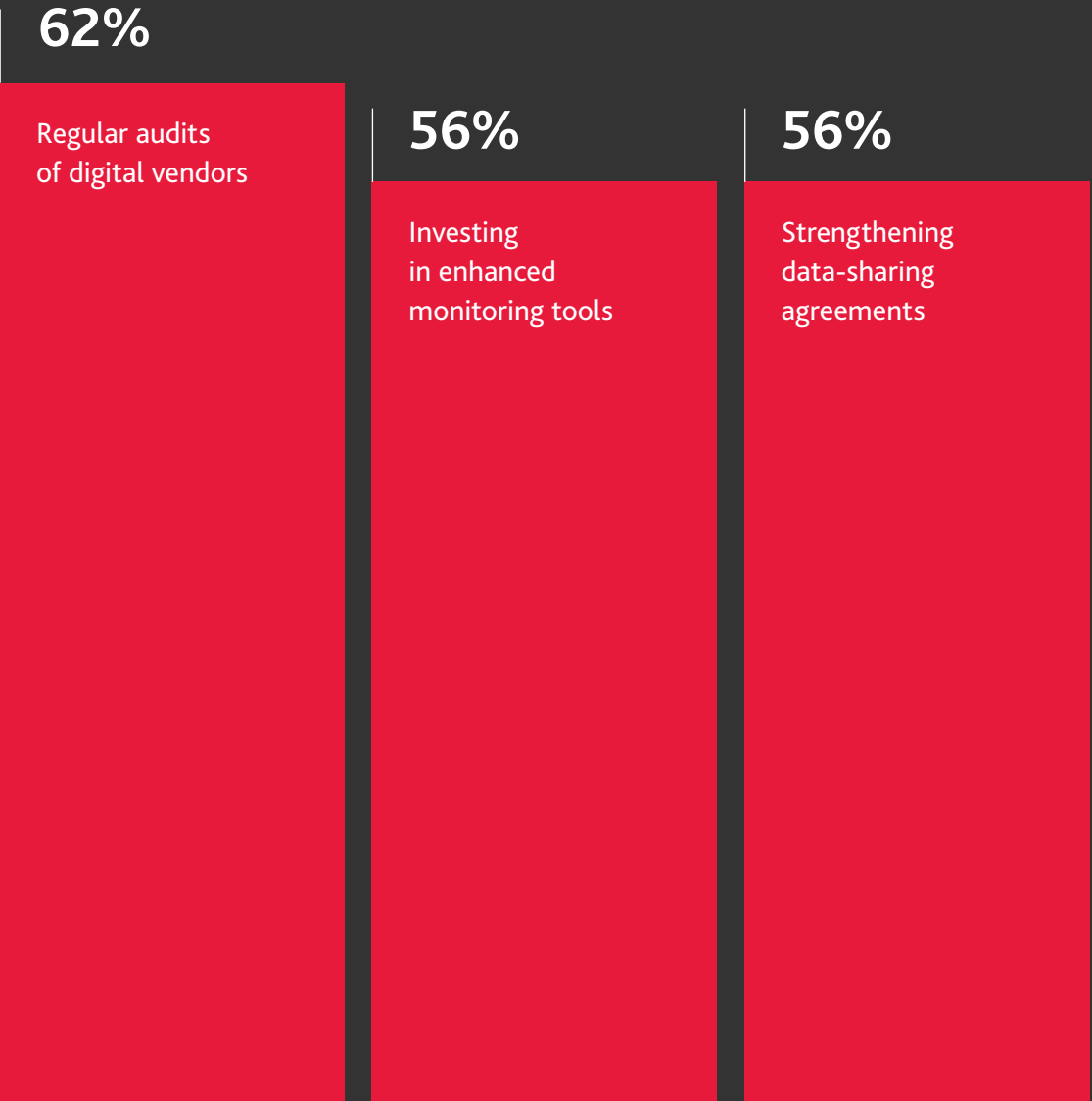
Supply chains are under strain, with the threat of tariffs and the need to switch sources likely to make things worse. Firms need to consider 'flexsourcing', a hybrid approach that blends nearshoring with friendshoring, building the agility to switch procurement to countries with more reliability or lower tariffs.

See page 25

THE TOP THREE WAYS COMPANIES ARE STRENGTHENING THEIR PHYSICAL SUPPLY CHAINS



AND THE TOP THREE WAYS COMPANIES ARE STRENGTHENING THEIR DIGITAL SUPPLY CHAINS

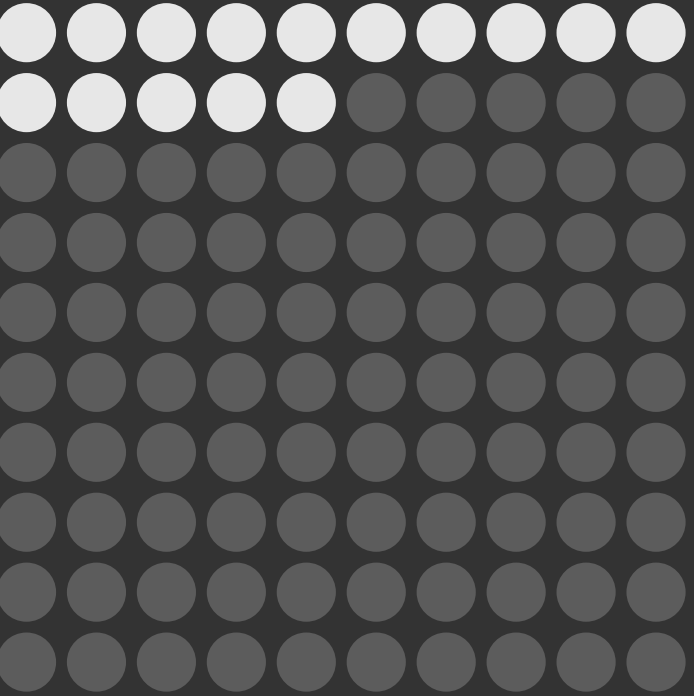


Don't give fraudsters a chance

Fraud risk is underappreciated and sometimes misunderstood, with only 15% of executives citing it as a top three risk. As fraudsters exploit AI to find new vulnerabilities, it's time for companies to prioritise.

See page 27

Only
15%
of executives cite fraud risk
as a top three risk



On a cliff edge: the state of risk in 2025

Organisations may stagnate if they don't proactively embrace risk

At a glance

What is changing

The global risk landscape faces greater uncertainty than ever, prompting companies to take a more defensive approach to risk management.

Why it matters

This 'wait and see' approach is not suitable for the 'permacrisis' era – it will limit growth opportunities and risks holding companies back.

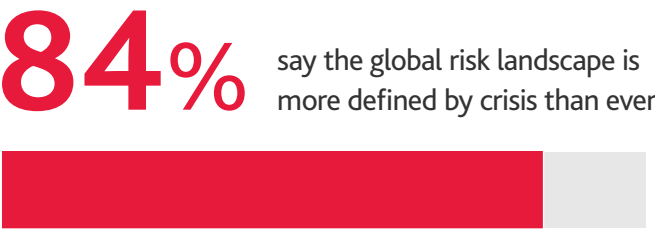
What to do

While the timidity is understandable, businesses must take a proactive approach that weighs their risk appetite against what could go wrong, and plan accordingly.

From escalating world trade tensions to shifts in geopolitical relationships, the global risk landscape has been in flux for more than a decade – and shows no sign of stabilising. The perceived level of crisis among risk professionals and senior executives remains at record levels, with 84% of respondents in the survey saying the global risk landscape is more defined by crisis now than ever.

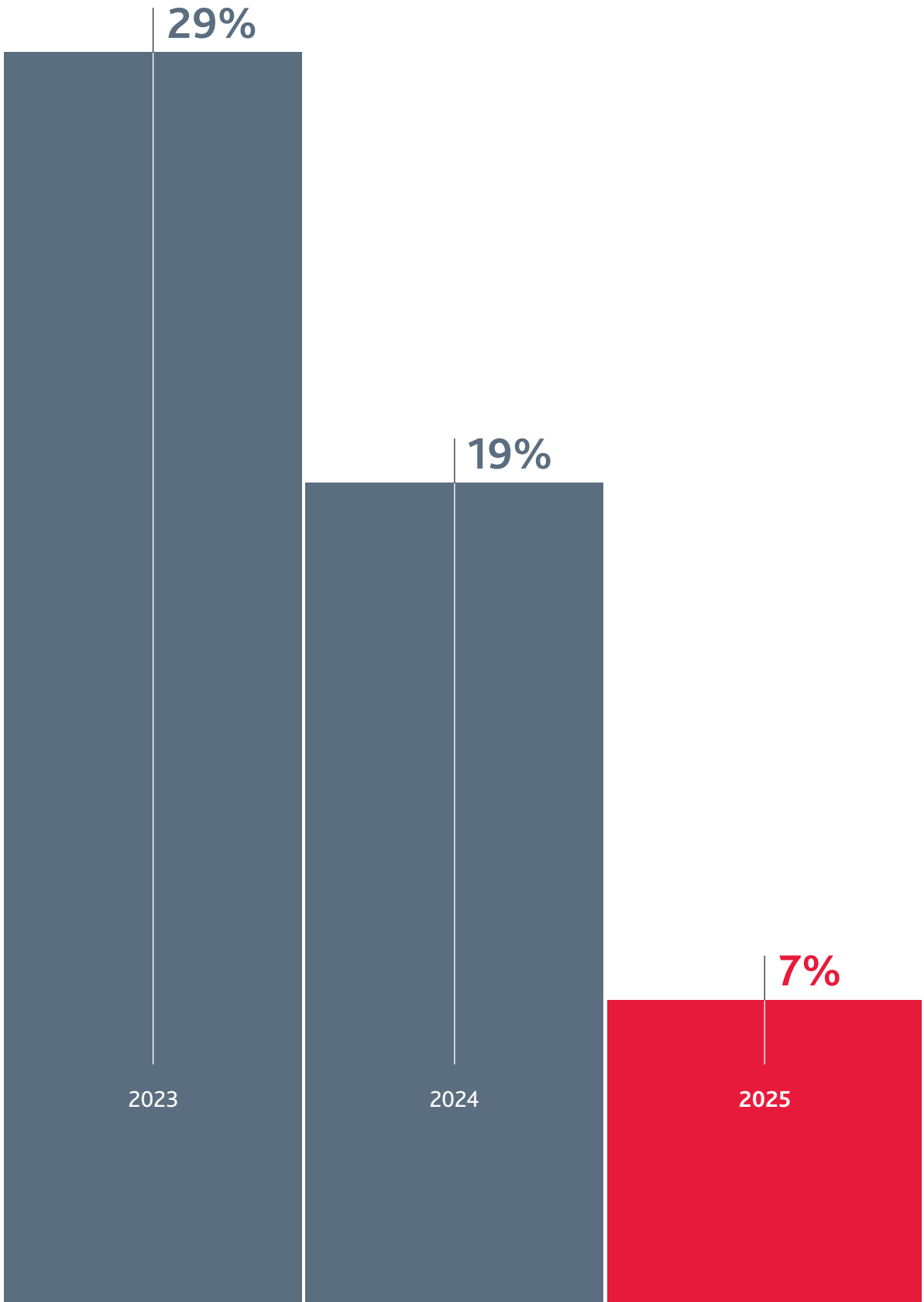
Against this backdrop, businesses are struggling to navigate a path forward.

Only 7% of executives said their risk management is 'very proactive', down from 19% in 2024 and 29% in 2023. This matters: if companies are overly cautious, it will weigh on growth and increase pressure from stakeholders. ▶



PROACTIVE RISK MANAGEMENT IS BECOMING RARE

Percentage who say their risk management is 'very proactive'



“The chaos and volatility that’s all around us right now is definitely disrupting business,” said Dave Arick, Managing Director for Global Risk Management at claims management and loss adjusting business Sedgwick. “You see a lot of hesitation from businesses as they look at investments and growth, because they don’t know where the next curveball is going to come from, so there’s a bit of a ‘wait and see how it plays out’ mentality.”

The challenge with adopting this stance is that if the problems just keep mounting, businesses will stagnate.

“Waiting for it to settle down means you’re going to end up with a lot of businesses being paralysed by fear of what could go wrong,” Arick said. “There’s a lot of reasons to be cautious, but you don’t meet our targets by being cautious.”

A better approach in this environment is to engage in scenario planning and anticipate the things that could go wrong so businesses can start to seize opportunities instead of sitting on their hands waiting for the turbulence to subside.

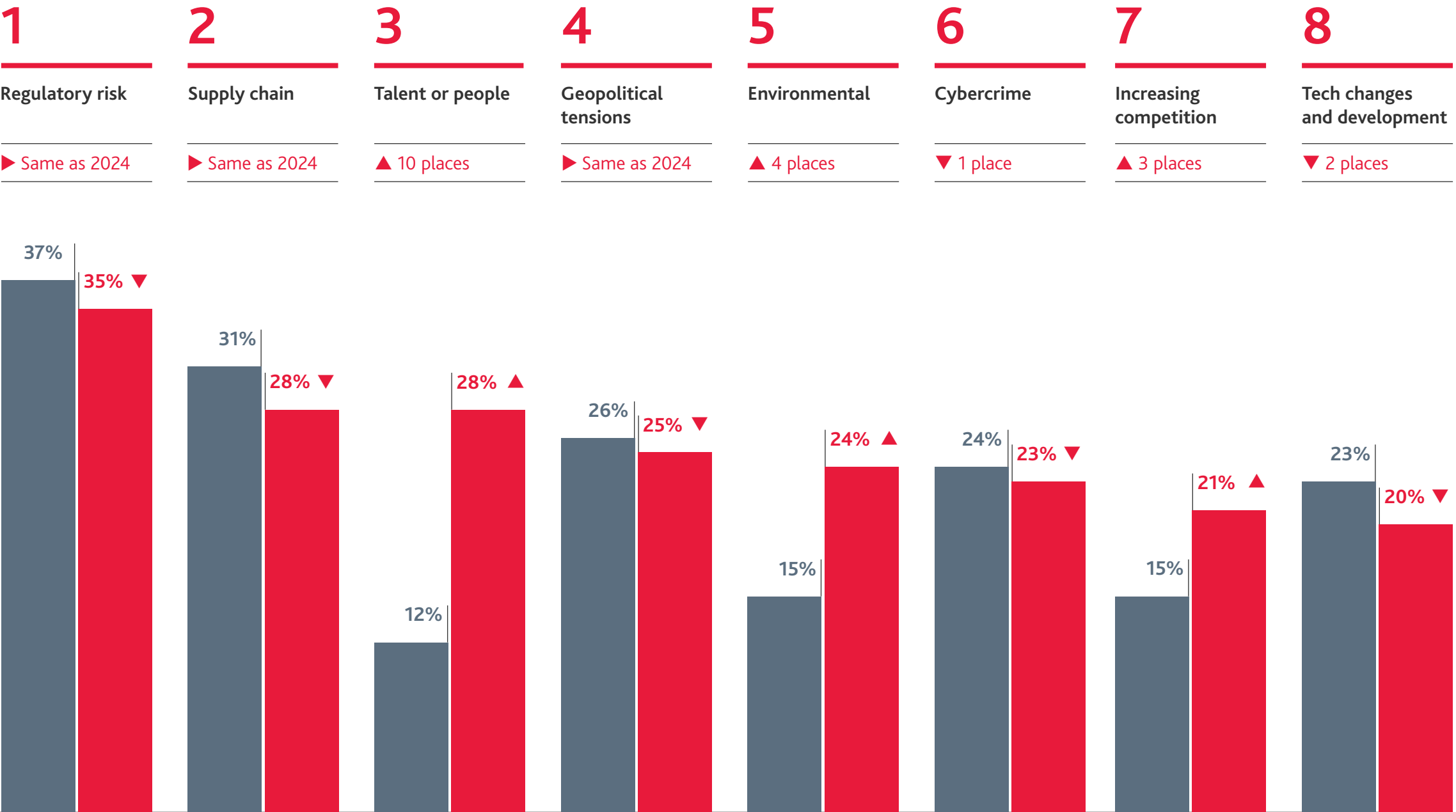
“Even for aggressive companies that want to take a big swing at something that’s maybe transformative for that business, you can still put some planning in place to think through the potential things that could go wrong,” said Arick. “How do we best prepare so that we’re not caught flat-footed if those things do happen?”

Scenario planning is not just a one-and-done exercise given how fast the global risk landscape keeps changing. ▶

WHICH RISKS ARE ORGANISATIONS MOST UNPREPARED FOR?

Data shows the risks chosen among top three by respondents

2024 2025



“We’re doing our goal-setting and strategy for the year and part of that process is to analyse and review the top risks for the moment, ensuring we have the right remediations in place,” said Lianne Appelt, Head of Enterprise Risk Management at Salesforce. “The landscape has changed significantly since our last internal risk assessment back in December and the regulatory landscape I would say is the biggest change.”

This increased regulatory burden may be prompting businesses to take a more ‘safety first’ compliance approach to risk management, which steers risk managers to be more reactive than proactive. The risk landscape is large and it is evolving rapidly, so it is difficult to keep up with all the

things the companies are facing,” said Dawn Williford, Principal, Risk Advisory Services at BDO USA. “However, in the long run, if you were actually spending the money up front to identify and manage risk versus reacting to it, the cost could be much less – that’s the biggest benefit of having a proactive approach.”

Regulatory risk remains the top risk among C-suite executives, with 35% selecting it as one of the top three risks they feel most unprepared for.

“Companies feel that regulation is a burden because the regulators are becoming less predictable,” said Emanuel Van Zandvoort, Partner, Risk Advisory Services – Enterprise Risk Management at BDO Netherlands. “In Europe,

companies have to invest a lot in compliance and then laws and regulations change overnight.”

Some 52% of respondents named data privacy as one of the top three most important regulations for their business, more than any other type of regulation.

Supply chain risk and people/talent were joint second – a big jump for people risk which was only in 12th place in 2024 (see page 11). Geopolitics remains a concern, placed at fourth.

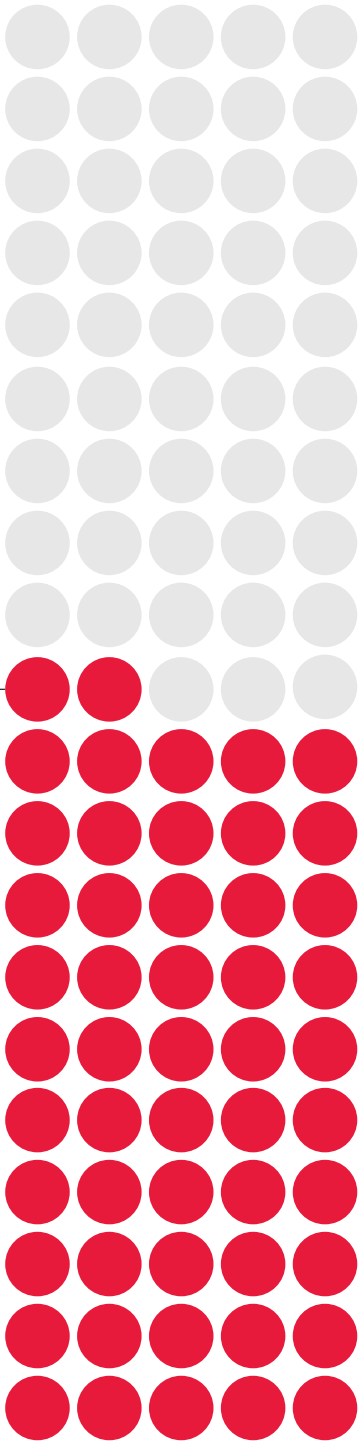
Geopolitics is also adding to the heightened sense of uncertainty globally, where businesses are dealing with confusion around tariffs and escalating trade tensions, which in turn is fuelling the ‘wait and see’ approach. The friction between the US and China is also adding pressure on businesses, particularly in the APAC region.

“The first thing is the Sino-US trade war, and the second thing is about the relationship between Taiwan, US and China, so the situation in the APAC region is quite tense,” said Ricky Cheng, Director and Head of Risk Advisory at BDO Hong Kong.

Environmental risk is another fast-rising issue, moving up four places to fifth, with 24% now saying they are unprepared for this. Cybercrime is still very much on the radar: it was ranked sixth. ■

52%

see data privacy as one of the three most important regulations for their business



“Companies feel that regulation is a burden because the regulators are becoming less predictable.”

Emanuel Van Zandvoort,
Partner, Risk Advisory Services –
Enterprise Risk Management, BDO Netherlands

Can regulation help shine a light on real risk management?

Reporting requirements may help focus minds on risk, but could create complacency

At a glance

What is changing

The regulatory burden on companies continues to grow, with compliance teams facing additional reporting requirements.

Why it matters

An increased focus on regulation can create a box-ticking environment that distracts from real risk management.

What to do

Regulation can feed into risk thinking but organisations must always focus on the macro and micro risks a business faces.

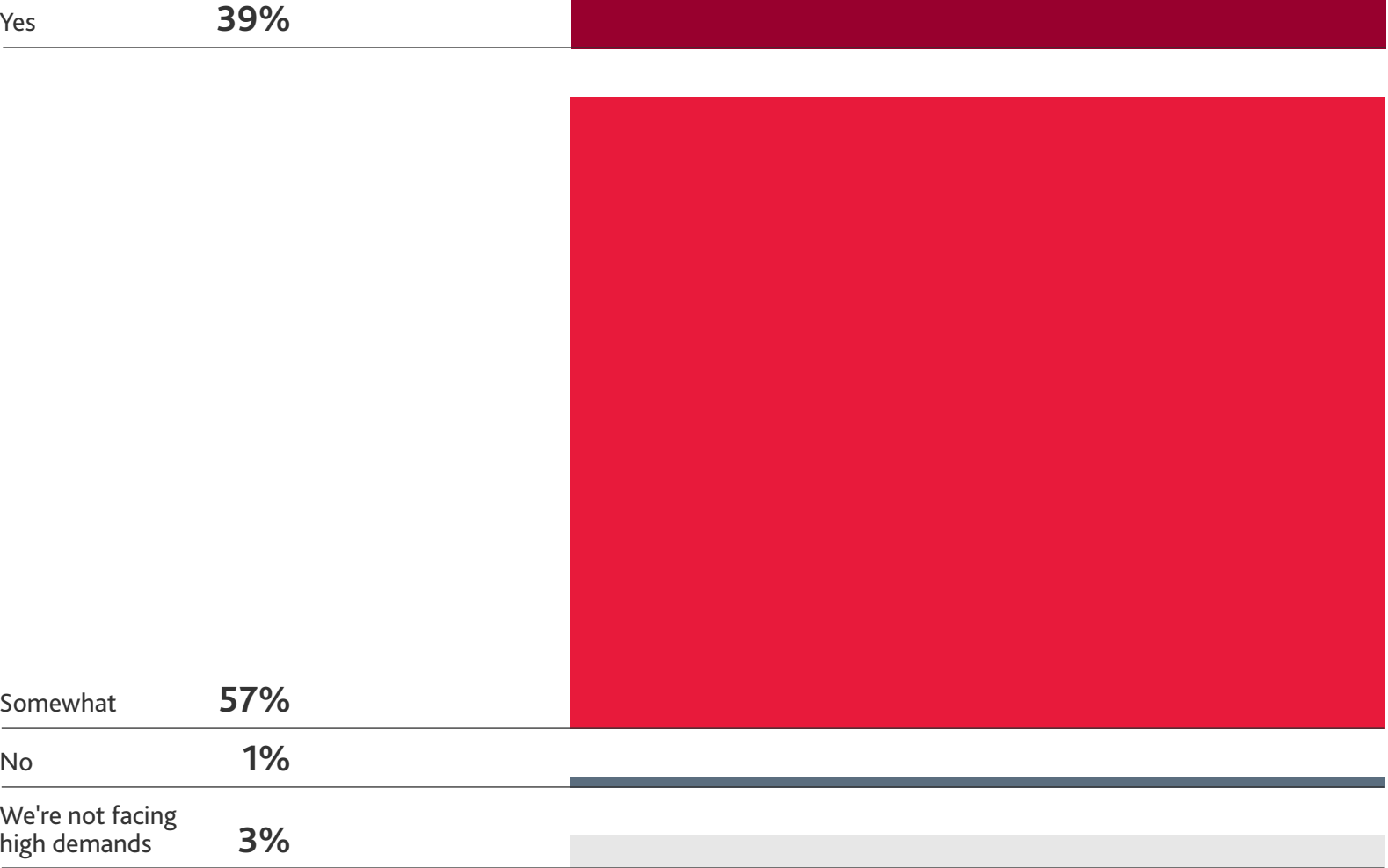
Businesses face increasing volumes of regulation, particularly those that operate across borders. While this adds to the compliance burden for risk managers, a majority of C-suite respondents said that regulators' demands for additional reporting were generally helpful in reducing their overall risk.

More than a third of respondents (39%) said that increased regulation reduces their risk profile, while another 57% said it somewhat reduced their risk.

However, it should only ever be viewed as one component of an organisation's risk management strategy.

"Regulation is one aspect of risk management, but I don't think regulation will give you a full picture of your risk environment. It can help, but you'd be missing the exercise if you take it from a compliance-first approach, as opposed to focusing in on the macro and micro events and threats that exist within a specific organisation," said Ziad Akkaoui, National Practice Leader, Risk Advisory at BDO Canada. ►

ARE REGULATORY DEMANDS FOR EXTRA REPORTING REDUCING COMPANY RISK PROFILES?





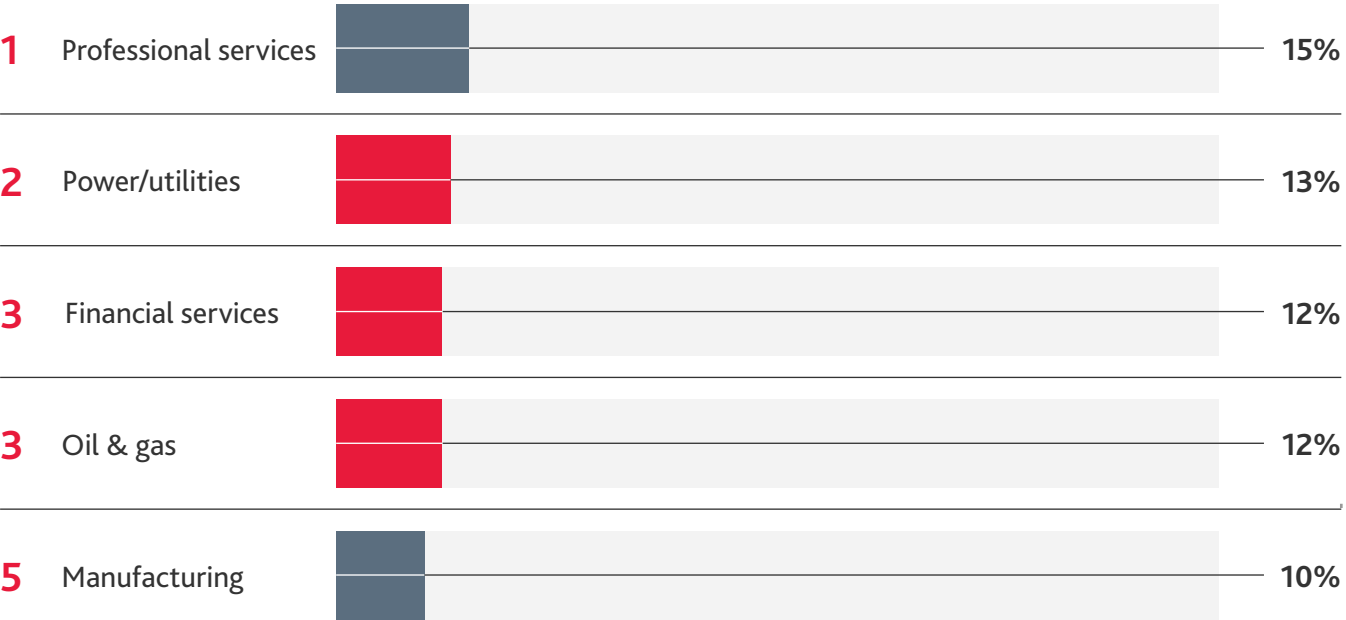
The potential for regulation to support more proactive risk management could hinge on the volume of regulation a business faces. Companies in industries that are heavily regulated said they are more likely to deal with risk very proactively, with power and utilities (13%) and financial services and oil and gas (both 12%) businesses taking steps to stay ahead of risk. This is likely because the pace of regulatory change means companies in these sectors have to constantly adjust to changing risk

thresholds set not only by their boards but by the regulators too, said Enric Doménech, Head of Risk Advisory Services at BDO Spain.

While not a heavily regulated industry, 15% of professional services firms said they deal with risk very proactively. This is potentially not just because of regulatory concerns but also because a breach of client data could be reputationally fatal for a firm. ■

TOP FIVE SECTORS THAT SAY THEY DEAL WITH RISK 'VERY PROACTIVELY'

● Heavily regulated industries



People risk is climbing up the agenda again

Executives are increasingly worried about access to talent

The biggest change to the rankings for 2025 is the sharp increase in concern about people and talent. More than a quarter of executives (28%) said talent or people capacity is a top three risk, up from 12% in 2024. While 'people capacity' and 'talent' separately rank relatively low on the list of risks executives feel unprepared for, when combined they rank joint second – above longstanding problems such as geopolitical tensions and cybercrime.

Concerns vary by sector. Healthcare and life sciences are most concerned about people/talent (44%), followed by real estate and construction (39%), and then tech, media and telecom (34%).

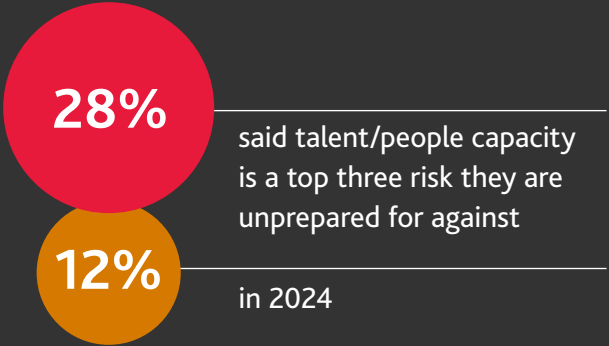
"There is a scarcity of talent, and trying to retain good people and trying to attract really good people

is hard," said Dave Arick, Managing Director for Global Risk Management at Sedgwick. "Being able to speak the language of risk is something that is really important for all of us in the world that we're in today."

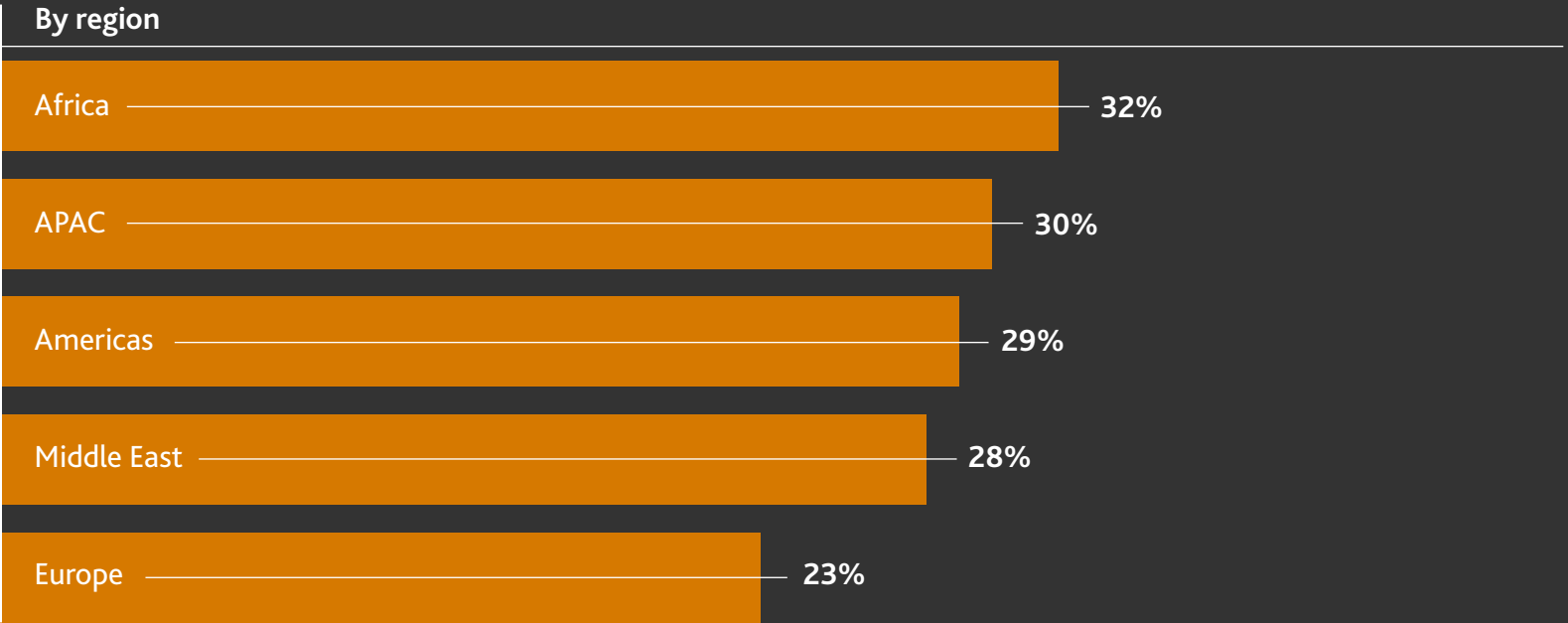
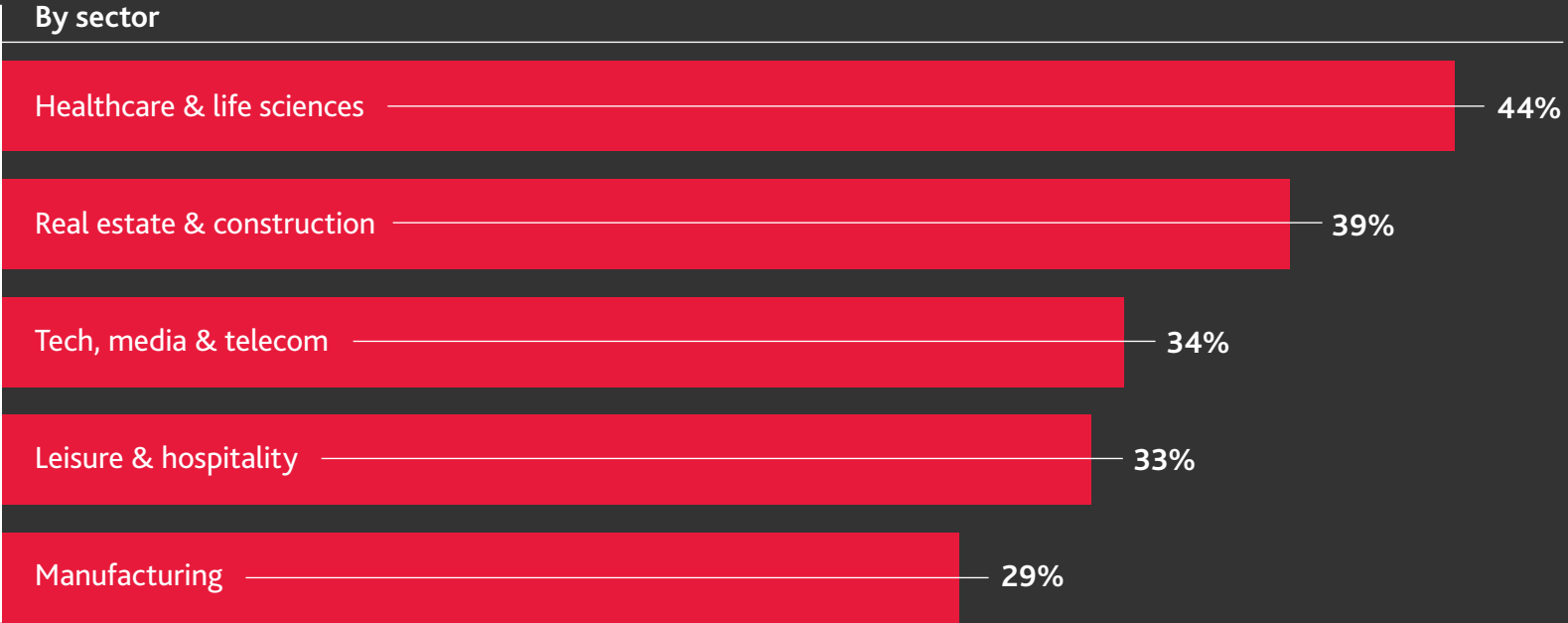
"Just finding the right people to add to your workforce that can have their eyes and ears open – even if their day job isn't risk management – is getting harder. My view is that we're all risk managers to some degree."

AI may also be impacting perceptions of people risk, not just because businesses will increasingly need talent who are proficient in AI – either as users or developers – but because the rise of the technology may chip away at institutional knowledge and have a long-term impact on training and employee skills.

"Manual tasks are being stripped out, but that's how people learn when they come into risk," said Alisa Voznaya, a Partner leading BDO's Consulting practice in London. "You need people to understand what actually happens in the weeds. When you strip that out, you lose the opportunity to train people with that view. So there is a concern about how you get that experience – we don't want to lose that muscle memory." ■



WHERE IS TALENT/PEOPLE RISK HITTING HARDEST?



The risk rift: how a compliance-led approach is holding back growth

A focus on box-ticking may be overshadowing real risk management strategies

At a glance

What is changing

Increased regulation and an uncertain operating environment are prompting businesses to take a more compliance-led approach to risk management.

Why it matters

This approach often takes precedence over real risk management, which means businesses may be missing out on or overlooking potential growth opportunities.

What to do

Embedding a risk culture helps shift the mindset away from a compliance-led approach and instead embraces risk to identify growth-driving business opportunities.

Page 187

Executives think they have the right balance between real risk management – the broad risks that are a potential threat to a company – and compliance. But take a closer look at those assertions and it reveals potential fractures inside the organisation.

While a majority of respondents say there is an equal focus between risk and compliance (54%), the survey shows that CEOs/MDs are not on the same page as their Chief Risk Officers (CROs). Company leaders say their biggest problem is compliance overspend, followed by a box-ticking mentality. By contrast, CROs say their biggest problem is limited adaptability to new risks, followed by minimal use of monitoring tech.

The regulatory backdrop may also be forcing companies to take a more compliance-led approach given that broad market uncertainty introduces even more unknowns into risk-taking.

“The regulatory environment is seeing sudden shifts and downright reversals rather than a gradual drift under the current administration,” said Polly James, Senior Director of Risk Management at Feld Entertainment in the US. “A rush to reduce federal ►



oversight and push regulation down to the state level is not helpful for businesses that operate across the country."

Getting the balance right between real risk management and compliance is essential if companies want to be more proactive around risk.

"Regulatory and compliance risks have always been at the forefront of our risk landscape, but what is happening this year is unique. It's important to really stay on top of it, because that enables us to not really have to stop or pause other activities or innovations in pursuit of compliance activities," said Lianne Appelt, Head of Enterprise Risk Management at Salesforce.

Most businesses recognise the need to increasingly focus on real risks. As many as 74% of executives said it is a priority to embed risk thinking into their company culture.

"There definitely needs to be awareness of what risk means for individuals and the business, as well as the upside of operating with a mindset that is aligned to a company's strategic objectives and values." said Matt Williams, a Partner in BDO Australia's Risk Advisory Services team.

Another issue is the apparently contradictory views of senior leadership. While 63% of CEOs and managing directors said regulatory risk is one of the top three risks they are unprepared for, 60% also said that compliance overspend is a major problem.

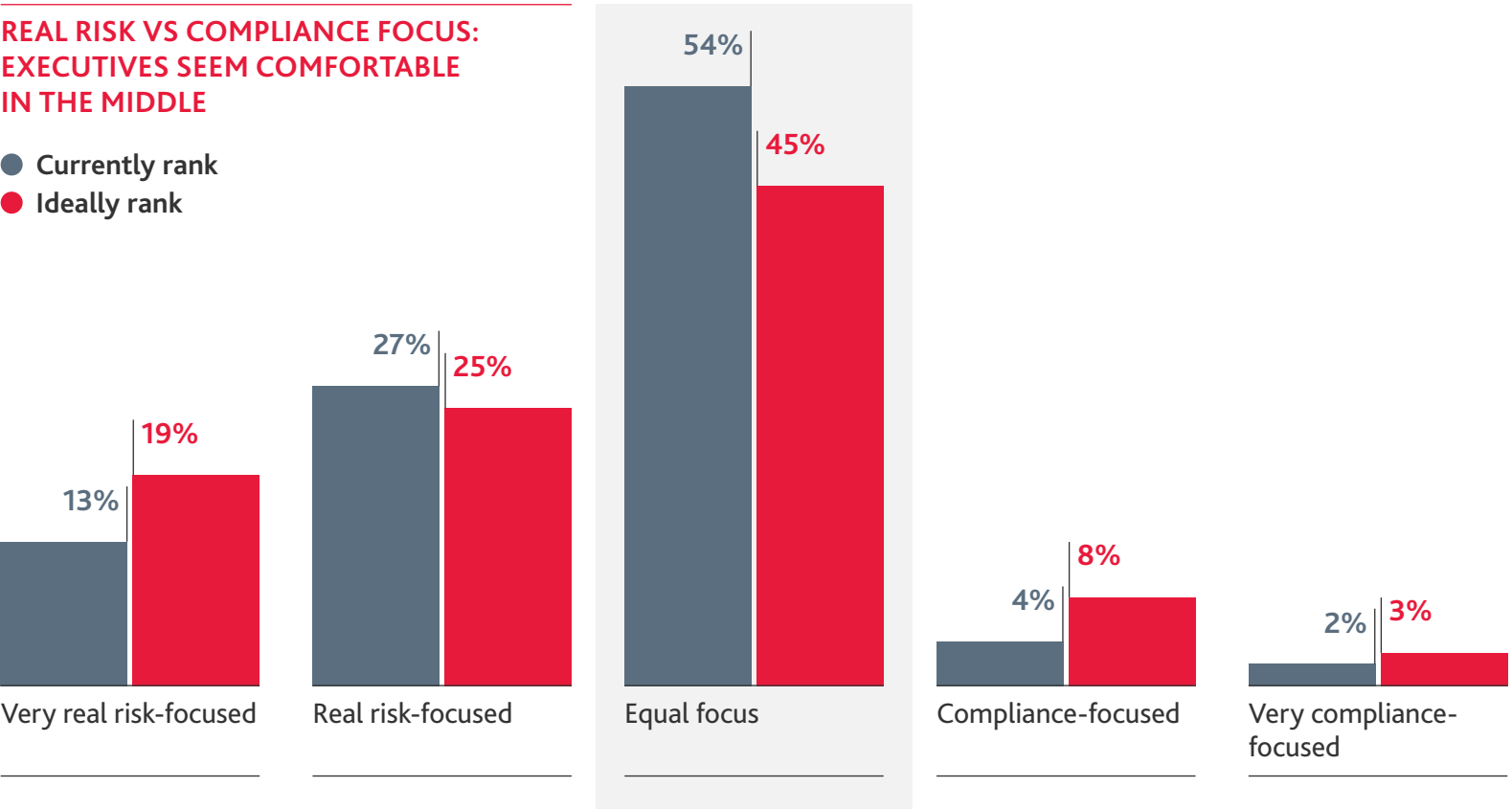
One potential reason for this mismatch is that business leaders think their companies are not getting the best value out of their compliance and regulation efforts because they are too focused on box-ticking rather than finding ways to capitalise on their risk management. ▶

“Regulatory and compliance risks have always been at the forefront of our risk landscape, but what is happening this year is unique.”

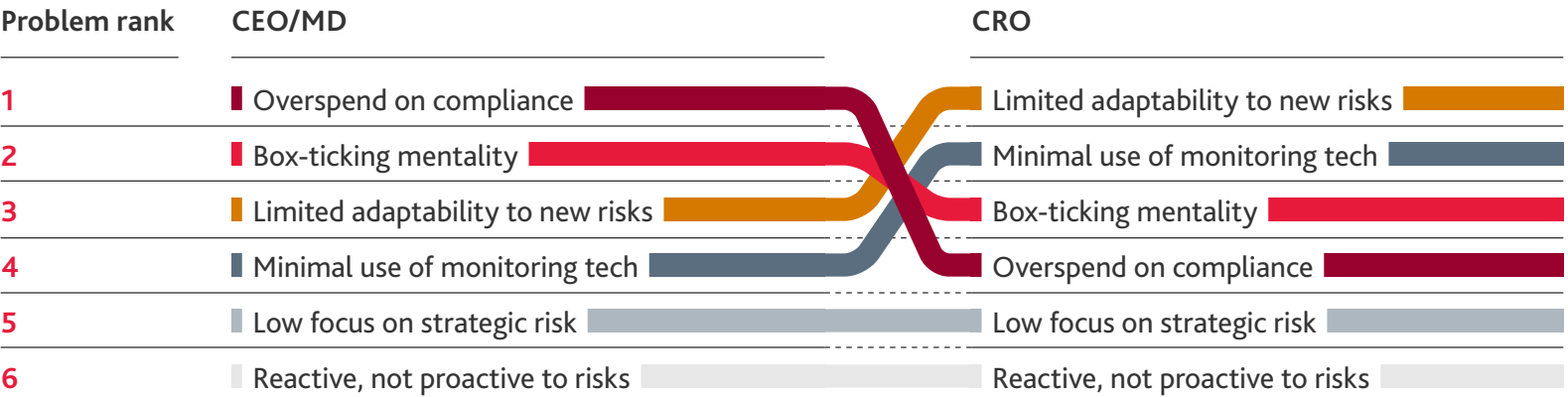
Lianne Appelt,
Head of Enterprise Risk Management,
Salesforce

REAL RISK VS COMPLIANCE FOCUS:
EXECUTIVES SEEM COMFORTABLE
IN THE MIDDLE

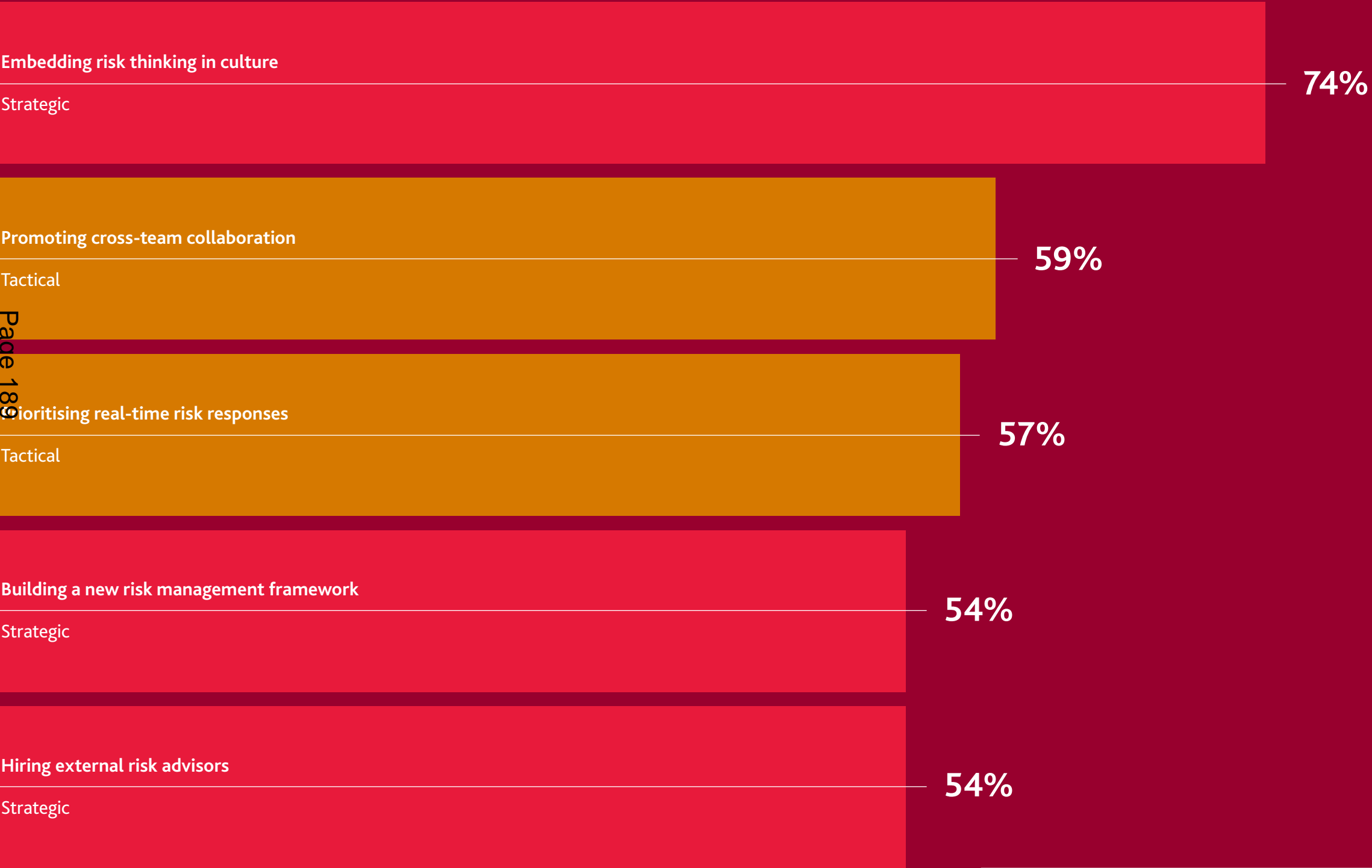
● Currently rank
● Ideally rank



BUT LOOK DEEPER – CEOs/MDs ARE HIGHLY CRITICAL (AND THEY DON'T ALIGN WITH THEIR CHIEF RISK OFFICERS)



WHAT ARE COMPANIES DOING TO TILT THE BALANCE TOWARD REAL RISK MANAGEMENT?



While some CEOs might complain that compliance is too expensive because it doesn't contribute to their bottom line, 'underspending' could potentially have damaging consequences, said Richard Walker, Head of Risk Advisory Services at BDO South Africa.

"Businesses must weigh the risks and opportunities: while saving on compliance overspend is tempting, getting caught can result in hefty fines and damage to reputation," said Walker.

Some businesses are investing in risk in other ways, for instance by hiring consultants. However, appetite for this approach often depends on a business's ownership structure. For example, 67% of management and PE-owned businesses said they are engaging consultants to ensure a focus on real risk management, though founder-owned companies were less likely to do this (just 43%). ■

Insight

Say goodbye to box-ticking

Page 99
Elisa Voznaya
Partner leading BDO's Consulting
Practice in London

"Organisations sometimes feel that a compliance approach is easier – you follow the processes and you feel like you've done your job, you feel good about yourself. You get a dopamine rush. Whereas with a risk culture, it almost feels like the hardest thing to possibly do.

Organisations need to recognise this and ask themselves, do we talk about risk strategically or do we talk about risk as a tick-box exercise? The telltale sign for me is how much time is spent by functions focusing on the compliance elements that need to be filled in, without ever really

bringing those risk assessment conversations to the executives. This means executives are not considering these issues as part of their agenda.

There can also sometimes be a lack of understanding on how the compliance programme connects to risk. In those situations where you have compliance and risk functioning independently – unless it's obviously a very regulated environment – that's problematic because ultimately they're driving towards the same purpose and just looking at it through a different lens." ■

“
Organisations need to
ask themselves, do we talk
about risk strategically
or as a tick-box exercise?”

Cyber breaches: no end in sight

The evolving cybercrime threat is keeping executives on their toes

At a glance

What is changing

Cybercriminals are getting ever more sophisticated, which is making CEOs sit up and take notice, particularly if competitors have been impacted.

Why it matters

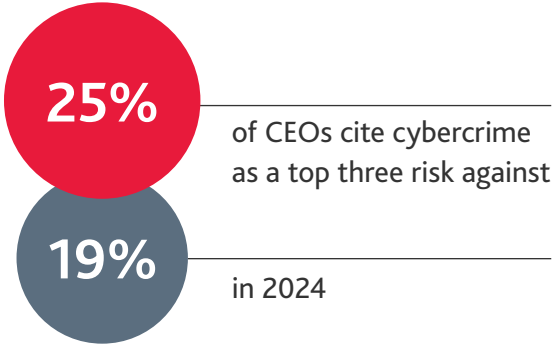
Cyberattacks can cause severe reputational damage and result in significant regulatory penalties for companies who don't take adequate security measures.

What to do

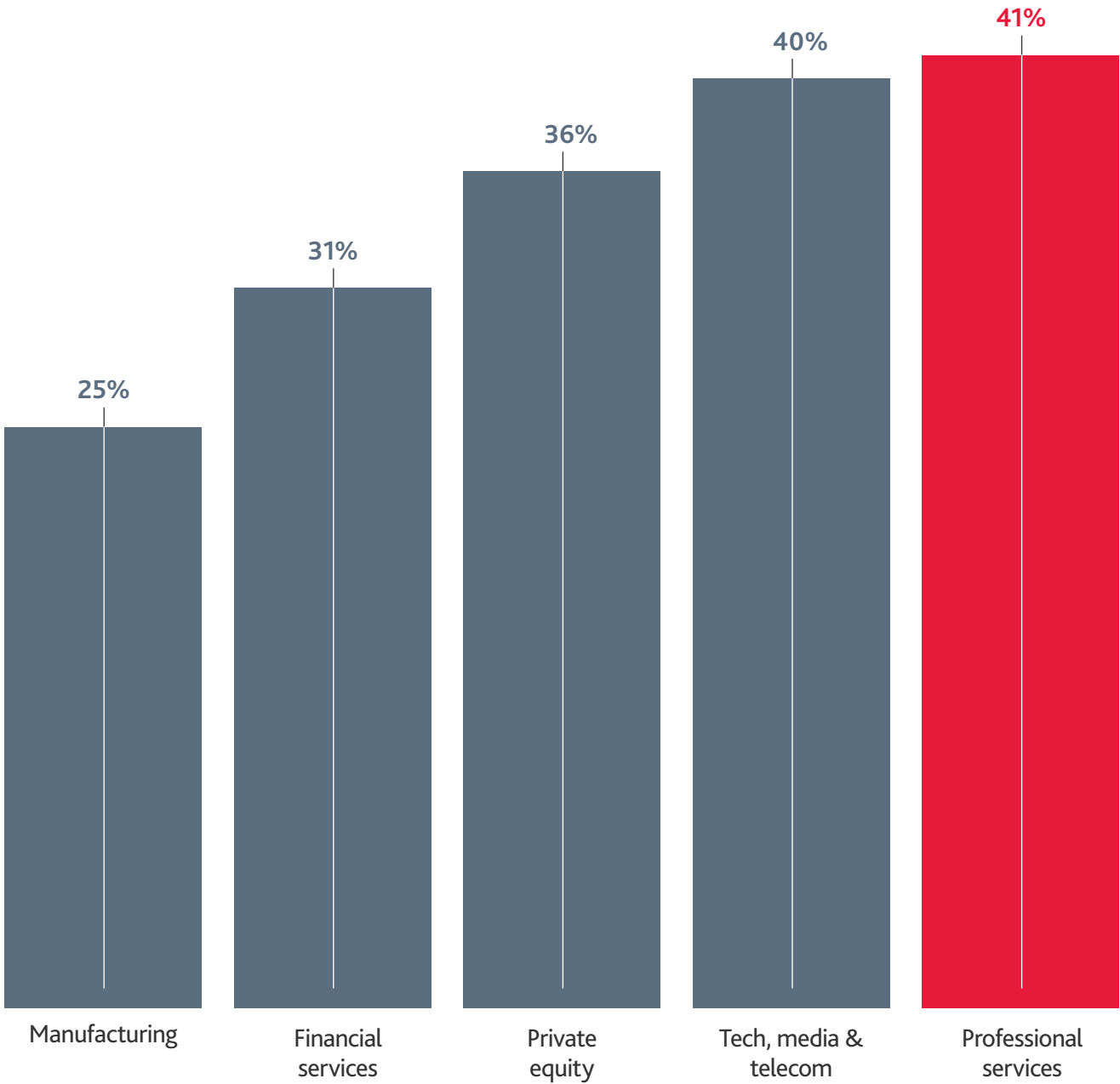
The companies with the best cyber posture are typically those that view cybersecurity as an enabler and not simply as a cost of doing business.

The threat of cyberattacks is making CEOs more nervous than ever. The average cost of a data breach in 2024 was almost \$5 million, according to an IBM/Ponemon Institute report. Against this backdrop, a quarter of CEOs cited cyberattacks as one of their top three risks, up from 19% last year.

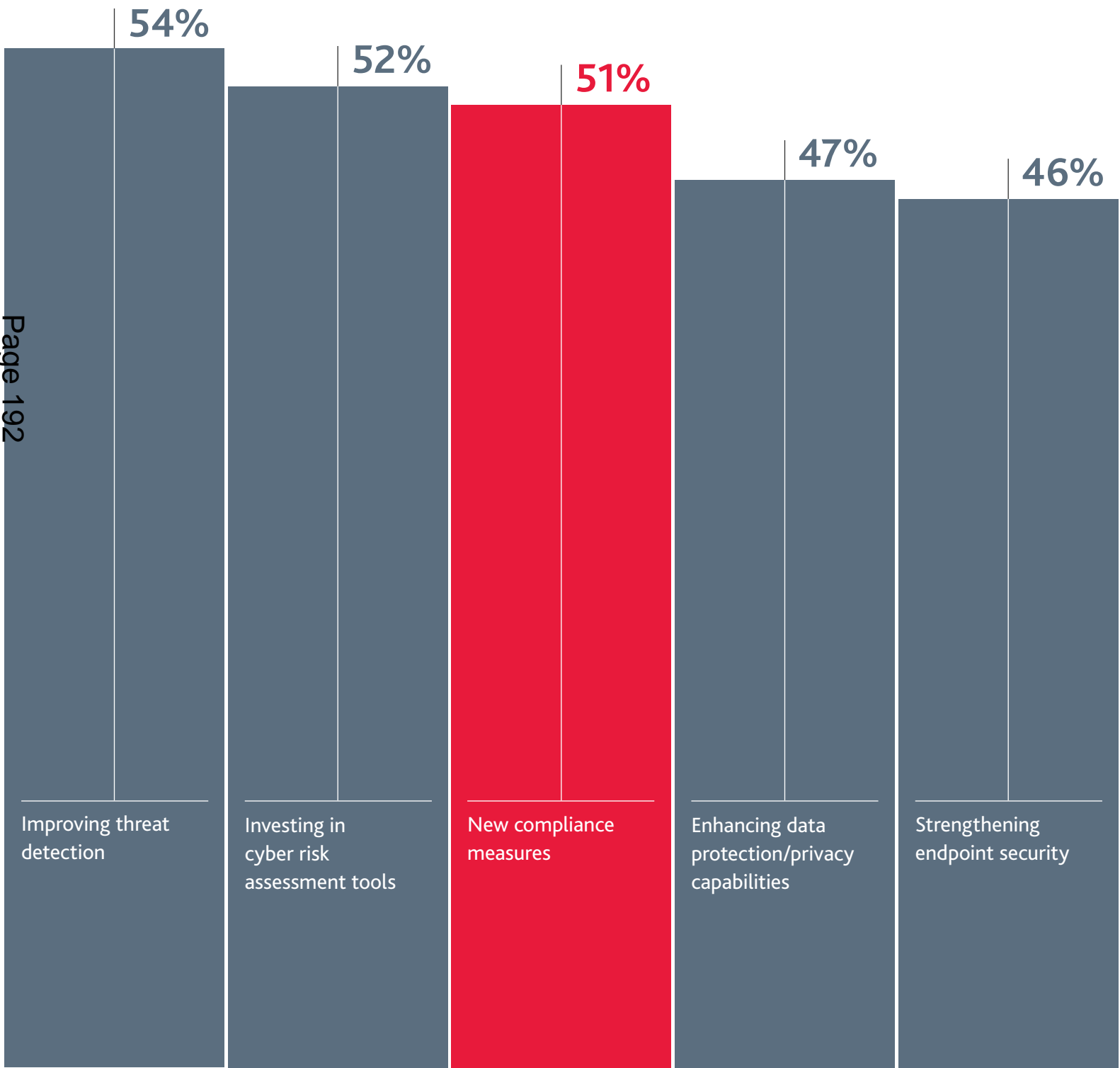
"There isn't a lot that is new, it's more the sophistication and the velocity at which some of these cyberattacks are able to penetrate and impact companies that is changing," said Lianne Appelt, Head of Enterprise Risk Management at



THE INDUSTRIES THAT ARE MOST LIKELY TO SAY THEY ARE UNPREPARED FOR CYBER RISK



WHAT ARE BUSINESS LEADERS' CYBERSECURITY PRIORITIES FOR THE NEXT TWO YEARS?



Salesforce. “As a tech company, cyber risk is always at the forefront for us, so we do everything we can to ensure that our products and services and our internal systems are safe.”

While email phishing campaigns to launch malware attacks, invoice or payment fraud are still the biggest cyber-related risks, there is an increase in social engineering attacks that target employees. These seek to gather intelligence on businesses to either steal intellectual property or commit some kind of fraud.

“Threat actors are using the machines that we use to make our lives more efficient to help them with reconnaissance and to learn more about the organisation and its people,” said Rocco Galletto, Partner and Global Head of Cyber at BDO Canada. “We have a team that tests everything from physical to logical security controls, and they’re getting to the point where even malware is now caught by the tools, but social engineering through an employee always gets us in.” ▶

“When cyber teams are strongly aligned with overarching organisational goals, they can quickly help their organisations stay safe.”

Rocco Galletto,
Partner and Global Head of Cyber, BDO Canada

Some industries are potentially more vulnerable than others. Professional services firms were the most likely to be unprepared for cyber risk (41%), followed by tech, media and telecom businesses (40%) and private equity (36%).

The pace at which cyber threats are evolving means there is also a growing gap between those who are prepared and more cyber resilient and those who are not taking sufficient steps to improve. The pace of tech change is also a risk for companies: 20% of respondents cited this as a top three risk they are unprepared for, but only 9% of CEOs.

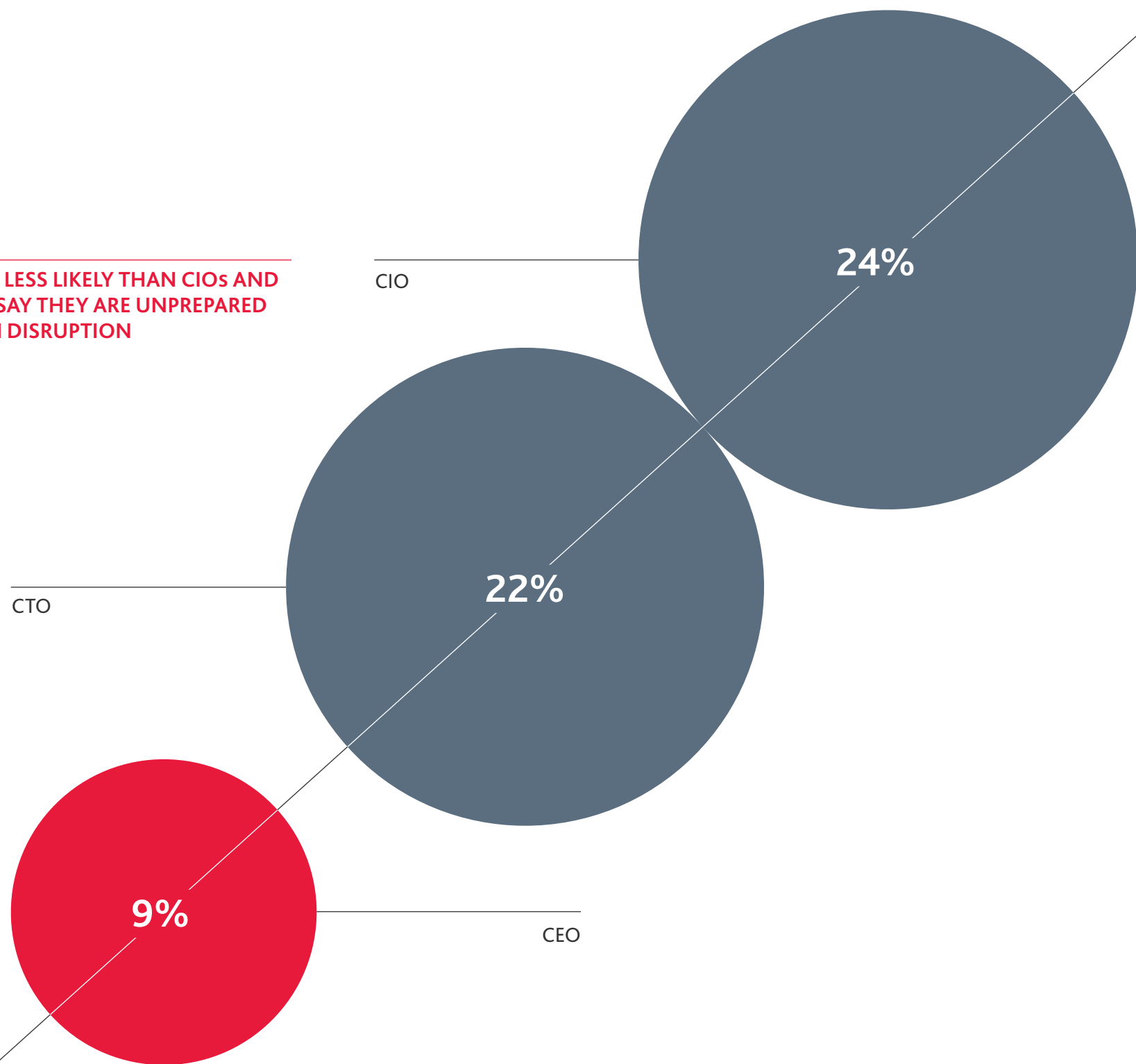
“As the tech changes, a business's risk profile changes, not only because the tech is changing, but because of the way they operate changes,” said Galletto. ▶

WHICH RISKS ARE EXECUTIVES MOST STRUGGLING TO HANDLE?



CEOs ARE LESS LIKELY THAN CIOs AND CTOs TO SAY THEY ARE UNPREPARED FOR TECH DISRUPTION

Page 194



“Because tech is moving faster, businesses are moving faster, and cyber has a tough time catching up. So there probably is more of a lag today than there has been in the past – and that gap seems to be getting larger.”

The key difference between cyber-resilient businesses and those that are lagging is that the former look at cybersecurity as an enabler to the business, said Galletto.

“When cyber teams are strongly aligned with overarching organisational goals, they can quickly help their organisations stay safe,” he said. “This means you can start to anticipate what could go wrong, and if it does go wrong, it can quickly be recovered.”

Aside from the real risk of attacks, cyber is also becoming a growing compliance challenge, with 52% of Chief Technology Officers saying their firm has a box-ticking mentality, which can distract from broader risk management strategies.

“
Aside from the real risk of attacks, cyber is also becoming a growing compliance challenge.”

“Firms go through this check-box exercise, but what they fail to achieve is day-to-day sustainment,” said Galletto. “You need people to manage those compliance actions, not just when you’re being audited. So it becomes a resource challenge where there just aren’t enough people to keep up with sustainment and compliance ends up becoming a check-box exercise.” ■

Insight

The cyber challenge for mid-sized firms

Paolo Galletto
Partner, Global Head of Cyber,
BDO Canada

"A frequent challenge for our mid-size enterprise clients is that they are subject to similar regulations as a large enterprise, but they only have small teams – maybe five to ten security people – whose mandate is to keep the organisation safe.

So the organisation may well have 2,000 to 4,000 people, but they only have a small team of security practitioners protecting the business.

Given those circumstances, we're seeing an increasing trend among those types of businesses reaching out to professional services firms like BDO to help shepherd them through some of the

areas where they may lack resource capacity or have a lack of understanding of how other organisations of their size are managing or tackling the problem.

Having a structured cybersecurity programme in place is important for organisations to stay ahead or at least keep pace with evolving cyber risk.

There are different levels of readiness that they should consider. The first level is identifying all the things you need to protect within your organisation and how those are protected. It's also important to adapt: when an organisation changes or evolves, security controls must also evolve to maintain its cybersecurity posture." ■

“
When an organisation evolves, so should its security controls to maintain its strong cybersecurity posture.”

Bridging the risk and reward gap on AI

Companies must get the risk framework right as optimism fuels AI arms race

At a glance

What is changing

Companies are increasingly optimistic about the opportunities created by AI while seeing it less as a risk.

Why it matters

Businesses may overlook or underestimate potential AI risk that could impact them, causing lasting reputational damage and/or severe regulatory entanglements.

What to do

Businesses need a structured risk management framework to safely embrace AI innovation, because if they get it wrong, it can wipe out the investment completely.

As AI has continued to advance over the past 12 months, attitudes towards the technology's risk have shifted again, with most executives now seeing more opportunity and less risk. Asked to rank AI risk on a scale of one to five, with five as the most significant, most respondents (57%) scored AI risk at three. A year ago, 52% placed AI risk at four.

"We're at a pivotal moment where AI is no longer theoretical - it's in everyone's hands. That accessibility is fuelling innovation, but it's also creating blind spots. As enthusiasm grows, the real risk is assuming AI is plug-and-play. Without a strong risk framework, companies may be scaling exposure faster than they're scaling value," said Kirstie Tiernan, AI Leader at BDO USA.

Another reason for this shift is that businesses may believe there is a greater risk of being left behind if they don't embrace potential AI opportunities, added Vernie Balasubramaniam, Director of AI, Privacy and Data Protection at BDO UK.

Part of the issue is that AI is so pervasive across different business needs that senior executives are not aware of

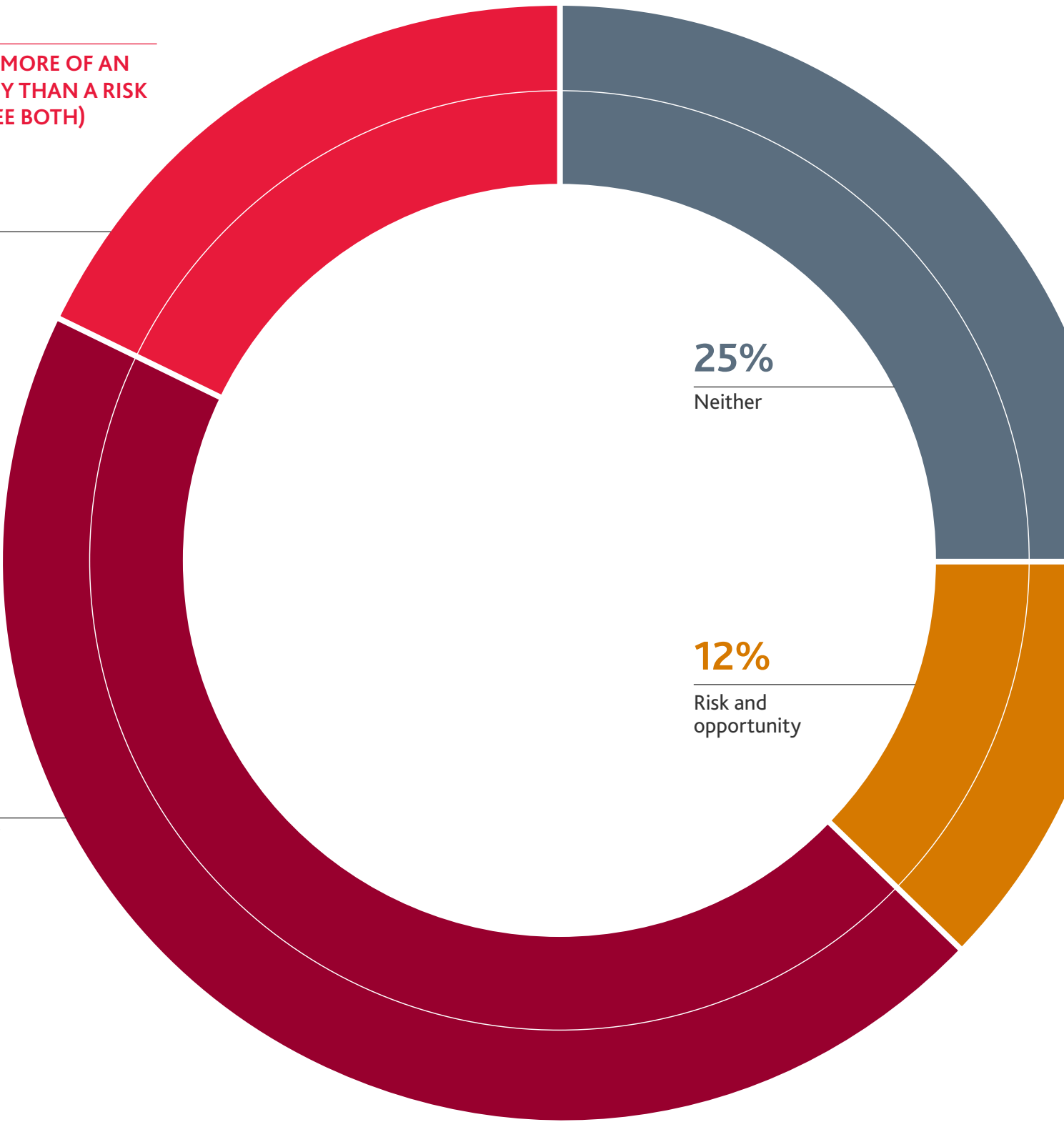
AI IS SEEN AS MORE OF AN OPPORTUNITY THAN A RISK (BUT SOME SEE BOTH)

18%
A risk

45%
An opportunity

25%
Neither

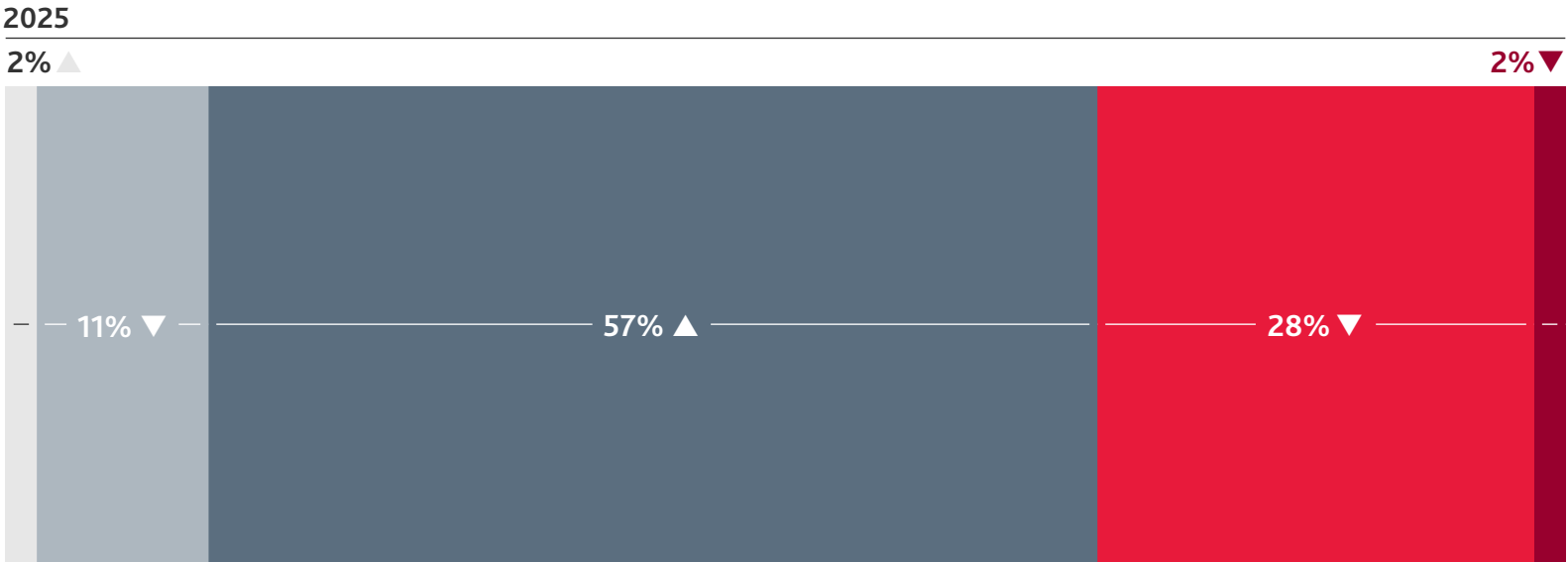
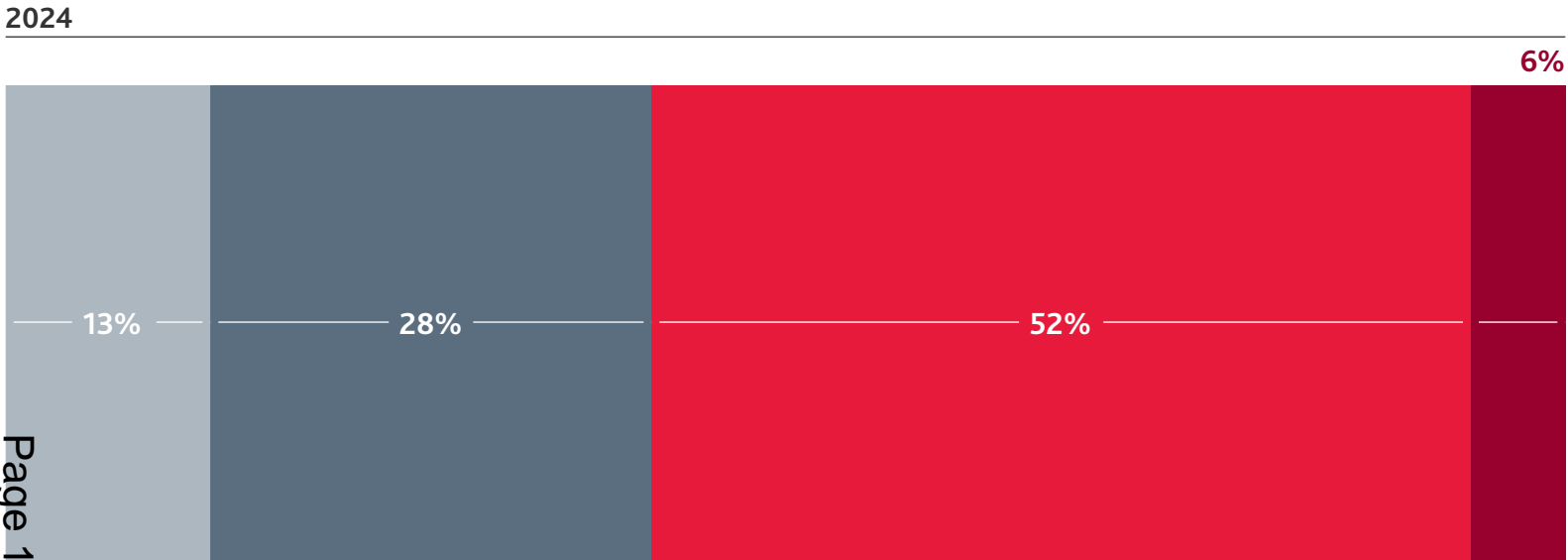
12%
Risk and opportunity



CONCERNS ABOUT AI RISK HAVE EASED SINCE 2024

Scale

No risk 1 2 3 4 5 Significant risk



everything that is available and therefore fret they may be at a disadvantage to their peers, she said. There are several areas where executives believe AI will have a significant impact on their business over the next 12 months, with cybersecurity coming out on top (55%), followed by compliance monitoring (52%) and supply chain (50%).

“AI-driven compliance is a good thing – you can have more data points to give you much more detailed insight as to a particular risk and who’s exposing an organisation,” said Balasubramaniam. “This means you can have real-time risk management in areas such as fraud detection.”

Despite this opportunity, only 31% of respondents believe AI could help with risk identification or fraud detection and prevention, a potential missed opportunity which again signposts a lack of awareness of the tools that are available.

While there is more optimism among executives, there is still a recognition of the potential risks of using the technology. Some 62% of respondents said AI could increase privacy risks, while 56% said it could increase cybersecurity risks.

It’s possible that other risks are being overlooked, said Tiernan.

“There’s still a lot of underestimation, particularly around operational and ethical bias risk,” she said. “Many leaders equate AI risk with data privacy or just model bias, and they stop there. The reality is that risk now includes reputation risk, workforce disruption, over-automation and maybe even sometimes loss of institutional knowledge.”

In the same vein, some companies could be underestimating the broader risk to the company if they get their AI strategies wrong.

“They don’t see that you can cripple the company, for example if you put all your data in one place – if you have a breach, you’ve not lost one database, you’ve lost all of your data,” said Balasubramaniam.

To avoid these potential pitfalls, businesses need to ensure there is wide participation in conversations around AI investments, particularly from a risk perspective.

Polly James, Senior Director for Risk Management at Feld Entertainment, said her business has a cross-functional team that weighs the risks and benefits and agrees on guardrails for any new AI initiatives. ▶

“We are proceeding with caution and testing the waters rather than jumping in with both feet,” she said. “We are limiting users and building safeguards around who can use it and ensuring that information is not fed into a public model.”

There is also a risk that small and mid-size businesses may become over-reliant on AI tools because it may be cheaper for them to use AI rather than hire more human staff.

“In a large corporation, they’ll probably get the balance right because they’re likely to have a more structured approach for embracing AI, so SMEs are probably at the highest risk,” said Balasubramaniam. ■

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62%



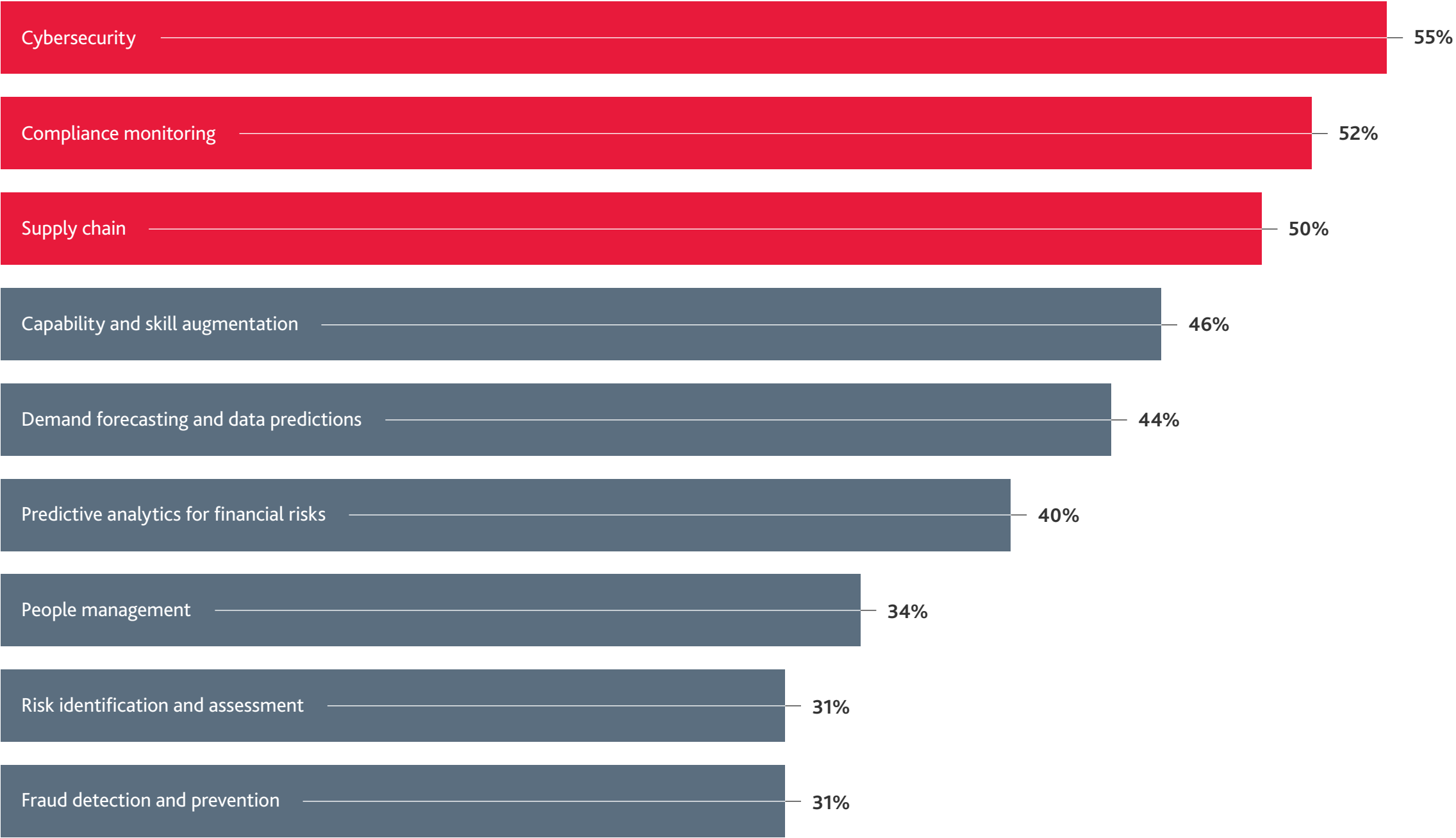
say AI could increase privacy risks

56%



say it could increase cybersecurity risks

WHERE AI IS EXPECTED TO HAVE THE MOST IMPACT IN THE NEXT 12 MONTHS



Insight

A structured approach to AI risk

Page 109

Vernie Balasubramaniam

Director of AI, Privacy and Data Protection,
BDO UK

"We recommend having an AI strategy, someone who is accountable for AI, and an AI governance committee consisting of multiple stakeholders. This ensures it's not a single point of failure – lots of people are aware and they're looking at AI from multiple risk opportunities.

It's also important to implement a structured compliance programme as early as possible to ensure you identify existing controls that can help mitigate any AI risks, so you don't have to reinvent the wheel. Organisations also need to perform regulation mapping to understand the regulatory impacts globally, not just from a particular location."

Kirstie Tiernan

AI Leader and Member of Board
of Directors, BDO USA

"AI risk isn't a technology problem – it's a leadership blind spot. If boards don't know what questions to ask, they can't govern effectively. Organisations need more than a head of AI; they need a governance model that ensures leadership is fluent in the right risk language, and supported by independent oversight on ethics, bias, and accountability. Without that, optimism becomes exposure." ■



Avoid supply chain ruptures by ‘flexsourcing’

Rising geopolitical risk means organisations need to reassess their supply chains

At a glance

What is changing

Geopolitical tensions and trade war posturing are ramping up concerns about supply chain resilience and making people rethink supplier relationships.

Why it matters

Many businesses were stung during COVID-19 for relying on one supplier far away from their consumers, impacting the availability of their products and their profitability.

What to do

Businesses need to invest in ways to reduce their physical supply chain risk by taking a ‘flexsourcing’ approach that combines nearshoring with friendshoring.

Supply chain risk once again ranked second among the risks business leaders felt unprepared for when the survey was conducted. Since then, global disruptions, including an escalating trade war between the US and countries that were previously seen as trade partners, are likely to have intensified those concerns.

Given the potential business disruption caused by supply chain blockages, nearshoring was already a growing trend post-Covid as businesses moved to limit the distance between suppliers and their end customers. Some businesses are now transitioning to an agile mix of nearshoring and friendshoring, or what may better be understood as ‘flexsourcing’.

“Flexsourcing is increasingly important because with all the new tariffs that are being proposed, you’ve got companies that are looking at drastically altering where they manufacture products, which creates a whole different set of compliance issues for companies to run through,” said Dave Arick, Managing Director for Global Risk Management at Sedgwick. “As we saw during Covid, relying on single points of failure is a recipe for disaster. So having flexibility – not just flexing existing suppliers but potentially finding alternatives – is critical given what is happening in the world today.”

Despite this, executives said the main way they are seeking to reduce physical supply chain risk over the next two years is by enhancing due diligence (60%) and digital monitoring (58%), potentially because recalibrating supply lines again is not easy (nearshoring was bottom of the list with just 41%).

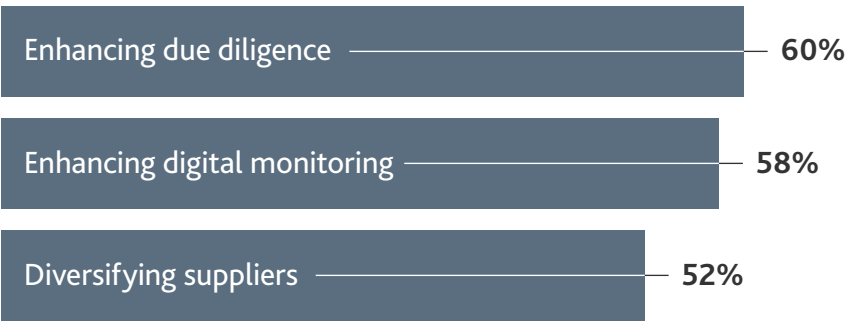
“It’s not a quick win, it’s a long-term strategic play,” said Fraser Paget, Head of Supply Chain and Logistics Advisory at BDO UK. “It also comes down to cost – it’s much better to nearshore, but it’s probably more expensive.”

Executives said they are also strengthening their digital supply chains by conducting regular audits for digital vendors (62%) and investing in enhanced digital monitoring tools and strengthening data-sharing agreements (both 56%).

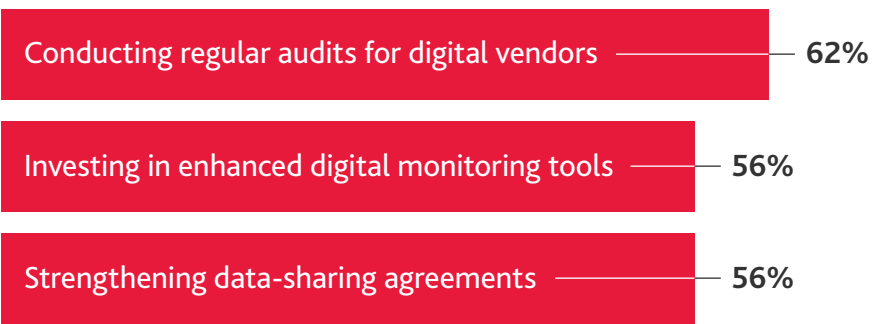
Whereas in the past there was more investment in digitising finance systems and marketing, logistics is now starting to catch up, said Paget.

“With everything that’s gone on over the past five years, I think that mindset is changing,” he added. ■

THE TOP THREE WAYS COMPANIES ARE STRENGTHENING THEIR PHYSICAL SUPPLY CHAINS



THE TOP THREE WAYS COMPANIES ARE STRENGTHENING THEIR DIGITAL SUPPLY CHAINS



Insight

Tread carefully on supply chain transformation

Fraser Paget

Head of Supply Chain and Logistics Advisory,
BCDO UK

“Supply chain has generally been underinvested from a technology point of view but it’s rapidly catching up because it’s such a high risk. AI can help massively with forecasting. The challenge is the bigger a business gets, the harder it is to implement new technology or change systems, so you get a lot of large companies running old systems because the change management is just too big – they say we’ll just stick with what we’ve got.

When you have a constant cycle of change management and need for new investment, large businesses can struggle because they can’t afford that disruption.

Large-scale transformation projects can significantly disrupt a business’s financial performance. For instance, a contributor to Mothercare’s demise was the lack of availability of stock after implementing a new warehouse management system, while KFC faced major challenges fulfilling chicken orders when it changed logistics providers. Senior leaders must recognise that investing in technology affects the entire business infrastructure, not just the tech itself.

If you’re a grocer and you can’t get goods to the supermarket or if you’re an e-commerce business and you can’t fulfil orders to your customers, then you don’t have a business. You have to stress test your technology and risk analyse it and ensure you are able to roll back if things don’t go as planned.” ■

“
When you have a constant cycle of change management and new investment, large businesses can struggle.”

Fraud risk: don't give fraudsters an opening

The AI boom could increasingly expose organisations to deepfake risk

At a glance

What is changing

The rise of AI is adding to the fraud risk landscape by making it easier for fraudsters to hoodwink staff using deepfake technology.

Why it matters

Employees can be duped into handing over sensitive material or even authorising payments.

What to do

Continuous training on internal controls is essential for reducing fraud risk as most incidents stem from controls not being followed correctly.

Page 202

Fraud is a potentially underappreciated and sometimes misunderstood risk. Only 15% of executives cited fraud as one of their top three risks, putting it on a par with issues such as brand damage and funding access.

But it can be costly for businesses. Fraud examiners estimate organisations lose 5% of revenue annually to occupational fraud – fraud committed by their own employees – according to the Association of Certified Fraud Examiners (ACFE). On top of that, the rise of AI technology is creating opportunities for professional fraudsters to infiltrate a company using deepfakes. All of this means companies need to pay more attention to fraud risk.

“Sometimes it takes an industry competitor or something in the news or something small that hits home in their own organisation to wake up an organisation.” said Glenn Pomerantz, Partner and Global Head of Forensics at BDO USA. “There’s no great celebration for the successes of preventing fraud but if you are a victim of a \$50 million embezzlement, that becomes very well-known

very quickly, so organisations are somewhat inconsistent in respect of their attention to fraud.”

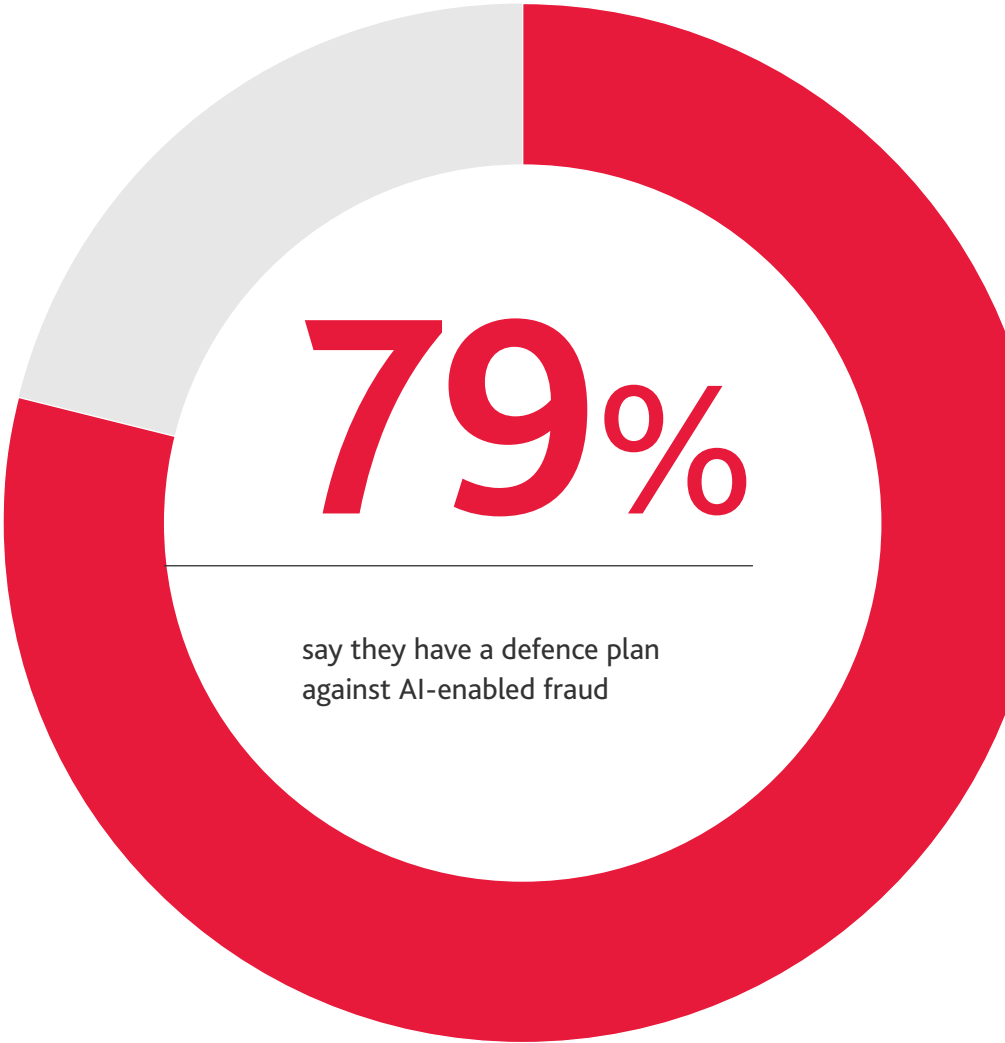
Often fraud occurs not because the right controls were lacking, but because they were not followed properly, Pomerantz said.

“There’s always some breakdown – it’s almost like death and taxes, it never goes away. But some companies try harder than others,” he said.

Most companies are taking the threat of AI risk seriously – 79% said they have a plan to combat AI-enabled fraud, though that still leaves a fifth of companies that are potentially vulnerable.

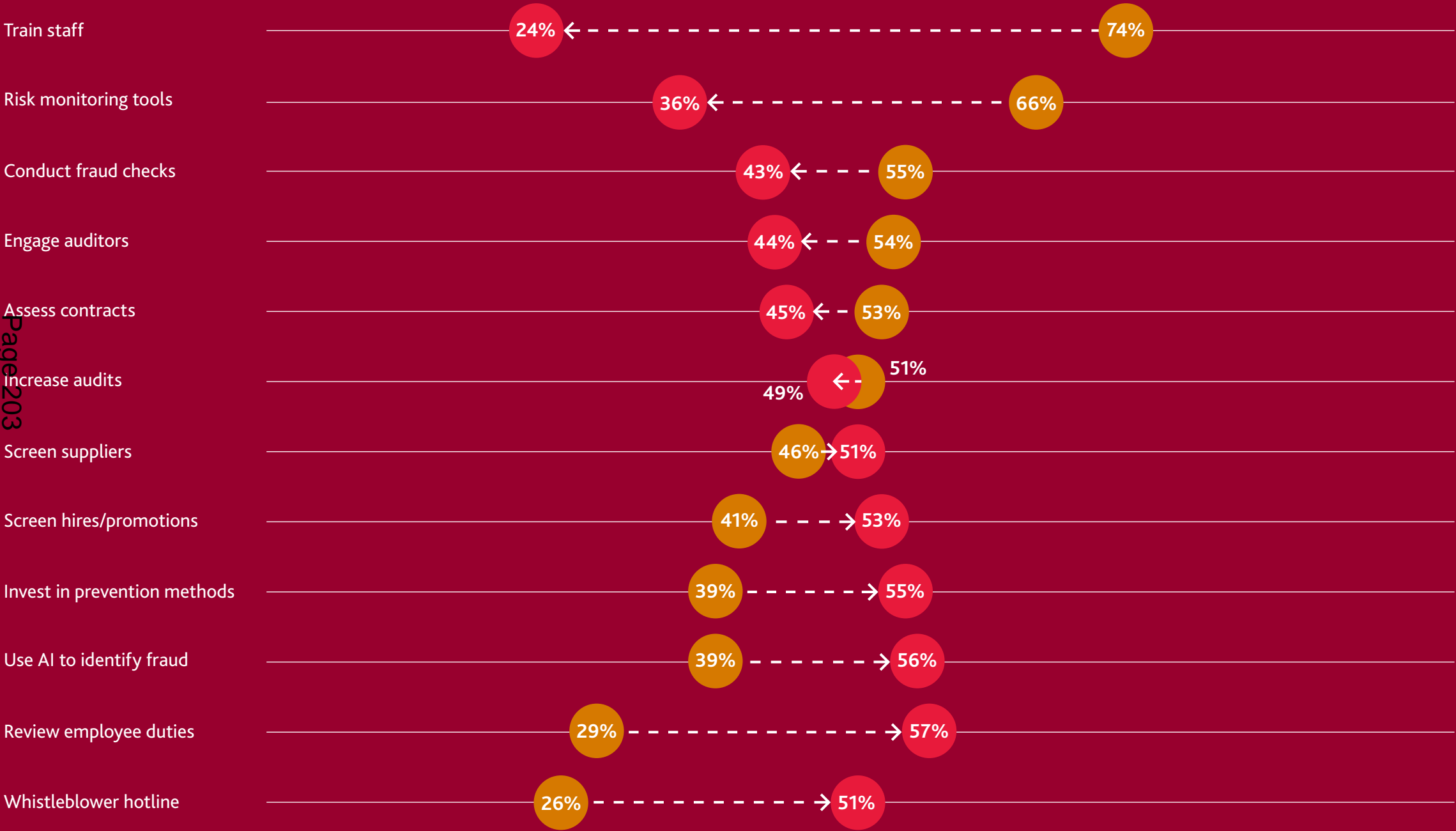
Actions that companies are taking against fraud today include training staff (74%), investing in risk-monitoring tools (66%) and conducting fraud checks (55%). Worryingly, however, when asked what their priorities will be in two years, only 24% said staff training will still be the priority.

“There is potentially a misperception that you only have to train once,” said Pomerantz. ▶



ACTION AGAINST FRAUD: TRAINING AND TOOLS ARE TODAY'S PRIORITIES (BUT NOT TOMORROW'S)

● Action now ● Action in the next two years



"You're also dealing with employee turnover – a third of the people you trained three years ago are probably now gone. Training has to be reinforced, it's not a one off."

Businesses may also be overlooking an opportunity to detect occupational fraud. Just 26% said installing a whistleblower hotline is a way to combat such fraud, the lowest-ranked tactic in the survey. This is notable because ACFE data shows many frauds (43%) are detected because of tips.

However the anomalous statistic could simply be because many organisations already have functional whistleblower programs, Pomerantz said. ■

Insight

Busting the myths to reduce fraud risk

Page 29 of 34

Glenn Pomerantz

Partner, Global Head of Forensics,
BDO USA

"Vetting new employees is an internal risk control, whether you're performing background checks and/or checking references.

In several instances insufficient background checks are conducted, combined with a failure to check references. This underscores how critical it is to fully vet potential employees.

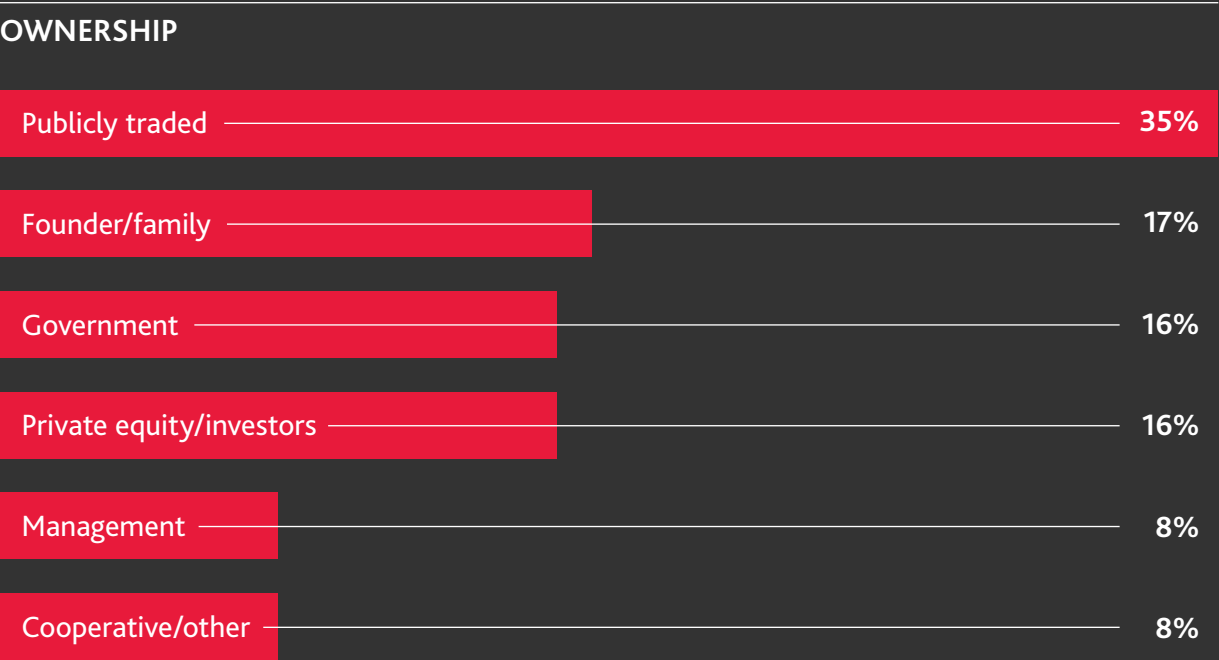
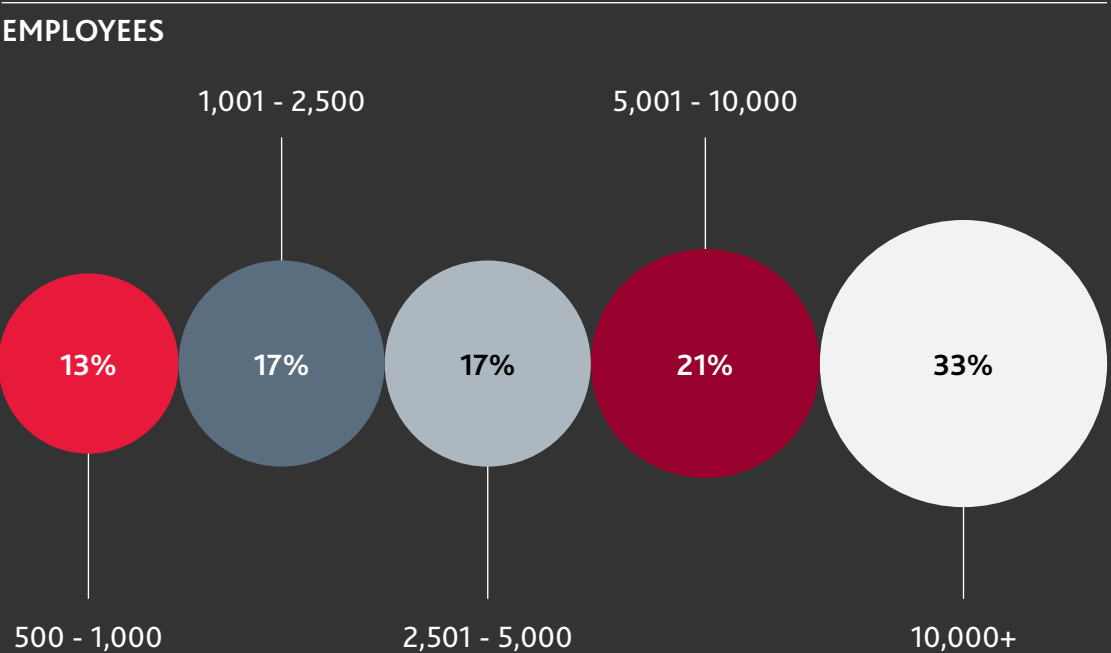
I see organisations along a spectrum, with some checking the background check box in order to fulfil compliance requirements and others conducting intense vetting of employees in positions of trust.

My suggestion is to pick up the phone to the previous employer – maybe 50% will talk to you, and 90% of those 50% will talk to you off the record and provide you with insights that can help you make more informed hiring decisions." ■

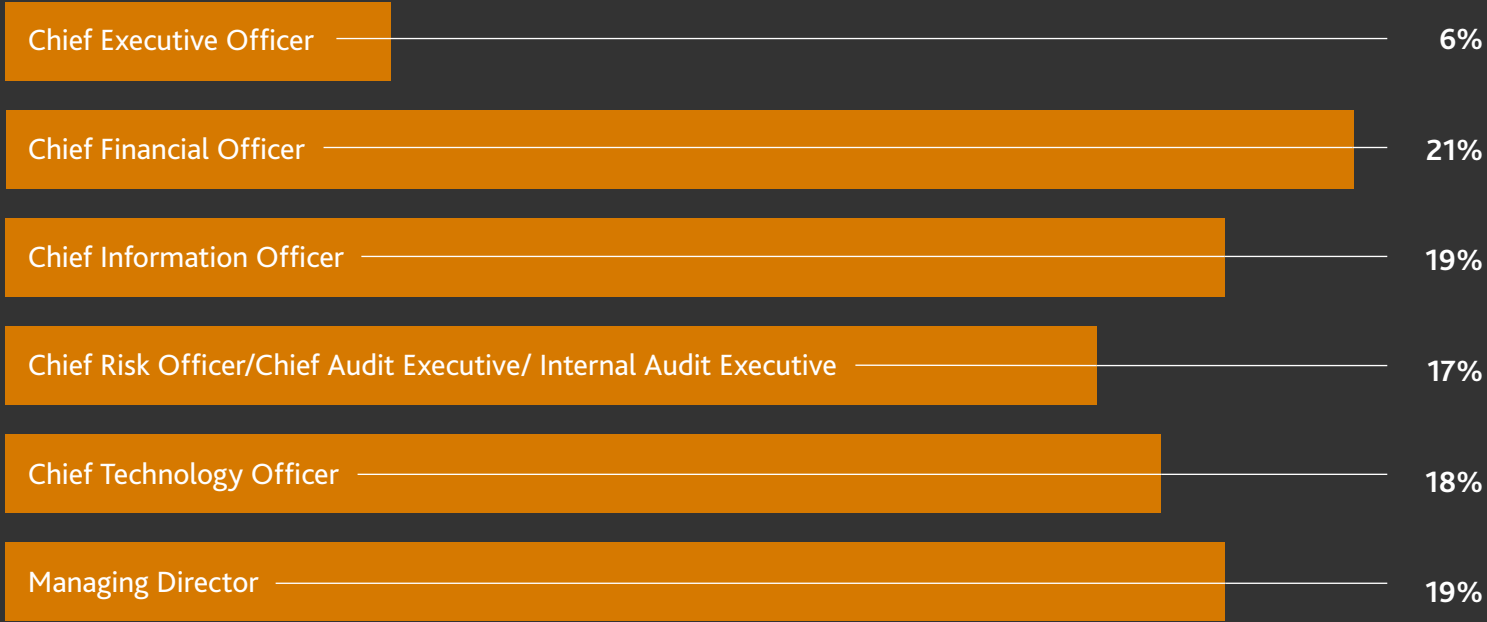
“
I see organisations along a spectrum, with some checking the background check box in order to fulfil compliance requirements and others conducting intense vetting of employees in positions of trust.”

Methodology and demographics

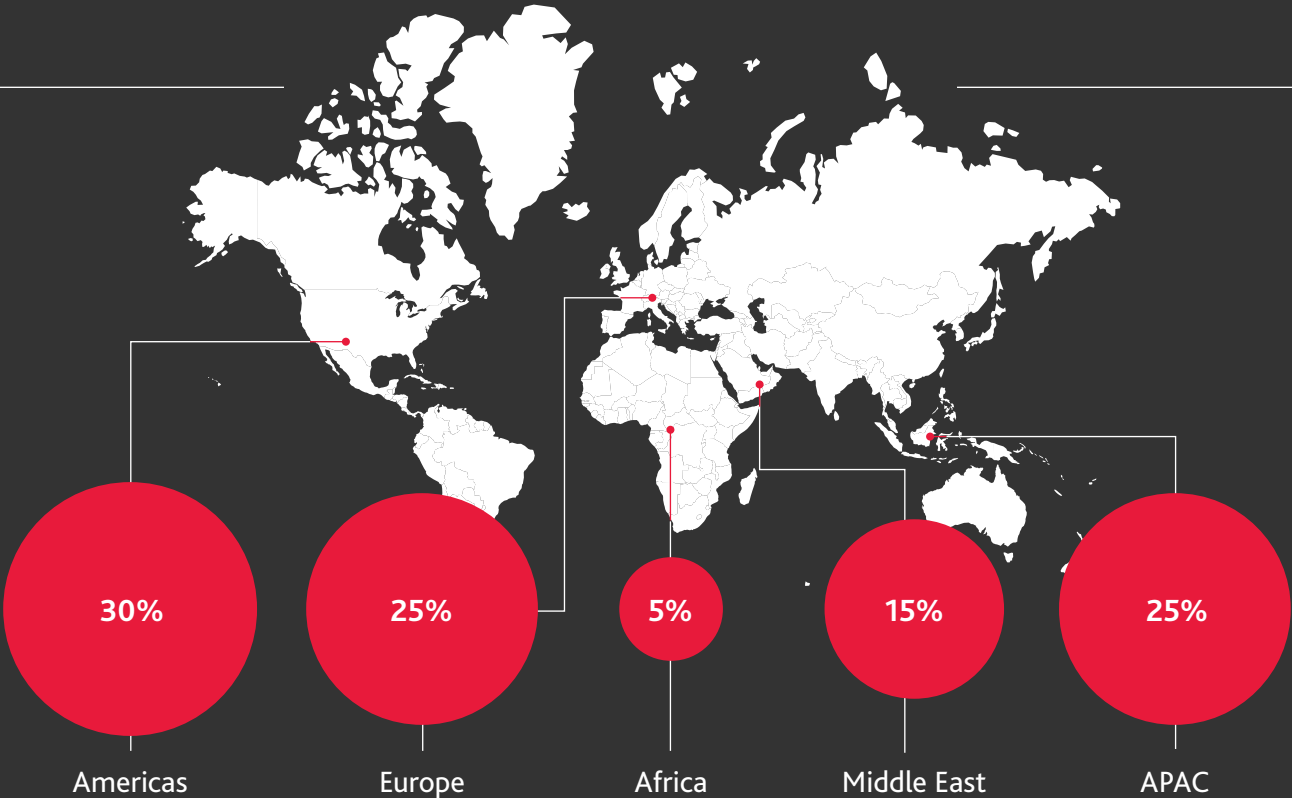
BDO and alan. agency surveyed 500 senior executives (including CEOs, CFOs, CROs and CTOs) at businesses across a range of industries worldwide, including financial services, power and utilities, healthcare and life sciences, manufacturing, private equity and more. All businesses employed at least 500 staff and generated at least \$100 million in annual revenue. The fieldwork by iResearch Consulting Group took place between 24 January and 17 February 2025. ■



JOB TITLE



LOCATION



FOR MORE INFORMATION:

KOEN CLAESSENS
Global Head of Risk Advisory Services,
BDO Belgium

koen.claessens@bdo.be

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Report to Audit Committee

Subject: Corporate Risk Management Review Quarter 1 2025/26

Date: 17th September 2025

Author: Chief Finance and Section 151 Officer

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.

Recommendations:

That Members:

- Note the current risk level and actions identified within the Corporate Risk Register.

2. Background

The current Risk Management Strategy & Framework was approved and adopted by Cabinet on 28 March 2024. Following adoption of the new framework, a project has been underway to simplify the process of risk review and management by using the Council's performance management system, Ideagen to track risk.

All Assistant Directors and Senior Managers have now received training and individual workshop sessions on the content of the new Risk Management Framework and have completed a review of departmental risks in the new Ideagen system. All risks are scored using the new scoring matrix in the framework (appendix 2) and all scores have been provided to show the gross risk (risk level at it's highest level without controls), the residual risk (the current risk score with controls) against the risk appetite score of the Council which is currently moderate, as approved within the framework.

As part of risk review, where departmental risks increase to red this is likely to impact on the overall corporate risk linked to that departmental risk.

The risk framework 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.

3. Corporate Risk Register

The Corporate Risk Register is a key enabler of the Strategy and Framework and provides assurance on the key risks identified as corporate risks. All risks are now monitored through the Council's Corporate Risk Board which meets every other month. Any significant risk changes raised through the board and flagged in departmental registers are then highlighted to Senior Leadership Team to determine any mitigatory actions.

In quarter 1 there has been several changes to risk levels across the 13 corporate risks. The full details are included on the scorecard at Appendix 1.

There has been an increase in risk 2 Capacity, Risk 6 Reputation and risk 12 Service Standards performance. The increase in these risk levels link to issues within waste services where increased sickness levels and management changes which left a temporary shortfall in managerial capacity have impacted on performance. There have been a number of resulting complaints and this has been highlighted through quarter 1 performance reports to Cabinet. A number of actions are in place to address issues in the service and the new management structure is now fully recruited to. There is currently a review of the absence management policy due to be considered by Appointments and Conditions of Service Committee late in the Autumn.

There has been a decrease in risk level on risk 3 Health and Safety at Work as a result of a thorough risk review within parks which has lowered the risk level from 9-6 combined with capacity improving within the health and safety team. There has also been a reduction in risk around contractual partnerships now that a new Procurement Manager and shared service provider have been appointed to support procurement. Finally, there has been a reduction in risk level from 6-4 in relation to projects due to improved project reporting systems and good performance on projects reported in Q1.

The Council's risk appetite is moderate, ideally all risks should be yellow or below, it is however accepted that the Council may take a higher tolerance to risk in some areas versus the reward, this decision is taken on a case by case basis.

The Corporate Risk Register and supporting comments as at the end of June 2025 are appended to this report, and this includes a summary of all control gaps identified on the Council's Corporate Risk Register and any actions added to reduce the risk level further.

4. Financial Implications

None arising directly from this report.

5. Legal Implications

None arising directly from this report, the report is to provide reporting, in line with the Council's Risk Management Framework which is a requirement of the Accounts and Audit Regulations 2015.

6. Equalities Implications

None arising directly from this report, although EIA of all risks should be considered as part of any actions identified and controls in place.

7. Carbon Reduction/Environmental Sustainability Implications

None arising directly from this report, although Carbon Management forms part of the Environment category on the Corporate Risk Register.

8. Appendices

Appendix 1 - Corporate Risk Register Monitoring – Quarter 1, period ending 30 June 2025

Appendix 2 - Risk Management Scoring Matrix


Appendix 3 – Risk Definitions

Statutory Officer Approval

Approved by: Chief Financial Officer
Date: 8 September 2025

Approved by: Monitoring Officer
Date: 8 September 2025

Appendix 1 Q1 2025/26 Corporate Risk Register report

Code	Corporate Risk	Gross Risk	Risk Appetite	Current Risk Score	Trend Icon	Assigned To	Description	Further Action	Q1 Review
CR001	Finance	12	4	9		Tina Adams	This refers to the ability of the Council to meet its financial commitments and/or the scale and pace of budget cuts. This relates to income and expenditure and includes internal budgetary pressures, savings/growth considerations, external economic changes etc.	Set budget for 2025/26 and the next medium- term plan (FEB 25) Completed. Agree a set of new efficiencies for delivery (Feb 25. In progress) Progress individual service budget reviews and zero based budgeting, Waste competed PASC to be carried out in 2025-26. To be completed 2025/26 Further work on Trade waste to understand total cost of service delivery Dec 25. Mid Year Review if MTFP (Oct 25) Upgrade Core Financial System and Migrate to Cloud Phase 1 (Completed)	Agresso has been successfully migrated over to the cloud, phase 2 of transferring functionality from Citrix to web base system is currently underway. Overspends in Environment are being addressed, new management have been put into place, a new performance management policy is being introduced and the introduction of a waste management system will help to ensure optimal efficient operations. A new set of efficiencies are current being considered by SLT and Cabinet Members. Despite overspends in

Code	Corporate Risk	Gross Risk	Risk Appetite	Current Risk Score	Trend Icon	Assigned To	Description	Further Action	Q1 Review
Page 212								Transfer Various Functions from Citrix based to web-based system (Phase 2 in progress completed by Dec 25)	the first 4 periods of monitoring we are still forecasting a balanced budget due to underspends in other areas being used to offset overspends in Environment. Despite the actions above the risk remains high, due to a significant amount of efficiencies that need to be identified to ensure a balanced budget position in the medium term.
	CR002	Capacity Service Delivery	9	4	12	⬆️	Mike Hill; Francesca Whyley	This is about ensuring that sufficient capacity is available to deliver services which meet statutory obligations, Council objectives etc and public expectation.	Complete sign off of employee policies including absence management, harassment (Oct 2025) Complete sign off of Learning and development needs across the organisation and review of policy


Code	Corporate Risk	Gross Risk	Risk Appetite	Current Risk Score	Trend Icon	Assigned To	Description	Further Action	Q1 Review
Page 213								(October 2025) Roll out training and awareness of changes to absence management policy with managers particularly in Waste services (NOV 25)	checks and learning and development approvals from ACSC required. Increase in absence across waste services and capacity impacts from completed management restructure have increased this risk level from 9–12 likelihood has increased. Review of sickness policies should support better absence management but further training required for managers particularly waste managers and supervisors.
	CR003	Health & Safety At Work	12	3	6	↓	Francesca Whyley	This refers to Occupational Health & Safety.	Assessment needs to be amended to reflect new management roles the risk assessments reviewed by all (Sept 2025)

Code	Corporate Risk	Gross Risk	Risk Appetite	Current Risk Score	Trend Icon	Assigned To	Description	Further Action	Q1 Review
Page 214									completed assessments on system, waste management restructure now complete. Capacity issues in health and Safety team have improved. All drivers now trained and using Whitespace. Thorough review of departmental risks in parks has lowered departmental risks in respect of health and safety which has reduced the overall score from 9–6 (reduced probability level) combined with improved capacity in H and S team.
	CR004	Environmental	12	4	9	<div></div>	Francesca Whyley	This refers to the environmental impact on the public – it could be related to virus type illnesses or environmental incidents such as	Emergency Plan review commence June 2025 Senior Officers to complete online training associated with countywide operation training


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Code	Corporate Risk	Gross Risk	Risk Appetite	Current Risk Score	Trend Icon	Assigned To	Description	Further Action	Q1 Review
							flooding which impact on health or related to events which have an impact on the natural environment such as pollution/contamination.	(Autumn 25)	capacity normal. Carbon management actions have been reviewed and new actions agreed for 25/26 action completed. Review of flood response in parks has been completed with departmental risk lowering to amber. No change to overall risk level but review of EP should lower overall level by Q3.
CR005	Contractual Partnerships	12	4	6	↓	Francesca Whyley	This refers to both the risks regarding partnership / contractual activities and the risks associated with the partnership / contract delivering services to the agreed cost and specification.	Deliver contract management training for officers (Sept 2025) Enhancement of due diligence checks with support from Orbis (July 2025)	Positive performance on procurement under the new arrangements. Contract management training still to be completed. Contracts and Procurement manager working well with Orbis and some key procurements have been undertaken in this quarter including

Code	Corporate Risk	Gross Risk	Risk Appetite	Current Risk Score	Trend Icon	Assigned To	Description	Further Action	Q1 Review
									completion of demolition contract for the shed, surveys for Housing stock and new enforcement support contract. The overall risk level has reduced from 9 to 6 due to improved performance function.
006	Reputation	12	4	6	↑	Mike Hill; Francesca Whyley	This relates to public perception / expectation and the impact of media attention.	Ensure active engagement in Local Government Re-organisation and effective comms plan (ongoing) Implement Communications Plan for both internal and external communications (Oct 2025) Ensure project plan in place for Garden waste roll out (Oct 25)	There has been an increase in risk in Q1 from 2 –6 mainly as a result of increased complaints in relation to waste services which is linked to the increase in capacity risk as a result of absence within the service and high demand for garden waste in Q1. This is expected to reduce as the new management team is embedded and absence management improves. Whitespace is also assisting with more efficient rounds and

Code	Corporate Risk	Gross Risk	Risk Appetite	Current Risk Score	Trend Icon	Assigned To	Description	Further Action	Q1 Review
Page 217									service. A review and changes to staffing in Q1 and moving into Q2 across the communications team will ensure that communication and community engagement is aligned and the development and roll out of the comms strategy will see improvement to the service. A number of consultations are to be launched early Q2 in relation to the local plan and leisure and LGR which may impact in Q2. The consultation strategy has now been agreed which ensures consultations are at a reduced risk of challenge.
	CR007	Infrastructure Assets	16	4	12		Mike Hill; Francesca Whyley	This looks at the loss, protection and damage of physical	Asset management strategy needed. (SEP 25)

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Code	Corporate Risk	Gross Risk	Risk Appetite	Current Risk Score	Trend Icon	Assigned To	Description	Further Action	Q1 Review
							assets and takes into account the need to maintain, protect, insure and plan for unexpected loss.	Procure and asset management system (DEC 25) Review temporary accommodation for suitability and establish maintenance programme. (AUG 25) Maintenance and compliance schedules to be combined across Leisure, properties and Housing. (AUG 25) Demolition of large garage to support depot improvements. (Sep 25) Further engagement with County on drainage issues on wet side (ongoing)	actions including procurement out for surveys to temporary accommodation, contractor secured for demolition of the large garage (works commenced September) and completion of works to improve dry side drains at Carlton Forum. Good progress is being made on asset management with a plan now agreed and strategy to follow shortly. Wet side drains are still at risk but the County are now engaging well on these works and improvements and reduction in the risk level is expected in quarter2.
CR008	Legislative	12	4	6		Francesca Whyley	This refers to changes to and breaches of current	Project Plan to be developed for future waste changes for	Group established to review changing and toilet facilities across

Code	Corporate Risk	Gross Risk	Risk Appetite	Current Risk Score	Trend Icon	Assigned To	Description	Further Action	Q1 Review
Page 219							law leading to additional workloads, fines, intervention by regulatory bodies etc.	simpler recycling March 2026 and Food Waste October 2027 (DEC 25) Prepare project plan for roll out of Martyn's Law (OCT 25) Complete Review of toilet and changing facilities (OCT 25)	assets to ensure compliance with EHRC guidance once finalised H and S team and legal are making preparations for implementation of Martyn's law. Good progress on Procurement Act implementation with new procurement team working effectively.
	CR009	ICT Technology	12	4	6		Kate Lindley; Francesca Whyley	This relates not only to the impact of Internal technology failure but also changing technological demands and the ability to meet the pace and scale of change.	Review cyber security risk register (JUL 25) Review ICT policies (AUG 25)

Code	Corporate Risk	Gross Risk	Risk Appetite	Current Risk Score	Trend Icon	Assigned To	Description	Further Action	Q1 Review
CR010	Projects	12	4	4	↓	Mike Avery; Kate Lindley; Francesca Whyley	This relates to the effective management of projects to achieve delivery that is on time, to budget and that meet the needs of the organisation.	Establishment of corporate reporting mechanism for major contracts through making meetings matter project (Sep 25) Alignment of project risk templates with Pentana (OCT 25) Develop Annual Delivery Plan timetable for 26/27 to align with budget process (OCT 25)	Quarter 1 saw a change to performance reporting on projects with a new portfolio management approach. All milestones for Q1 have been completed which shows a healthy performance rate on projects hence the overall reduced risk level as performance management processes are improving. Project templates have been reviewed action completed. Final project boards need standing up and resolve project reporting to Senior Leadership team from boards. Reduction in overall level from 6 to 4.
CR011	Fraud Bribery Misconduct	12	4	9	▬	Tina Adams	Relates to improper actions committed against the Council either internally or by	Renew Anti-Fraud Strategy - Draft Completed in discussion with	Draft new anti-fraud & corruption policy has been written and is part of the Main Financial

Code	Corporate Risk	Gross Risk	Risk Appetite	Current Risk Score	Trend Icon	Assigned To	Description	Further Action	Q1 Review
Page 221							third parties. Including frauds, bribery, money laundering and misconduct e.g., theft, falsification of timesheets.	Internal Audit (Present to audit Committee December) Revised Departmental Fraud Risk Assessments- (Oct 2025- In Progress) Monitor take up of training - (Ogling) Fraud Communication on Staff Intranet - every 3 months Review, revise and publicise Fraud Response Plan - (March 2025) In Person training to be undertaken for staff who don't have access to a computer - (Dec 2025) Forensic review of other ICT systems including Civica - (March 2025, still need to be undertaken) User Access review and centralisation (July 2025) - Currently in	Systems Internal Audit. Take up of training is good but could still be improved, we are currently looking at an easier way to monitor. A revised corporate training programme is currently being considered for mandatory training where individual topics are focussed on for a whole month (327 FTE's have completed the training). User Access in the Core Financial System is currently being transferred over to ICT which is an action from the previous BDO report. There have been two Misconduct case which have included potential employee related fraud in the first quarter. These have been

Code	Corporate Risk	Gross Risk	Risk Appetite	Current Risk Score	Trend Icon	Assigned To	Description	Further Action	Q1 Review
								progress	investigated and resolved. There have been no other instances of fraud reported or identified. The Risk score remains the same however this may change once the user access piece has been completed and the outcomes of the Internal Audit are known.
812	Service Standards Performance Management	9	4	6	↑	Francesca Whyley	This relates to the setting of acceptable standards and levels of output for a service area and the processes put in place to ensure these are delivered and managed appropriately.	Programme of equality/Diversity and Inclusion training to be developed for frontline staff, managers and Councillors – December 2025 Establish Annual Delivery Plan timetable to align with budget process for 2026/27 (OCT 25) Review staffing in Revenues and Welfare to ensure KPIs improve	Excellent progress on changes to performance reporting with all actions on target for Q1. Missed KPIs for benefits claims and changes due to capacity require staffing review. Risk level has increased slightly due to high number of complaints in relation to waste services. Actions to improve this are linked to Capacity risk.

Code	Corporate Risk	Gross Risk	Risk Appetite	Current Risk Score	Trend Icon	Assigned To	Description	Further Action	Q1 Review
								<p>for processing/amending claims for benefit. (OCT 25)</p> <p>Create centralised training needs analysis and plan (JUL 25)</p> <p>Review Employee/manager and Leader Standards (Jun 2025)</p>	Performance in waste services has dipped in Q1 with a spike in complaints however this is reflected through capacity risk increase and steps are already in place to mitigate this which should see improved performance in this area.
0013	Information Data	12	4	9		Kate Lindley; Francesca Whyley	<p>Security – this relates to physical and IT security on site and in-transit or inappropriate disclosure of information.</p>	<p>Create Register of Processing Activity in line with audit recommendations (SEP 25)</p> <p>Sign off of new IDV policy (OCT 25)</p> <p>Review Retention policies (OCT 25)</p> <p>Review DPIA processes and raise awareness (OCT 25)</p>	<p>IDV policy has been agreed by SLT for progression to Cabinet for sign off.</p> <p>DPA training is being completed across services.</p> <p>ROPA are still in progress along with DPIA reviews.</p> <p>Risk level remains unchanged.</p>

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Code	Corporate Risk	Gross Risk	Risk Appetite	Current Risk Score	Trend Icon	Assigned To	Description	Further Action	Q1 Review

APPENDIX 2 - RISK MANAGEMENT SCORING MATRIX AND RISK APPETITE

	Minor/Non-Disruptive Impact (1)	Moderately Disruptive Impact (2)	Serious Consequences (3)	Major Consequences (4)
Very Likely (4)	4 (Yellow)	8 (Orange)	12 (Red)	16 (Red)
Probable (3)	3 (Yellow)	6 (Orange)	9 (Orange)	12 (Red)
Possible (2)	2 (Green)	4 (Yellow)	6 (Orange)	8 (Orange)
Unlikely (1)	1 (Blue)	2 (Green)	3 (Yellow)	4 (Yellow)

Risk Levels	Colour
Negligible Risk	Blue
Low Risk	Green
Modest Risk	Yellow
Medium Risk	Orange
High Risk	Red

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APPENDIX 3 – RISK DEFINITIONS

LIKELIHOOD

4	Very Likely >90%	<ul style="list-style-type: none"> Event expected to occur. Has occurred and will continue to do so without action being taken. Indication of imminent occurrence There are external influences which are likely to make our controls ineffective
3	Probable 60-90%	<ul style="list-style-type: none"> There is a moderate exposure to the risk. Reasonable to expect event to occur within a year. Has occurred in the past. Is likely to occur within the Council's planning cycle. There are external influences which may reduce effectiveness of controls
2	Possible 30-60%	<ul style="list-style-type: none"> There is a low exposure to the risk. Little likelihood of event occurring - 1 in 10 years There is a potential for external influences which may reduce effectiveness of controls
1	Unlikely 0-30%	<ul style="list-style-type: none"> Extremely remote Not expected to occur but may do so in exceptional circumstances - 1 in 100 years. There are few or no external influences which may reduce effectiveness of controls

IMPACT

Score	Description	Indicative Guidelines
4	Major Consequences	<p>The consequence is so bad that urgent action must be taken to improve the situation or prevent it worsening. External support from the Government or other agencies is likely to be needed:</p> <ul style="list-style-type: none"> Catastrophic loss, delay, or interruption to services Level of financial loss, additional costs, or loss of assets which the Council is unable to resource without additional Government/External support. One off event which would de-stabilise the Council over several years. The risk will cause the objective not to be reached, causing damage to the organisation's reputation. Will attract medium to long-term attention of legislative or regulatory bodies. Major complaints Significant adverse media interest

		<ul style="list-style-type: none"> • Death or life-threatening injury
3	Serious Consequences	<p>The consequences are sufficiently serious to require attention by Cabinet and/or full Council:</p> <ul style="list-style-type: none"> • Loss of key assets or services for an extended time period. • Longer term impact on operational efficiency or performance of the Council or crucial service areas • Financial loss, additional costs or loss of assets which would need a Council decision as the scale of the loss would be outside the Council's budget & policy framework. • The risk would destabilise the Council in the short term. • The intended objectives are unlikely to be met leading to negative impact on the Council's reputation and a significant number of complaints. • Will lead to attention for regulators and External Auditors for a significant time. • Major accident/injuries (but not life-threatening)
2	Moderate/Disruptive	<p>The consequence is sufficient to require attention by Leadership Team and cannot be managed within a Service Area</p> <ul style="list-style-type: none"> • Significant loss, delay, or interruption to a service. • Medium term impact on operational efficiency or performance • Financial loss, additional costs or loss of assets that is within the Council's budget & policy framework but needs a Statutory Officer decision, Leadership Team decision, Cabinet decision or needs to be drawn to Cabinet's attention. • The risk will cause some elements of the objective to be delayed or not achieved, causing potential damage to the organisation's reputation. • May attract medium to short term attention of legislative or regulatory bodies. • Significant complaints • Serious accident / injury (but not life threatening)
1	Minor/Non-Disruptive	<p>The consequences can be dealt with as part of the normal day-to-day business by the Team Manager and the Head of Service:</p> <ul style="list-style-type: none"> • Minor loss, delay, or interruption to services • Short term impact on operational efficiency or performance • Negligible financial loss • The risk will not substantively impede the achievement of the objective, causing minimal

		<p>damage to the organisation's reputation.</p> <ul style="list-style-type: none"> • No or minimal external interest. • Isolated complaints • Minor accident / injury
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