

# Gedling Borough Council Annual Statement of Accounts 2019/2020



## **ANNUAL STATEMENT OF ACCOUNTS 2019/20**

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**GEDLING BOROUGH COUNCIL**  
**ANNUAL STATEMENT OF ACCOUNTS 2019/20**  
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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 42). 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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## **NARRATIVE REPORT**

### **1. Introduction to Gedling Borough**

The Borough of Gedling is home to around 117,000 people living in just over 53,000 households, and is also the base for around 5000 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, by making a positive difference to people's lives and creating opportunities for everyone to fulfil their full potential.

Managing a net revenue budget of £11.7m and an original capital budget of over £8.9m, the Council provides a wide range of services for its residents including, for example:

- ❖ Emptying around 61,000 bins every week;
- ❖ Cleaning nearly 600km of roads;
- ❖ Collecting nearly 1,400kg of litter from our streets daily;
- ❖ Dealing with around 700 planning related applications and 8,000 benefit claims each year;
- ❖ Assisting some 15,000 face to face customers, handling around 310,000 telephone calls and 37,000 digital contacts each year;
- ❖ Welcoming over 1,100,000 visitors to our leisure centres each year;
- ❖ Collecting council tax of £72.9m, of which £6.0m is retained by Gedling to spend on services, £22.6m of business rates, of which £4.0m is retained by Gedling to spend on services;
- ❖ Generation of over £9m in fees and charges to help deliver services and keep council tax levels as low as possible.

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. Further reductions in grant funding and continued uncertainty around the economic impact of Brexit and its associated trade deals, together with the outbreak of the Covid-19 pandemic in March 2020 have all made 2019/20 another extremely challenging year. In view of the ongoing Covid-19 pandemic it is not anticipated that the financial environment will improve in the near future, indeed the expectation is that things may get worse before they get better. Details of the plans made by the Council for 2019/20, the performance achieved against those plans, and a look forward to 2020/21 and beyond are given in the following paragraphs.

### **2. Gedling's Plans for 2019/20**

The Gedling Plan 2019/20, 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 4 March 2019. This document set out the Council's five priorities, and all Gedling's plans are structured around these priorities, which are summarised below:

- ❖ Strong and Dynamic Communities - to promote strong, resilient communities and reduce hardship and inequality;
- ❖ To be a High Performing Council – and an efficient and effective Council;
- ❖ Vibrant Economy - to promote and drive sustainable growth across the borough to meet current and future needs;
- ❖ To promote a Sustainable Environment;
- ❖ Healthy Lifestyles – to promote the health and wellbeing of our residents;

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### **2019/20 Budget Highlights**

The Chancellor of the Exchequer presented his Autumn Budget to Parliament in October 2018 setting out the Government's plans for public finances and the economy. It provided an update on the state of the economy, based on the latest forecast from the Office for Budget Responsibility (OBR), referencing eight years of economic growth, higher employment and lower unemployment and wages growing at their fastest rate in a decade. At that time the OBR expected growth to be resilient and for debt as a percentage of GDP to decline. A fall in borrowing was to enable additional investment in public services.

The Government announced settlement grant reductions equating to 39% or £1.91m in cash terms over the full spending review period 2016/17 to 2019/20 compared to the base position of 2015/16. Total settlement reductions compared to the amount received in 2010/11 were projected to be £5.8m or 66% by 2019/20. An additional burden continued from changes made in 2017/18 to the New Homes Bonus (NHB), which reduced the length of time for which the bonus is paid and introduced a baseline increase in the number of new homes below which no NHB is payable. The impact of this in 2019/20 was a grant reduction of £1.9m when compared to the amount received in 2016/17 before the scheme was changed.

In order to manage both the grant reductions and spending pressures, since 2014/15 the Council has approved four efficiency programmes totalling £6.5m net of risk provision. Progress has been positive and budget reductions have been in line with the profiled estimates. Of the total programme, £2.6m was planned for delivery over the period 2019/20 to 2022/23, of which £1.1m was profiled for 2019/20, of which £0.64m was delivered, leaving a shortfall of £0.46m mainly due to the deferral of initiatives to future years.

The budget approved by the Council in on 4 March 2019 included major budget pressures of pay inflation and the local elections in May 2019. Modest revenue developments were approved including funds for the appointment of a Town Centres and Markets Manager to support the development of vibrant town centres, an additional Neighbourhood Warden to contribute to community safety and improve community engagement, and a new Cleansing Rapid Response Team to improve the cleanliness of the borough.

### **3. Gedling's Performance in 2019/20**

#### **a. Financial Performance**

During 2019/20, 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 41) 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 2018/19.

#### **Capital Outturn**

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

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<b>Capital Outturn</b>	<b>Revised Estimate 2019/20 £000</b>	<b>Actual 2019/20 £000</b>	<b>Variance 2019/20 £000</b>
<b>Capital Expenditure:</b>			
Community Development	4	0	(4)
Housing, Health & Wellbeing	264	226	(38)
Public Protection	1,110	1,027	(83)
Environment	1,450	1,144	(306)
Growth and Regeneration	300	305	5
Resources and Reputation	1,484	405	(1,079)
<b>Total Capital Expenditure</b>	<b>4,612</b>	<b>3,107</b>	<b>(1,505)</b>
<b>Financing:</b>			
Capital Receipts	(611)	(581)	30
Capital Grants and Contributions	(1,488)	(1,279)	209
General Fund Revenue Contribution	(184)	(179)	5
Developer Contributions	(474)	(406)	68
Borrowing	(1,855)	(662)	1,193
<b>Total Financing</b>	<b>(4,612)</b>	<b>(3,107)</b>	<b>1,505</b>

Requests for carry forward of budgets to 2020/21 totalled £1.5m.

Major investments in services during the year included:18

- ❖ £1.027m provided for Disabled Facilities Grants;
- ❖ £0.685m in new and replacement vehicles and plant;
- ❖ £0.300m towards an All Weather Pitch at Carlton le Willows School;
- ❖ £0.200m on Westdale Lane Surgery
- ❖ £0.142m to progress Affordable Housing on Burton Road;
- ❖ £0.105m on works at Arnold Market
- ❖ £0.137m on Haywood Road play area;
- ❖ £0.100m on Muirfield recreation ground
- ❖ £0.090m on viewing platforms at Gedling Country Park;

At the end of the year capital grants and contributions received but not yet applied to capital expenditure totalled £1.65m. 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 £10.313m at 31 March 2020. No PWLB loans matured during 2019/20, however £1m of additional borrowing was undertaken, benefitting from favourable rates prevailing at the time. Total external debt at 31 March 2020 totalled £9.812m 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 rates are currently low, investment rates also remain very low, and 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.

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### Revenue Outturn

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

Revenue Outturn	Estimate 2019/20 £000	Actual 2019/20 £000	Variance £000
<b>Portfolio:</b>			
Community Development	1,886	1,819	(67)
Housing, Health & Wellbeing	2,508	2,418	(90)
Public Protection	1,579	1,639	60
Environment	4,952	4,996	44
Growth and Regeneration	931	811	(120)
Resources and Reputation	1,204	863	(341)
<b>Net Portfolio Budget</b>	<b>13,060</b>	<b>12,546</b>	<b>(514)</b>
Transf'd (from)/to Earmarked Reserves	(1,384)	(813)	571
<b>Net Council Budget</b>	<b>11,676</b>	<b>11,733</b>	<b>57</b>
<b>Financing:</b>			
Revenue Support Grant	0	(10)	(10)
Business Rates	(3,978)	(3,954)	24
Council Tax	(6,035)	(6,035)	0
New Homes Bonus	(482)	(482)	0
<b>Transfer (from)/to General Fund Balance</b>	<b>(1,181)</b>	<b>(1,252)</b>	<b>(71)</b>
<b>Total Financing</b>	<b>(11,676)</b>	<b>(11,733)</b>	<b>(57)</b>

The final revenue outturn position is a minor overspend of £57k, equating to 0.5% of the estimate, primarily due to a loss of income following the closure of the Council's leisure centres due to the restrictions arising from the Covid-19 pandemic, and additional contributions made to bad debt provisions. This overspend, together with slightly reduced income from business rates of £24k and grant receipts of £10k, has resulted in the required contribution from the General Fund balance being £71k higher than estimated.

The General Fund balance at 31 March 2020 is £3.909m, which remains above the minimum required by the Council's Medium Term Financial Plan. This balance will be available to support future revenue expenditure.

In addition to the General Fund balance, earmarked reserves are sums set aside to provide financing for specific future expenditure plans. The total balance of such reserves at 31 March 2020 is £5.982m.

### Council Tax

Gedling collects its own council tax and also, as a billing authority, for Nottinghamshire County Council, the Nottinghamshire Police and Crime Commissioner, the Combined Fire Authority and twelve parish councils. This has a significant impact on the Council's cash flow, collecting around £72.9m and retaining only its own £6m for spend on services. Gedling's element of the council tax was frozen in 2019/20, and during the year 98.35% of council tax due was collected, against a target of 98.5%.

### Non-Domestic Rates

Under the Business Rates Retention Scheme, Gedling collects around £22.6m of business rates and pays over the appropriate shares to Central Government, Nottinghamshire County



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Council and the Combined Fire Authority. Again this has a significant impact on the Council's cash flow with Gedling retaining only £4.0m for spend on services.

The Business Rates Retention Scheme introduced a requirement to maintain a provision for rating appeals. The system is complex and neither the degree of successful appeals nor the reduction in rateable value achieved can be pre-determined. Using the best information available the total provision at 31 March 2020 is £2.99m, of which Gedling's share under the scheme is £1.20m. This represents an increase of £0.34m from the position at 31 March 2019.

During the year, 97.8% of the business rates due was collected, against a target of 98.9%.

#### **Balance Sheet**

The Council's net worth decreased from a net liability of £9.304m to one of £13.780m at 31 March 2020. The movement is largely due to:

##### ❖ Pension Liabilities

The Council's pension liability is the value of its commitment to pay retirement benefits across future years, offset by the value of assets invested in the Pension Fund. The Pension Fund is revalued every three years to set future contribution rates. At the most recent actuarial valuation on 31 March 2019, which set Gedling's contribution rates for 2020/21 to 2022/23, the funding level of the Nottinghamshire County Council Pension Fund was 93%, which compared favourably to the actuary's previous estimate that the funding level would be 90% by the date of the valuation.

Gedling's pension liability increased by £2.2m to £49.2m during 2019/20 but this is mainly due to gains on plan assets and technical calculations based on actuarial assumptions, and whilst it has a significant impact on the Council's net worth, the deficit will be made good by the increases in future contributions, and the technical valuation bears no relation to the cash position on the Pension Fund.

##### ❖ Property, Plant and Equipment

The value of Property, Plant and Equipment, Investment Property and Intangibles reduced by £0.17m to £32.8m in 2019/20.

##### ❖ Short Term Creditors

The value of short term creditors and receipts in advance increased by £1.8m during 2019/20, however this was largely due to the receipt of £1.4m of S31 funding for business rates, paid early by central government to assist with the Council's cashflow in the face of the Covid-19 pandemic.

#### **b. Non-Financial Performance**

##### **Activities and Achievements:**

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

##### **Strong and Dynamic Communities:**

- ❖ Events were held throughout the year, including the Arnold Carnival, several Children's Play Days, a Picnic in the Park to celebrate Arnot Hill Park Centenary, and a bone-marrow testing event to encourage testing and registration of potential donors.
- ❖ Youth projects delivered included the Gedling Youth Council, the 16 and Under Youth

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- ❖ Diversionary Programme, and the Bestwood Youth Shelter project;
- ❖ Food Bank collections were organised by staff in August and December in response to a huge increase in demand for support;
- ❖ The Gedling Seniors Council delivered a programme of themed meetings;
- ❖ Local and European elections were successfully delivered, together with the Linby neighbourhood Plan;
- ❖ The community asset transfer of Haywood Road Community Centre was almost complete when lockdown due to Covid-19 struck. It is anticipated to complete during 2020/21;
- ❖ A Homelessness and Rough Sleeping Strategy was launched;
- ❖ An injunction was granted to the Council following an unauthorised encampment at the Richard Herrod Leisure Centre, meaning that offenders can now be dealt with more swiftly;
- ❖ The Council took part in Nottinghamshire Police's most recent knife amnesty

#### **High Performing Council:**

- ❖ Dedicated customer services social media accounts were created and are being developed as part of the Digital Strategy. Significant investment was also made in digital infrastructure, and a new employee intranet was launched;
- ❖ Improvements were made to the Taxi Licencing System;
- ❖ A new pet cremation service was launched, offering a dignified and high quality service;
- ❖ Customer Services were finalists in the Excellence in Customer Commitment Customer Services Awards, and received a Certificate of Excellence from iESE in recognition of their customer focus; a silver safety award was received by the Leisure Services team from the International Institute of Safety and Risk Management; an APSE award was received by the Parks and Street Care team for their cemetery and pet cremation services;
- ❖ Inclusion on the Register of Apprenticeship Training Providers;

#### **Vibrant Economy:**

- ❖ The number of housing completion in 2019/20 was 360, the highest since 2011;
- ❖ Twelve school events were held during the year, giving young people a glimpse of the world of work, and 15 work experience placements were delivered;
- ❖ An Opportunities and Careers event was held at Newstead;
- ❖ Business events included "Recruiting Talent Locally" and an apprenticeship fair;
- ❖ New temporary stalls were installed at Arnold Market, and a consultation on proposed plans for the redevelopment of Carlton Square was undertaken;
- ❖ Various funding bids were made to D2N2.

#### **Sustainable Environment:**

- ❖ City Arts have been commissioned by the Council to create a new mural for the bridge on the railway cutting running along the edge of Arnot Hill Park;
- ❖ Muirfield Road Recreation Ground received a £100,000 transformation, and a new park and play area was developed at Haywood Road, Mapperley;
- ❖ Several of the Council's parks received Green Flag awards in recognition of consistent high standards of management, and value to the whole community;
- ❖ Conservation Area Appraisal Reviews at Bestwood Village and Lambley;
- ❖ Installation of a memorial to the pioneering 19<sup>th</sup> century water engineer Thomas Hawksley; Development of the Gedling Borough Heritage Way;
- ❖ Launch of the Employee Green Champion scheme.

#### **Healthy Lifestyles:**

- ❖ The Housing to Health, Hospital Prevention and Discharge Project, the core ambition being to improve health and wellbeing;
- ❖ The SPRING project signposts Gedling residents to a range of community based activities to reduce loneliness and social isolation;
- ❖ Health and Wellbeing Plan;

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- ❖ Funding was received to target rogue landlords;
- ❖ Free health and fitness memberships for registered carers;
- ❖ Youth sport sessions in local youth club settings at Newstead, Netherfield and Redhill;
- ❖ Redhill Gym refurbishment, and new Boditrax machines at Redhill and Carlton Forum Leisure Centres;
- ❖ Refurbishment of play areas at Muirfield Road and Lambley Lane recreation ground, and construction of a new play area at Conway Road recreation ground;
- ❖ APSE awards for Parks and Street Care for the Most Improved Parks and Open Spaces Service in 2019.
- ❖ Mental Health Concordat,
- ❖ As part of the Council's Covid-19 Humanitarian Response in March, the Giving for Gedling scheme offered support to residents during the crisis.

#### **Actions:**

The Council's performance management includes 96 Gedling Plan Actions. At the end of the year, 6 of these actions had not been progressed, or completed as expected. This was mainly due to the impact of Covid-19, either due to officers being redeployed or taking on additional demands. Details of the actions not completed are as follows:

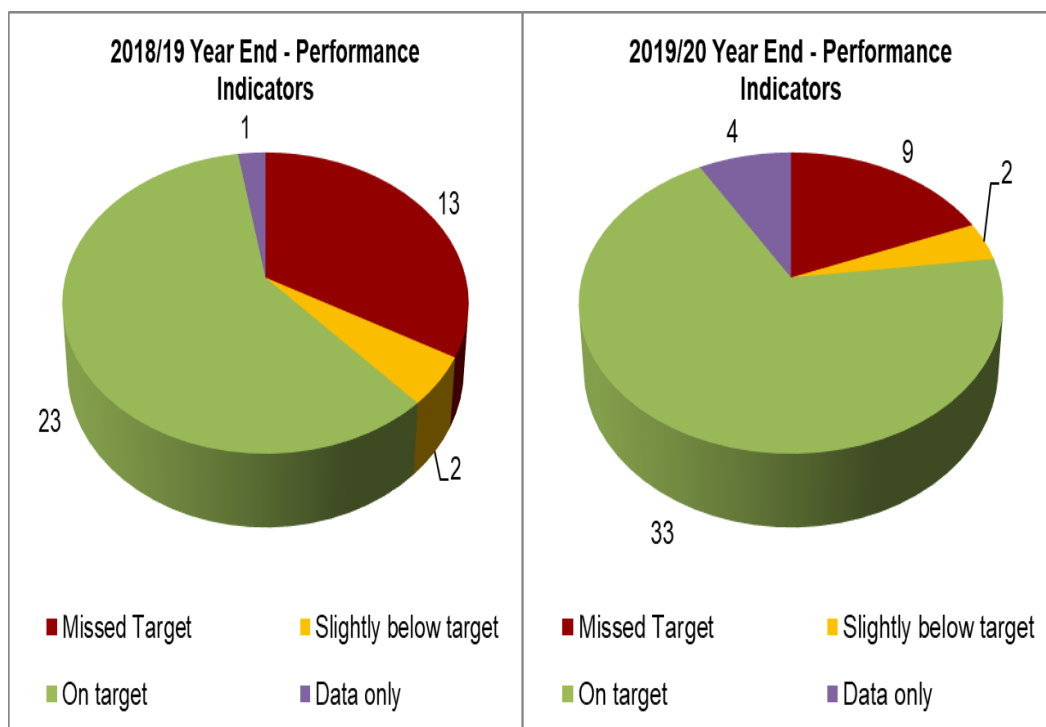
- ❖ Establishment of an Interfaith Forum – work to foster wider equality and inclusion was delayed and will now roll over into 2020/21;
- ❖ Pride of Gedling Awards – winners had been agreed in readiness for a ceremony, however this was cancelled due to Covid-19;
- ❖ Development of a Social Mobility Action Plan – assessment of national and local social mobility policies was completed, however further progress was not as expected due to the pandemic and will roll over into 2020/21;
- ❖ Development of a procurement and management strategy – a strategy has been drafted but not yet implemented. Completion is expected in 2020/21;
- ❖ Introduction and implementation of a Workforce Strategy – some progress was made but work was delayed due to Covid-19 and other pressures;
- ❖ Delivery of an Awards ceremony to recognise building and design excellence – it was concluded that as excellence is already recognised through an annual regional event, there would be no further value in an event specific to Gedling, and this action will not be progressed.

#### **Performance Indicators:**

Whilst Actions refer to the Council's broad aim, Performance Indicators are more specific and represent measurable targets that are monitored and reported to Members on a quarterly or annual basis as appropriate. At 31 March 2020, 35 of the 48 indicators were on target or slightly behind target, with 9 behind target and 4 indicators used for tracking purposes only. Whilst the 2019/20 indicators are not directly comparable to the previous year due to the inclusion of some additional indicators, the proportion of indicators which missed targets for 2019/20 was lower than for 2018/19.

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**What we did well** - 35 indicators were on target or slightly behind target. Examples of particularly positive results, both in terms of the performance against the target and when compared with 2018/19, are shown below

- ❖ Attendances at Bonington Theatre increased from 55,552 in 2018/19 to 58,818 in 2019/20, against a target of 44,600;
- ❖ The average number of Swim School members was 2,624 against a target of 2,500;
- ❖ The average time to process new Housing benefit claims fell from 13.7 calendar days in 2018/19 to 12.2 calendar days in 2019/20, against a target of 13 days;
- ❖ The percentage of calls to the contact centre that were answered or called back improved from 94.3% in 2018/19 to 96.3% in 2019/20, against a target of 92%;
- ❖ The percentage of customers seen within 15 minutes was 94.4% against a target of 85%;
- ❖ The number of "Keep me Posted" email newsletter subscribers reached 30,145 against a target of 18,000;
- ❖ The percentage of major planning applications processed within 13 weeks was 100% against a target of 90%;
- ❖ Sixteen school-age work experience placements were hosted by the Council against a target of six;
- ❖ The number of garden waste customers grew from 15,057 in 2018/29 to nearly 16,500 in 2019/20, exceeding the target by 1,300;
- ❖ The percentage of food premises scoring 4 or 5 in the national hygiene rating scheme was 96% against a target of 90%.

**Where we need to improve** - whilst overall performance is positive, 9 indicators were behind target. Three major areas of concern were:

- ❖ The average length of time spent in temporary accommodation rose from 11.1 weeks in 2018/19 to 23.7 weeks in 2019/20, against a target of 8 weeks. The low availability of general needs property is a major factor and the Allocations Policy has been rewritten to partly address this issue;
- ❖ The net number of additional homes provided rose from 286 in 2018/19 to 360 in 2019/20. Whilst this was a significant improvement it was below the anticipated 480. A Housing Delivery Action Plan was published in August 2019 which set out arrange of actions to help increase completions and discussions with landowners and developers are ongoing;
- ❖ The residual household waste per household, and the percentage of household waste sent

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for reuse and composting both missed their annual targets. This was largely due to loads being rejected as a result of the contamination of recyclables. A number of initiatives have been introduced in partnership with Veolia and other Nottinghamshire district councils.

#### **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. By 2020/21 it is now confirmed that Gedling's total government grant reduction is £5.8m, equivalent to a 65% cash reduction when compared to the support received in 2010/11. The Settlement Funding Assessment has reduced to just 27% of Gedling's net budget for 2020/21, compared to 60% in 2010/11. In addition, New Homes Bonus has reduced by £2.02m in 2020/21 when compared to the grant received in 2016/17. Gedling is now judged to be the worst affected council in England based on the Government's assessment of core spending power.

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 2020/21 was presented to Members on 5 March 2020, reaffirming the Council's priorities as:

- ❖ Strong and Dynamic Communities;
- ❖ Vibrant Economy;
- ❖ Sustainable Environment;
- ❖ Healthy Lifestyles;
- ❖ High Performing Council.

Since 2014/15, progress with the delivery of four separate Efficiency Programmes totalling £6.5m has been positive, with £4.6m delivered up to 2019/20, and £1.9m now planned for delivery over 2020/21 to 2022/23.

However, at its meeting in March 2020, Full Council recognised the risks in delivering the full amount of savings and approved a risk provision of £0.2m adjusting the net approved programme for delivery to £1.7m.

In addition, due to new budget pressures, including additional pension contributions, a new cumulative efficiency target of £0.25m was included in the Medium Term Financial Plan for delivery in 2021/22 and 2022/23 in order to ensure that the Council's balances do not drop below the minimum required. Detailed proposals for the delivery of the new target will be developed during 2020/21 for approval by Council in March 2021.

As detailed above it is recognised that there are significant risks in delivering the full amount of savings in the remaining projects, some of which contain uncertainties inherent in more commercial approaches, yet the Covid-19 crisis places further pressure on the Council's finances and delivery of the planned savings will be more critical than ever.

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 improvements to town centres and commercial property investment.

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Capital Estimate	Three Year Plan		
	2020/21 £000	2021/22 £000	2022/23 £000
Housing, Health and Wellbeing	212	0	0
Public Protection	1,000	1,000	1,000
Environment	1,501	1,198	466
Growth and Regeneration	3,304	0	0
Resources and Reputation	5,209	483	383
Equipment Replacement	0	70	70
Future Service Development Bids	0	100	100
<b>Total Expenditure</b>	<b>11,226</b>	<b>2,851</b>	<b>2,019</b>
<b>Financing</b>			
Capital Receipts	(611)	(611)	(610)
Capital Grants and Contributions	(2,835)	(1,000)	(1,000)
General Fund Revenue Contribution	(1,321)	0	0
Borrowing	(6,459)	(1,240)	(409)
<b>Total Financing</b>	<b>(11,226)</b>	<b>(2,851)</b>	<b>(2,019)</b>

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

- ❖ Fair Funding Review – the Government's review and consultation process is ongoing and implementation of the fair funding review based on an updated assessment of relative needs and resources has now been delayed for a further year due to Covid-19 and will no longer be implemented in 2021/22 as planned. The Government recognises that this could result in significant changes to funding baselines and therefore the level of resources available to the authority, which could reduce. Transitional measures will be introduced to mitigate any immediate impact but these measures will be time limited;
- ❖ Business Rates Retention Scheme – the Government continues to consult on its proposals to introduce 75% retention by Councils. As noted above a mechanism will still be required to ensure that funding is distributed in respect of need, which will inevitably create winners and losers. Given the immense pressure on social care there is a danger that district councils could lose further under any new allocation process. A full reset of the business rates system was due to take place in 2021/22 but has now been delayed for a further year due to Covid-19, although recent announcements indicate that a more fundamental review of business rates is forthcoming;
- ❖ The nature and impact on the Council of the Brexit deal, and the associated trade deal due to be agreed by 31 December 2020 remains unclear;
- ❖ The impact of the ongoing Covid-19 pandemic and the associated uncertainty cannot be underestimated (see Covid-19 statement below).

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 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.

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## NARRATIVE REPORT

### 5. Corporate Risk

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

During the 2019/20 financial year, no significant issues were identified via the Council's risk management, governance, internal audit and other internal control processes as being relevant to the preparation of the Annual Governance Statement (AGS).

The AGS assesses governance up to 31 March 2020 and for the majority of the year this was unaffected by the impact of Covid-19. The impact on governance in March was not material, however its ongoing impact will be significant and raises key governance issues that will need to be addressed in 2020/21. A full report on the Council's response to Covid-19 was considered by Cabinet on 18 June 2020 which demonstrates the effectiveness of governance arrangements during the response phase. The key Covid-19 related governance issues arising are summarised below, and more details can be found in the Annual Governance Statement:

- ❖ Effective governance arrangements for decision making and meetings;
- ❖ Impact on immediate service delivery, including business continuity planning;
- ❖ Financial impact and achievement of a sustainable medium term financial plan;
- ❖ Future service impacts and the Gedling Plan.

Key actions to address Covid-19 risks and manage the impacts on future service delivery include a planned review of both the Gedling Plan and the MTFP to ensure the delivery of sustainable outcomes.

No other significant issues were identified within the 2019/20 governance process and the Council's auditors did not identify any significant risks for consideration within their 2020/21 internal audit plan.

### 6. Impact of Covid-19 Pandemic

The table below highlights the key issues arising as a result of Covid-19 which impacted upon the Council's operations from mid-March. Whilst the financial impact of Covid-19 at the end of 2019/20 was not material, the ongoing impact from the 2020/21 financial year is expected to be significant and the impact of an expected economic downturn adds further to the uncertainty. It is important to note that the issues arising as summarized in the table are classed as 'non-adjusting events' in terms of the 2019/20 financial statements as they occur after the reporting period. Anything that has impacted upon the 2019/20 financial statements is reported in the relevant note. This information may be subject to change given the significant and variable nature of the pandemic.

Reports on the both the Council's Response to Covid-19 and the Council's Reset Strategy were considered by Cabinet on 18 June 2020.

The report on the Response provided a comprehensive update on the actions taken by the Council, including the estimated financial impact arising from the additional spending pressures and income losses suffered due to the closure of facilities as required by the lockdown restrictions. Regular performance reports will be presented to Cabinet throughout the year providing an up to date estimate of spending pressures and income losses and the estimated position is detailed in the table below.

The Reset Strategy recognises the future and ongoing impact of Covid-19 on the delivery of the Council's services and finances and includes plans for a review of both the Gedling Plan and the Medium Term Financial Plan (MTFP) for consideration by Cabinet in the autumn. The MTFP will be considered in the context of the Gedling Plan to ensure available resources are effectively aligned to priorities and the delivery of sustainable outcomes.

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## NARRATIVE REPORT

Area of Impact	Issue for the Council
Provision of Services	<p>Key highlights of the response work:</p> <ul style="list-style-type: none"> <li>• Closure of facilities due to lockdown restrictions: Leisure Centres; Community Centres; Car Parks; Parks and Play Areas; Public Conveniences.</li> <li>• Suspension of Services due to workload pressures: Glass Recycling; Bulky Waste Collection Service; Commercial Tree Services.</li> <li>• Support for the Vulnerable: Humanitarian Response and Giving for Gedling - including coordination of volunteers, a food bank appeal and establishment of a food hub; Hardship Relief provided for over 1700 Council Tax payers via government grant funding; provision of suitable self-contained temporary accommodation for the homeless, including rough sleepers; 3 month suspension of Housing Benefit overpayment recoveries.</li> <li>• Support for Business: Over £16m of business support grants paid; new Business Rates Reliefs of over £11m provided to the retail, hospitality and leisure sector; a 3 month rental holiday provided for the Council's commercial tenants at a cost of £101,000.</li> </ul> <p>The Council's Reset strategy summarises the impact on the future provision of services including a proposal for a review of the Gedling Plan.</p>
Council's Workforce	<p>The majority of the Council's workforce continued working throughout the pandemic:</p> <ul style="list-style-type: none"> <li>• Office based staff continued their work remotely with additional IT facilities being rapidly deployed to enable this to happen with limited disruption;</li> <li>• Redeployment of staff from areas affected by closure of facilities to support critical services e.g. waste collection, and to support the humanitarian response effort;</li> <li>• A small number of mainly part time casual Leisure and Community staff were furloughed from June;</li> <li>• Sickness has remained at manageable levels and not impacted upon service delivery. Some use of agency staffing has been required.</li> </ul>
Supply Chains	<p>To protect the future supply chain at the Council's leisure centres and ensure no gaps in future service provision due to contractor failure, supplier relief was provided to contracted fitness instructors at an approximate cost of £15k per month and is not material.</p>
Reserves, Financial Performance and Financial Position	<p>Budget and Impact on Reserves:</p> <ul style="list-style-type: none"> <li>• Additional expenditure pressures and income losses are expected to be in the region of £3.5m to £3.8m which, after accounting for estimated emergency government grant funding of £2.8m, leaves a potential budget shortfall in the region of £0.7m to £1m, which will need to be funded by budget savings or the use of reserve balances to maintain a balanced budget position. In the short term there are sufficient reserves available to meet the anticipated deficit.</li> <li>• A requirement to use reserves will have a knock on impact on achieving a sustainable Medium Term Financial Plan (MTFP) up to 2024/25 which is currently predicated on the availability of reserve balances to support the budget whilst the Council's planned efficiency programme is delivered. The MTFP will be reviewed as part of the Council's Reset Strategy and available resources aligned to priorities in the revised Gedling Plan;</li> <li>• The further delay, due to Covid-19, in the Fair Funding Review and Business Rates reforms create ongoing uncertainties for future funding and inhibit effective financial planning;</li> <li>• A review of the capital programme and its funding will be included as</li> </ul>



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### NARRATIVE REPORT

	<p>part of the MTFP review.</p> <p>Balance Sheet</p> <ul style="list-style-type: none"> <li>A review considering the potential impact of Covid-19 on the Council's property valuations has been completed giving regard to the latest RICS guidance on the issue i.e. RICS Valuation practice alert – Covid-19. The review concluded that there was material valuation uncertainty in some of the asset valuations but and it was not possible at the date of review to fully quantify the effect of Covid-19. An impairment review of property values at the balance sheet date was completed with the most up to date market data available at the end of June and confirmed that there had been no material differences in value compared to the carrying amount at that time, as detailed in Note 4.</li> <li>The Council continues to monitor the impact on bad debt provisions as detailed in Note 4.</li> </ul>
Cash Flow Management	<p>Whilst income has reduced it is forecast that there is sufficient cash available to meet commitments without the need to borrow funds. The business support grants referred to above have been funded in advance in 2020/21 by central government and emergency grant funding has also been received which has alleviated any cash flow issues.</p>
Other major risk and recovery action	<p>Other risks include:</p> <ul style="list-style-type: none"> <li>The ongoing and uncertain impact of the economic downturn and potential job losses may result in increasing demands for our services from those most vulnerable and local businesses may be adversely impacted. The Council is working to support businesses through its business advisor support roles and maximising the use of funding aimed at re-opening the high street;</li> <li>A potential resurgence of the virus in the community until a vaccine is available, which may require further response activity.</li> </ul>

## 7. 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

## **ANNUAL STATEMENT OF ACCOUNTS 2019/20**

### **NARRATIVE REPORT**

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.

#### **8. Summary**

The Council's financial and non-financial position in 2019/20 remains robust, given the extent of the financial challenges it faces. The revenue outturn represents a small overspend 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 2020/21 and although the impact of the Covid-19 pandemic is 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'.

Following the referendum held on 23 June 2016 the UK finally left the European Union on 31 January 2020. The deadline for the negotiation of a trade deal with the EU is 31 December 2020 and as yet the full impact on the Council of these issues remains unclear.

No material events took place between the reporting date of 31 March 2020 and the date the Statement of Accounts was authorised for issue by the Chief Financial Officer, ie. 24 November 2020.

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## STATEMENT OF ACCOUNTING POLICIES

### FOR GEDLING BOROUGH COUNCIL

#### **ACCOUNTING POLICIES**

##### **1. General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. 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 2019/20 (the 2019/20 Code), supported by International Financial Reporting Standards (IFRS).

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

##### **2. Accruals of Income and Expenditure**

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

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## STATEMENT OF ACCOUNTING POLICIES

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

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

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

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

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

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

Services, support services and trading accounts are debited with the following amounts to record the cost of holding 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.

### 6. **Employee Benefits**

#### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non monetary benefits for current employees and are recognised as an expense for services in the year which employees render service to the authority. An accrual is made for the 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

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## STATEMENT OF ACCOUNTING POLICIES

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 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.

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## STATEMENT OF ACCOUNTING POLICIES

- Re-measurements comprising:
  - The return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Nottinghamshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

### Discretionary Benefits

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

## 7. Events After the Reporting Period

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

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

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

## 8. Financial Instruments

### Financial Liabilities

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

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## STATEMENT OF ACCOUNTING POLICIES

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 2019/20.

### **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 (CIES) 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 CIES.

### **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.

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## STATEMENT OF ACCOUNTING POLICIES

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 CIES.

### 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 CIES 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 CIES, however a statutory override effective until 31 March 2023 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 CIES when the asset is disposed of. The Authority did hold any FVOCI instruments during 2019/20.

## 9. Foreign Currency Conversion

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

## 10. Government Grants and Contributions

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

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

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

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

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



# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## STATEMENT OF ACCOUNTING POLICIES

### Community Infrastructure Levy

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

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

### 11. Intangible Assets

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

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

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

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

### 12. Inventories

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

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

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## STATEMENT OF ACCOUNTING POLICIES

### 13. Investment Property

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

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

Properties are not depreciated but values are revalued annually 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.

### 14. Leases

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

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

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. The Authority did not have any arrangements of this type during 2019/20.

#### The Authority as Lessee:

##### Finance Leases

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

Lease payments are apportioned between:

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

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## STATEMENT OF ACCOUNTING POLICIES

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

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

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

### Operating Leases

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

### The Authority as Lessor:

#### Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

The written off value of disposals is not a charge against council tax, as the cost of 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.

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## STATEMENT OF ACCOUNTING POLICIES

### Operating Leases

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

### 15. Overheads and Support Services

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

### 16. Property, Plant and Equipment

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

#### Recognition

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

#### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## STATEMENT OF ACCOUNTING POLICIES

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);
- 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.

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## STATEMENT OF ACCOUNTING POLICIES

### Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

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

## **17. 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.

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## STATEMENT OF ACCOUNTING POLICIES

### Contingent Liabilities

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

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

### Contingent Assets

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

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

### Reserves

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

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

#### **18. 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.

#### **19. 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.

#### **20. 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.

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## STATEMENT OF ACCOUNTING POLICIES

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

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

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

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

### 21. **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, 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



## **ANNUAL STATEMENT OF ACCOUNTS 2019/20**

### **STATEMENT OF ACCOUNTING POLICIES**

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'.

# **ANNUAL STATEMENT OF ACCOUNTS 2019/20**

## **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 2020 and its income and expenditure for the year then ended.

Signed:

**A Ball CPFA**  
Chief Financial Officer

Date: 24 November 2020

This Statement was approved by the Audit Committee at its meeting on 24 November 2020, in accordance with the authority given by the delegation arrangements under section 3 of the Council's Constitution.

Signed:

**Councillor B Collis**  
Chair of the Audit Committee

Date: 24 November 2020

# **Financial Statements**

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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 42 and the Movement in Reserves Statement on page 35.

2018/19				2019/20		
Gross Exp £000s	Gross Inc £000s	Net Exp £000s		Gross Exp £000s	Gross Inc £000s	Net Exp £000s
1,670	(151)	1,519	<b>Net Cost of Services:</b>	2,226	(345)	1,881
31,826	(29,577)	2,249	Community Development	29,042	(26,383)	2,659
3,278	(1,772)	1,506	Housing, Health & Well-being	3,553	(1,736)	1,817
8,035	(2,821)	5,214	Public Protection	8,379	(2,735)	5,644
2,095	(1,122)	973	Environment	2,392	(1,183)	1,209
5,267	(1,023)	4,244	Growth and Regeneration	4,602	(1,415)	3,187
			Resources and Reputation			
52,171	(36,466)	15,705	<b>Cost of Services</b>	50,194	(33,797)	16,397
			<b>Other Operating Expenditure:</b>			
673	0	673	Payment of Precepts to Parishes	715	0	715
17	0	17	Drainage Board Levy	17	0	17
31	0	31	Pensions Administration Cost	32	0	32
514	(429)	85	(Gain)/Loss on disposal of PPE	9	(74)	(65)
1,235	(429)	806		773	(74)	699
			<b>Financing and Investment I&amp;E:</b>			
295	0	295	Interest Payable on Debt	343	0	343
1,220	0	1,220	Net Pensions Interest Cost	1,092	0	1,092
0	(150)	(150)	Interest Receivable and similar income	0	(254)	(254)
254	(1,631)	(1,377)	Income & Exp re. Investment	69	(322)	(253)
2,928	(2,937)	(9)	Properties & changes in their fair value	0	0	0
0	(14)	(14)	(Gain)/Loss on disposal of Inv't Assets	35	0	35
0	(100)	(100)	(Gain)/Loss on Pooled Investm't Funds	169	0	169
4,697	(4,832)	(135)	Mvt on Impairment Loss Allowances	1,708	(576)	1,132
			<b>Taxation and Non Specific Grants:</b>			
0	(6,639)	(6,639)	Council Tax Income	0	(6,753)	(6,753)
0	(4,606)	(4,606)	Non Domestic Rates	0	(4,143)	(4,143)
0	(1,288)	(1,288)	Non Ring-fenced Government Grants	0	(492)	(492)
0	(1,838)	(1,838)	Capital grants and contribs (note 12)	0	(936)	(936)
0	(14,371)	(14,371)		0	(12,324)	(12,324)
58,103	(56,098)	2,005	<b>(Surpl)/Def on Provision of Services</b>	52,675	(46,771)	5,904
		(668)	(Surplus)/Deficit on reval'n of non current assets (PPE)			(145)
		(5,759)	Actuarial re-measurements on Pension assets and liabilities			(1,283)
		(6,427)	<b>Other Comprehensive Income and Expenditure</b>			(1,428)
		(4,422)	<b>Total Comprehensive Income and Expenditure</b>			4,476

## ANNUAL STATEMENT OF ACCOUNTS 2019/20

### 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.

#### 2019/20 Statement

##### **Balance at 1 April 2019 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 2019/20**

##### **Balance at 31 March 2020 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
5,161	6,795	11,956	0	1,413	13,369	(22,673)	(9,304)
(5,904)	0	(5,904)	0	0	(5,904)	1,428	(4,476)
3,839	0	3,839	0	242	4,081	(4,081)	0
(2,065)	0	(2,065)	0	242	(1,823)	(2,653)	(4,476)
813	(813)	0	0	0	0	0	0
(1,252)	(813)	(2,065)	0	242	(1,823)	(2,653)	(4,476)
3,909	5,982	9,891	0	1,655	11,546	(25,326)	(13,780)

#### 2018/19 Comparatives

##### **Balance at 1 April 2018 per Balance Sheet (Restated)**

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 2018/19**

##### **Balance at 31 March 2019 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
5,928	5,722	11,650	0	1,228	12,878	(26,604)	(13,726)
(2,005)	0	(2,005)	0	0	(2,005)	6,427	4,422
2,311	0	2,311	0	185	2,496	(2,496)	0
306	0	306	0	185	491	3,931	4,422
(1,073)	1,073	0	0	0	0	0	0
(767)	1,073	306	0	185	491	3,931	4,422
5,161	6,795	11,956	0	1,413	13,369	(22,673)	(9,304)

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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 2019			31 March 2020	
£000s	£000s		£000s	£000s
		<b>Property, Plant &amp; Equipment (note 13)</b>		
22,307		Land and Buildings	21,728	
3,958		Vehicles, Plant and Equipment	3,903	
735		Infrastructure	758	
2,195		Community Assets	2,336	
20		Assets Under Construction	125	
	29,215			28,850
	3,685	<b>Investment Property (note 14)</b>		3,828
	60	<b>Intangible Assets (note 15)</b>		116
	971	<b>Long Term Investments</b>		936
	2,144	<b>Long Term Debtors (note 18)</b>		1,726
	36,075	<b>LONG TERM ASSETS</b>		35,456
8,024		Short Term Investments	6,028	
158		Inventories	170	
5,886		Short Term Debtors (note 19)	5,620	
3,444		Cash and Cash Equivalents (note 20)	6,845	
	17,512	<b>CURRENT ASSETS</b>		18,663
(147)		Short Term Borrowing (under 1year)	(1)	
(3,954)		Short Term Creditors (note 21)	(5,737)	
	(4,101)	<b>CURRENT LIABILITIES</b>		(5,738)
(953)		Provisions over 1 year (note 22)	(1,296)	
(8,812)		Long term Borrowing (PWLb)	(9,812)	
(46,983)		Net Pensions Liability (note 32)	(49,177)	
(1,960)		Capital Grants & Contributions Received in Advance (note 11)	(1,794)	
(82)		Revenue Grants & Contributions Received in Advance (note 11)	(82)	
	(58,790)	<b>LONG TERM LIABILITIES</b>		(62,161)
	(9,304)	<b>NET ASSETS / (LIABILITIES)</b>		(13,780)

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## BALANCE SHEET

31 March 2019			31 March 2020	
£000s	£000s		£000s	£000s
	(9,304)	<b>NET ASSETS / (LIABILITIES) AS ABOVE</b>		(13,780)
		<b>Usable Reserves</b> (MiRS p35)		
5,161		General Fund	3,909	
6,795		Earmarked Reserves (note 10)	5,982	
1,413		Capital Grants and Contributions Unapplied	1,655	
	13,369			11,546
		<b>Unusable Reserves</b> (note 24)		
2,625		Deferred Capital Receipts	2,123	
5,752		Revaluation Reserve	5,747	
(29)		Pooled Investment Funds Adjustment Account	(64)	
(47,541)		Pensions Reserve	(49,177)	
16,987		Capital Adjustment Account	16,734	
(32)		Collection Fund Adjustment Account - CTax	(28)	
(182)		Collection Fund Adjustment Account - NDR	(414)	
(253)		Short-term Accumulating Compensated Absences Account	(247)	
	(22,673)			(25,326)
	(9,304)	<b>TOTAL RESERVES</b>		(13,780)

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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.

2018/19		2019/20
£000s		£000s
(2,005)	<b>Net Surplus / (Deficit) on the Provision of Services per the Comprehensive Income and Expenditure Statement</b>	<b>(5,904)</b>
7,914	Total of adjustments to net Surplus/(Deficit) on Provision of Services for non-cash movements	<b>7,672</b>
(5,291)	Total of adjustments to the net Surplus/(Deficit) on Provision of Services for items that are investing and financing activities	<b>(1,127)</b>
<b>618</b>	<b>Net cash flow from operating activities</b> (see note 25)	<b>641</b>
(3,093)	Investing activities (see note 26)	<b>2,126</b>
3,278	Financing activities (see note 27)	<b>634</b>
<b>803</b>	<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>	<b>3,401</b>
2,641	Cash and Cash Equivalents at the beginning of the reporting period	<b>3,444</b>
<b>3,444</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	<b>6,845</b>

### 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 2019	31 March 2020
£000s	£000s
(1,053)	<b>(312)</b>
7	<b>7</b>
4,490	<b>7,150</b>
<b>3,444</b>	<b>6,845</b>



# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

Please refer to the full Statement of Accounting Policies, which can be found on pages 17 to 31.

### 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.

**IAS19 (employee benefits)** - changes are being made in respect of plan amendments, curtailments and settlement. It is not anticipated that these changes will have a material effect on the Council's financial statements.

**IAS28 (investments in associates and joint ventures)** - It is not anticipated that these changes will have a material effect on the Council's financial statements.

In addition there will be regular annual improvements to the IFRS Standards, and to references to the Conceptual Framework in IFRS Standards, neither of which is anticipated to have a material impact on the Council's financial statements.

### 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the Accounting Policies set out on pages 17 to 31, 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.

Following a referendum held on 23 June 2016, the UK finally left the European union in 31 January 2020. The deadline for the negotiation of a trade deal with the EU is 31 December 2020 and at the end of June the Government rejected any extension to this, which increased the chances of a no-deal Brexit. The most likely outcome is expected to be a slimmed down deal on trade in order to minimise disruption as far as possible. As yet the full impact on the Council of these issues remains unclear.

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

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

The estimated items in the Authority's Balance Sheet at 31 March 2020 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.

The coronavirus pandemic has impacted on global financial markets, and market activity is being affected in many sectors. This has resulted in difficulty with attaching weight to previous market evidence for comparison purposes, to inform opinions of value. Valuations are generally carried out by the Council's in-house valuer, K. Walters MRICS, who is a chartered surveyor, but may also be commissioned from external valuers as necessary. The Council's valuer is however responsible for reporting on all values. Two items totalling £1.28m and included in the land & buildings valuations, and one item of £0.35m included in the investment property valuations have been reported on the basis of Material Valuation Uncertainty (MVU) as per VPS3 and VPA10 of the RICS Red Book Global. These valuations therefore have less certainty and should be viewed with a higher degree of caution, than would normally be the case. As more market information becomes available, adjustment to the carrying value of certain assets may be required in the next financial year.

An impairment review of property values at the balance sheet date has been completed based on the most recent data available at the end of June 2020 and concluded that there were no material differences in value compared to the carrying amount.

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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 £5.10m in the pension liability, and a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £2.45m. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. See note 32 on pages 76 to 83 for further details.
Property Plant and Equipment	Depreciation and amortisation is provided to write down the assets to their residual values over their estimated useful lives. The selection of these residual values and useful lives requires the exercise of management judgements considering anticipated usage levels in service provision and levels of repairs and maintenance. A review of balance sheet values is undertaken each year end to assess if any of the assets have not been used at the estimated rates and if any impairment charges are required.	If the useful lives of assets are reduced, depreciation increases and the carrying amount of the asset falls. If assets lives were 10% lower than estimated the annual depreciation charge would be increased by approximately £258,100. However, as the asset values are reviewed on an annual basis this level of incorrect estimation is unlikely. See note 13 on pages 54 to 56 for further details.

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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 £2,989,500 of which the Council's share as billing authority is £1,195,800.</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 £149,500. Of this, the Council's share as billing authority would be £59,800. See note 22 on page 65 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 2020 is £2,246,000. 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 a corresponding increase in the expected credit loss provision.</p>	<p>If collection rates were to deteriorate, a 10% increase on the impairment percentage would require an additional £223,800 to be set aside as an allowance.</p>

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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 34.

2018/19				2019/20		
Net Exp chg'ble to General Fund Balance £000s	Adjs between Funding & Acc'g Basis £000s	Net Exp in CIES (page 34) £000s		Net Exp chg'ble to General Fund Balance £000s	Adjs between Funding & Acc'g Basis £000s	Net Exp in CIES (page 34) £000s
			<b>Net Cost of Services:</b>			
1,463	56	1,519	Community Development	1,818	63	1,881
1,928	321	2,249	Housing, Health & Well-being	2,314	345	2,659
1,339	167	1,506	Public Protection	1,636	181	1,817
4,662	552	5,214	Environment	5,043	601	5,644
814	159	973	Growth and Regeneration	812	397	1,209
1,235	3,009	4,244	Resources and Reputation	1,167	2,020	3,187
11,441	4,264	15,705	<b>Cost of Services</b>	12,790	3,607	16,397
			<b>Other Operating Expenditure:</b>			
673	0	673	Payment of Precepts to Parishes	715	0	715
17	0	17	Drainage Board Levy	17	0	17
0	31	31	Pensions Administration Cost	0	32	32
(18)	103	85	(Gain)/Loss on disposal of PPE	(47)	(18)	(65)
672	134	806		685	14	699
			<b>Financing and Investment I&amp;E:</b>			
295	0	295	Interest Payable on Debt	343	0	343
0	1,220	1,220	Net Pensions Interest Cost	0	1,092	1,092
(150)	0	(150)	Interest Receivable & similar income	(195)	(59)	(254)
(111)	(1,266)	(1,377)	Inc & Exp re. Investment properties & changes in their fair value	(111)	(142)	(253)
0	(9)	(9)	(Gain)/Loss on disposal of Inv't Assets	0	0	0
0	(14)	(14)	(Gain)/Loss on Pooled Investm't Funds	0	35	35
(100)	0	(100)	Mvt on Impairment Loss Allowances	169	0	169
(66)	(69)	(135)		206	926	1,132
			<b>Taxation and Non Specific Grants:</b>			
(6,647)	8	(6,639)	Council Tax Income	(6,749)	(4)	(6,753)
(4,418)	(188)	(4,606)	Non Domestic Rates	(4,375)	232	(4,143)
(1,288)	0	(1,288)	Non Ring-fenced Government Grants	(492)	0	(492)
0	(1,838)	(1,838)	Capital grants and contribs (note 11)	0	(936)	(936)
(12,353)	(2,018)	(14,371)		(11,616)	(708)	(12,324)
(306)	2,311	2,005	<b>(Surpl)/Def on Prov'n of Services</b>	2,065	3,839	5,904
£000s			<b>Opening General Fund Balance</b>	£000s		
(11,650)			(Surplus)/Deficit on General Fund	(11,956)		
(306)				2,065		
(11,956)			<b>Closing General Fund Balance</b>	(9,891)		

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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 34. The relevant transfers between reserves are shown in the Movement in Reserves Statement (MiRS) on page 35.

#### 2019/20

Community Development  
Housing, Health & Well-being  
Public Protection  
Environment  
Growth and Regeneration  
Resources and Reputation

#### **Cost of Services**

Other income and expenditure from the  
Expenditure and Funding Analysis

**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	62	1	63
0	344	1	345
0	182	(1)	181
95	503	3	601
228	172	(3)	397
1,495	531	(6)	2,020
<b>1,818</b>	<b>1,794</b>	<b>(5)</b>	<b>3,607</b>
(1,120)	1,124	228	232
<b>698</b>	<b>2,918</b>	<b>223</b>	<b>3,839</b>

#### 2018/19

Community Development  
Housing, Health & Well-being  
Public Protection  
Environment  
Growth and Regeneration  
Resources and Reputation

#### **Cost of Services**

Other income and expenditure from the  
Expenditure and Funding Analysis

**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	55	1	56
0	296	25	321
0	153	14	167
117	417	18	552
0	143	16	159
1,724	1,261	24	3,009
<b>1,841</b>	<b>2,325</b>	<b>98</b>	<b>4,264</b>
(3,025)	1,251	(179)	(1,953)
<b>(1,184)</b>	<b>3,576</b>	<b>(81)</b>	<b>2,311</b>

#### 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 2019/20

## 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 surplus 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**

Community Development  
Housing, Health & Well-being  
Public Protection  
Environment  
Growth and Regeneration  
Resources and Reputation

2018/19	2019/20
£000s	£000s
60	53
288	311
5	8
1,236	1,238
1	230
940	193
2,530	2,033

#### **External Income from Customers**

Community Development  
Housing, Health & Well-being  
Public Protection  
Environment  
Growth and Regeneration  
Resources and Reputation

2018/19	2019/20
£000s	£000s
(119)	(122)
(3,796)	(3,740)
(893)	(841)
(2,560)	(2,538)
(895)	(1,049)
(862)	(896)
(9,125)	(9,186)

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## NOTES TO THE FINANCIAL STATEMENTS

### 8. EXPENDITURE AND INCOME ANALYSED BY NATURE

	2018/19	2019/20
	£000s	£000s
Employee benefits expenses	17,162	17,555
Other service expenses	33,730	31,730
Depreciation, amortisation & revaluation losses	2,530	2,033
Interest payments	295	343
Precepts and levies	690	732
Costs associated with the disposal of fixed assets	3,442	9
Expenditure on investment properties and reductions in fair value	254	69
Losses on pooled investment funds	0	35
Increases on Impairment Loss Allowances	0	169
<b>Total Expenditure per CIES</b>	<b>58,103</b>	<b>52,675</b>
Fees, charges and other service income	(9,125)	(9,186)
Interest and investment income	(150)	(254)
Income from council tax and NDR	(11,245)	(10,896)
Government grants and other contributions	(30,467)	(26,039)
Income from the disposal of assets	(3,365)	(74)
Income from investment properties and increases in fair value	(1,631)	(322)
Income from gains on pooled investment funds	(15)	0
Decreases on Impairment Loss Allowances	(100)	0
<b>Total Income per CIES</b>	<b>(56,098)</b>	<b>(46,771)</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>2,005</b>	<b>5,904</b>

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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.

**2019/20**

#### **Adjustments primarily involving the Capital Adjustment Account (note 24)**

#### **Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CIES):**

Charges for depreciation & impairment of non-current assets

General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Mov't on Usable Reserves	Mov't on Unusable Reserves
£000s	£000s	£000s	£000s	£000s
1,678	0	0	1,678	(1,678)

Revaluation losses/(reversals) on Property Plant and Equipment

General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Mov't on Usable Reserves	Mov't on Unusable Reserves
£000s	£000s	£000s	£000s	£000s
323	0	0	323	(323)

Movement in fair value of investment properties

General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Mov't on Usable Reserves	Mov't on Unusable Reserves
£000s	£000s	£000s	£000s	£000s
(143)	0	0	(143)	143

Amortisation of intangible assets

General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Mov't on Usable Reserves	Mov't on Unusable Reserves
£000s	£000s	£000s	£000s	£000s
32	0	0	32	(32)

Capital grants & contributions applied

General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Mov't on Usable Reserves	Mov't on Unusable Reserves
£000s	£000s	£000s	£000s	£000s
(458)	0	0	(458)	458

Revenue Expenditure Funded from Capital Under Statute

General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Mov't on Usable Reserves	Mov't on Unusable Reserves
£000s	£000s	£000s	£000s	£000s
535	0	0	535	(535)

Carrying Amounts debited as part of the gain or loss on disposals of non-current assets

General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Mov't on Usable Reserves	Mov't on Unusable Reserves
£000s	£000s	£000s	£000s	£000s
2	0	0	2	(2)

#### **Insertion of items NOT debited or credited to the CIES:**

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

General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Mov't on Usable Reserves	Mov't on Unusable Reserves
£000s	£000s	£000s	£000s	£000s
(571)	0	0	(571)	571

Capital expenditure charged against General Fund Balance

General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Mov't on Usable Reserves	Mov't on Unusable Reserves
£000s	£000s	£000s	£000s	£000s
(179)	0	0	(179)	179

#### **Adjustments primarily involving the Capital Grants Unapplied Account**

Capital grants and contributions unapplied, credited to the CIES

General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Mov't on Usable Reserves	Mov't on Unusable Reserves
£000s	£000s	£000s	£000s	£000s
(477)	0	477	0	0

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

General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Mov't on Usable Reserves	Mov't on Unusable Reserves
£000s	£000s	£000s	£000s	£000s
0	0	(235)	(235)	235

#### **Adjustments primarily involving the Pooled Investment Funds Adjustment Account**

Transfer of the gain/loss on pooled investments

General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Mov't on Usable Reserves	Mov't on Unusable Reserves
£000s	£000s	£000s	£000s	£000s
35	0	0	35	(35)

**Sub-total of items adjusted**

General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Mov't on Usable Reserves	Mov't on Unusable Reserves
£000s	£000s	£000s	£000s	£000s
777	0	242	1,019	(1,019)



# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## NOTES TO THE FINANCIAL STATEMENTS

### 9. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

<u>2019/20 (Continued)</u>	Usable Reserves			Total Mov't on Usable Reserves	Mov't on Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		
	£000s	£000s	£000s	£000s	£000s
<b>Sub-total of adjustments from prev. page</b>	<b>777</b>	<b>0</b>	<b>242</b>	<b>1,019</b>	<b>(1,019)</b>
<b><u>Adjustments primarily involving the Capital Receipts Reserve</u></b>					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES (PPE)	(20)	20	0	0	0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES (Investment Assets)	0	561	0	561	(561)
Use of Capital Receipts Reserve to finance new capital expenditure	0	(581)	0	(581)	581
Transfer of capital receipts to fund asset disposal costs	0	0	0	0	0
<b><u>Adjustments primarily involving the Deferred Capital Receipts Reserve</u></b>					
Transfer of interest on deferred capital receipt	(59)	0	0	(59)	59
<b><u>Adjustments primarily involving the Pensions Reserve</u></b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	5,231	0	0	5,231	(5,231)
Employers pension contributions and direct payments to pensioners payable in the year	(2,312)	0	0	(2,312)	2,312
<b><u>Adjustments primarily involving the Collection Fund Adjustment A/C</u></b>					
Amount by which Council Tax & NDR income credited to the CIES differs to that income calculated for the year in accordance with statutory requirements	228	0	0	228	(228)
<b><u>Adjustments primarily involving the Accumulated Absences Account</u></b>					
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	(6)	0	0	(6)	6
<b>Total Net adjs between Accounting basis and Funding basis under regulation (per Movement in Reserves Statement on p35)</b>	<b>3,839</b>	<b>0</b>	<b>242</b>	<b>4,081</b>	<b>(4,081)</b>

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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.

#### 2018/19 Comparatives

#### Adjustments primarily involving the Capital Adjustment Account (note 24)

#### **Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CIES):**

Charges for depreciation & impairment of non-current assets

1,610

0

0

1,610

(1,610)

Revaluation losses/(reversals) on Property Plant and Equipment

883

0

0

883

(883)

Movement in fair value of investment properties

(1,266)

0

0

(1,266)

1,266

Amortisation of intangible assets

36

0

0

36

(36)

Capital grants & contributions applied

(1,567)

0

0

(1,567)

1,567

Revenue Expenditure Funded from Capital Under Statute

117

0

0

117

(117)

Carrying Amounts debited as part of the gain or loss on disposals of non-current assets

3,356

0

0

3,356

(3,356)

#### **Insertion of items NOT debited or credited to the CIES:**

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

(555)

0

0

(555)

555

Capital expenditure charged against General Fund Balance

(251)

0

0

(251)

251

#### Adjustments primarily involving the Capital Grants Unapplied Account

Capital grants and contributions unapplied, credited to the CIES

(271)

0

271

0

0

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

0

0

(86)

(86)

86

#### Adjustments primarily involving the Pooled Investment Funds Adjustment Account

Transfer of the gain/loss on pooled investments

(14)

0

0

(14)

14

#### **Sub-total of items adjusted**

2,078

0

185

2,263

(2,263)

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## NOTES TO THE FINANCIAL STATEMENTS

### 9. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

<u>2018/19 Comparatives (Continued)</u>	Usable Reserves			Total Mov't on Usable Reserves	Mov't on Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		
	£000s	£000s	£000s	£000s	£000s
<b>Sub-total of adjustments from prev. page</b>	2,078	0	185	2,263	(2,263)
<b><u>Adjustments primarily involving the Capital Receipts Reserve</u></b>					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES (PPE)	(405)	405	0	0	0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES (Investment Assets)	(2,937)	312	0	(2,625)	2,625
Use of Capital Receipts Reserve to finance new capital expenditure	0	(636)	0	(636)	636
Transfer of capital receipts to fund asset disposal costs	81	(81)	0	0	0
<b><u>Adjustments primarily involving the Pensions Reserve</u></b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	5,649	0	0	5,649	(5,649)
Employers pension contributions and direct payments to pensioners payable in the year	(2,073)	0	0	(2,073)	2,073
<b><u>Adjustments primarily involving the Collection Fund Adjustment A/C</u></b>					
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	(180)	0	0	(180)	180
<b><u>Adjustments primarily involving the Accumulated Absences Account</u></b>					
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	98	0	0	98	(98)
<b>Total Net adjs between Accounting basis and Funding basis under regulation (per Movement in Reserves Statement on p35)</b>	2,311	0	185	2,496	(2,496)

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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 2018/19 and 2019/20.

	Balance 31 Mar 2018	Transfers out during 2018/19	Transfers in during 2018/19	Balance 31 Mar 2019	Transfers out during 2019/20	Transfers in during 2019/20	Balance 31 Mar 2020
<u>Reserve:</u>	£000s	£000s	£000s	£000s	£000s	£000s	£000s
IT Equip't Replacement & Investment	689	(116)	92	665	(239)	77	503
Community and Crime	113	(33)	23	103	(37)	3	69
Risk Mgt & Budget Red'n	212	(41)	80	251	(199)	0	52
Housing and Housing Benefits	431	(15)	0	416	(162)	0	254
Insurance	280	(18)	36	298	(39)	35	294
Efficiency & Innovation	213	(18)	76	271	(6)	44	309
Asset Management	495	(110)	147	532	(126)	39	445
Local Plan Reserve	121	(89)	76	108	(9)	32	131
S106 Revenue	227	(38)	3	192	(29)	0	163
Earmarked Grants	712	(172)	244	784	(357)	189	616
Joint Use Maintenance	68	(5)	18	81	0	32	113
CCTV	256	(61)	26	221	(43)	26	204
Local Authority Mortgage Scheme Reserve	111	0	0	111	0	0	111
Apprentices	55	(9)	30	76	0	0	76
NDR Pool Surplus	492	0	589	1,081	(151)	313	1,243
Transformation	519	(5)	254	768	(132)	0	636
Economic Development	446	(94)	33	385	(133)	16	268
Leisure Strategy	187	0	50	237	0	0	237
Building Control	31	(21)	0	10	(10)	0	0
Property Fund	64	0	0	64	0	11	75
Selective Licencing	0	0	141	141	0	42	183
<b>Total Earmarked Reserves per Balance Sheet p36-37</b>	<b>5,722</b>	<b>(845)</b>	<b>1,918</b>	<b>6,795</b>	<b>(1,672)</b>	<b>859</b>	<b>5,982</b>
<b>Net Movement in Year per MiRS p35</b>		<b>1,073</b>			<b>(813)</b>		

**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. The opening balance has been adjusted to include the disabled adaptations reserve as this is no longer earmarked separately.

**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.

## ANNUAL STATEMENT OF ACCOUNTS 2019/20

### NOTES TO THE FINANCIAL STATEMENTS

#### 10. TRANSFERS TO/FROM EARMARKED RESERVES (Continued)

**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.

**Local Authority Mortgage Scheme Reserve** - to provide for potential defaults in connection with two LAMS schemes launched in April 2012 and June 2013, under which the Council indemnified Lloyds for 20% of individual loans for 5 years from the date of each completion.

**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.

**Building Control Reserve** - Building Control costs should equate to income from fees over a three year rolling period. Any surplus or deficit is transferred to this reserve.

**Property Fund 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.

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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):

	2018/19 £000s	2019/20 £000s
<b><u>Credited to Taxation and Non-Specific Grant Income:</u></b>		
Revenue Support Grant (including redistributed sums)	(431)	(10)
New Homes Bonus	(857)	(482)
<b>Non Ring-fenced Grants</b>	<b>(1,288)</b>	<b>(492)</b>
FCC Communities Foundation/WREN - Play Areas	(106)	(170)
MHCLG - Disabled Facilities Grant	(235)	(171)
Community Infrastructure Levy (CIL)	(36)	(294)
Rural Development Programme for England (RDPE)	0	(78)
Section 106 Developer Contributions	(195)	(206)
Nottinghamshire County Council Town Centres Fund - Arnold Market	(1,250)	0
Other	(16)	(17)
<b>Capital Grants and Contributions</b>	<b>(1,838)</b>	<b>(936)</b>
<b>S31 Grants included in Non Domestic Rates income</b>	<b>(1,111)</b>	<b>(1,489)</b>
<b>Total Non Ring-fenced Grants included in CIES on page 34</b>	<b>(4,237)</b>	<b>(2,917)</b>
<b><u>Credited to Services:</u></b>		
Housing Benefits	(25,332)	(21,624)
Grants for Revenue Expenditure funded from Capital	(857)	(992)
Other Grants & Contributions	(749)	(1,195)
<b>Total grants &amp; contributions credited to Services</b>	<b>(26,938)</b>	<b>(23,811)</b>
<b>Total Grants, Contributions and Donated Assets</b>	<b>(31,175)</b>	<b>(26,728)</b>

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.

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:

	2018/19 £000s	2019/20 £000s
<b><u>Capital</u></b>		
Developers' Section 106 Contributions	(1,960)	(1,794)
	<b>(1,960)</b>	<b>(1,794)</b>
<b><u>Revenue</u></b>		
Developers' Section 106 Contributions	(82)	(82)
	<b>(82)</b>	<b>(82)</b>

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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.

	2018/19	2019/20
	£000s	£000s
<b>Opening Capital Financing Requirement (CFR)</b>	11,262	10,222
<b>Additions:</b>		
Property, Plant & Equipment (note 13)	2,938	1,492
Intangible Assets	0	88
Revenue expenditure funded from capital under statute (REFCUS)	974	1,527
<b>Total Capital Investment</b>	3,912	3,107
<b>Financing:</b>		
Capital receipts	(636)	(581)
Government Grants	(922)	(1,105)
Other Grants and Contributions	(1,838)	(759)
Minimum Revenue Provision (MRP)	(556)	(571)
Repayment of Local Authority Mortgage Scheme deposits	(1,000)	0
<b>Total Sources of Finance</b>	(4,952)	(3,016)
<b>Closing Capital Financing Requirement (CFR)</b>	10,222	10,313
<b>Explanation of movements in the year:</b>		
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	(1,040)	91
<b>Increase/(Decrease) in Capital Financing Requirement (CFR)</b>	(1,040)	91

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## NOTES TO THE FINANCIAL STATEMENTS

### 13. PROPERTY, PLANT & EQUIPMENT

#### Movements in 2019/20

#### Cost or Valuation:

As at 1 April 2019

Additions

Revaln incr/(decr) recognised in the Revaluation Reserve

Revaln incr/(decr) recognised in the Surplus/Deficit on Provision of Services

Derecognition-Disposals

Derecognition-Decommissioned

Other movements in cost or valuation

**As at 31 March 2020**

#### Accumulated Depreciation and Impairment:

As at 1 April 2019

Depreciation Charge

Depreciation written out to the Revaluation Reserve

Depreciation written out to the Surplus/Deficit on Provision of Services

Derecognition-Disposals

Derecognition-Decommissioned

**As at 31 March 2020**

**Net Book Value 31/3/19**

**Net Book Value 31/3/20**

	Land & Bldgs. £000s	Vehicles Plant & Equipm't £000s	Infra-Struct. Assets £000s	Comm'y Assets £000s	Assets Under Constrn. £000s	Total £000s
As at 1 April 2019	22,593	9,197	1,308	7,493	20	40,611
Additions	169	741	79	398	105	1,492
Revaln incr/(decr) recognised in the Revaluation Reserve	(168)	0	0	0	0	(168)
Revaln incr/(decr) recognised in the Surplus/Deficit on Provision of Services	(393)	0	0	0	0	(393)
Derecognition-Disposals	0	(647)	0	0	0	(647)
Derecognition-Decommissioned	0	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0	0
<b>As at 31 March 2020</b>	<b>22,201</b>	<b>9,291</b>	<b>1,387</b>	<b>7,891</b>	<b>125</b>	<b>40,895</b>
As at 1 April 2019	(286)	(5,239)	(573)	(5,298)	0	(11,396)
Depreciation Charge	(571)	(794)	(56)	(257)	0	(1,678)
Depreciation written out to the Revaluation Reserve	314	0	0	0	0	314
Depreciation written out to the Surplus/Deficit on Provision of Services	70	0	0	0	0	70
Derecognition-Disposals	0	645	0	0	0	645
Derecognition-Decommissioned	0	0	0	0	0	0
<b>As at 31 March 2020</b>	<b>(473)</b>	<b>(5,388)</b>	<b>(629)</b>	<b>(5,555)</b>	<b>0</b>	<b>(12,045)</b>
<b>Net Book Value 31/3/19</b>	<b>22,307</b>	<b>3,958</b>	<b>735</b>	<b>2,195</b>	<b>20</b>	<b>29,215</b>
<b>Net Book Value 31/3/20</b>	<b>21,728</b>	<b>3,903</b>	<b>758</b>	<b>2,336</b>	<b>125</b>	<b>28,850</b>



# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## NOTES TO THE FINANCIAL STATEMENTS

### 13. PROPERTY, PLANT & EQUIPMENT (Continued)

#### Comparative Movements in 2018/19 (Restated)

#### Cost or Valuation:

As at 1 April 2018 (Restated)  
 Additions  
 Revaln incr/(decr) recognised in the Revaluation Reserve  
 Revaln incr/(decr) recognised in the Surplus/Deficit on Provision of Services  
 Derecognition-Disposals  
 Derecognition-Decommissioned  
 Other movements in cost or valuation

#### As at 31 March 2019

#### Accumulated Depreciation and Impairment:

As at 1 April 2018 (Restated)  
 Depreciation Charge  
 Depreciation written out to the Revaluation Reserve  
 Depreciation written out to the Surplus/Deficit on Provision of Services  
 Derecognition-Disposals  
 Derecognition-Decommissioned

#### As at 31 March 2019

#### Net Book Value 31/3/18

#### Net Book Value 31/3/19

Other Land & Bldgs. £000s	Vehicles Plant & Equipm't £000s	Infra-Struct. Assets £000s	Comm'y Assets £000s	Assets Under Constrn. £000s	Total £000s
22,813	8,610	1,119	7,341	6	39,889
1,389	1,189	189	152	19	2,938
(207)	0	0	0	0	(207)
(885)	0	0	0	0	(885)
(443)	(602)	0	0	0	(1,045)
(79)	0	0	0	0	(79)
5	0	0	0	(5)	0
22,593	9,197	1,308	7,493	20	40,611
(604)	(5,101)	(520)	(5,052)	0	(11,277)
(585)	(726)	(53)	(246)	0	(1,610)
876	0	0	0	0	876
1	0	0	0	0	1
21	588	0	0	0	609
5	0	0	0	0	5
(286)	(5,239)	(573)	(5,298)	0	(11,396)
22,209	3,509	599	2,289	6	28,612
22,307	3,958	735	2,195	20	29,215

During the 2018/19 asset valuation process, an error in the recorded measurement of the Civic Centre was identified by the Council's Valuer. Subsequently, a full review of asset measurements was undertaken and where material the financial statements were restated. Further restatements of £157k have been made in 2019/20 to the 1 April 2018 opening balance on land and buildings and the associated depreciation, however the net book value at that date has not changed.

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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. Valuations are generally completed by the Council's in-house valuer K.Walters, who is a chartered surveyor, but may also be undertaken by external valuers as deemed necessary. Bruton Knowles were commissioned to carry out the valuation of Mapperley Golf Course in 2019/20.

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 is some risk of material valuation uncertainty in some categories of property valuation, and this is explained further in note 4. Vehicles, Plant and Equipment are valued on a depreciated historic cost basis as a proxy for Current Value.

#### Capital Commitments

At 31 March 2020 there were two significant capital contract that had been entered into but not fully completed. Both contracts related to works at Gedling Country Park, one amounting to £101,000 in respect of the car park extension, and the other amounting to £36,000 in respect of the viewing platforms.

### 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.

	2018/19	2019/20
	£000s	£000s
Rental from Investment Property	(119)	(117)
Direct operating expenses arising from Investment Property	8	5
<b>Net (Gain)/Loss</b>	<b>(111)</b>	<b>(112)</b>

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. Valuations are generally carried out by the Council's in-house valuer K. Walters MRICS, who is a chartered surveyor but may also be commissioned from external valuers as deemed necessary. The Council's valuer is however responsible for reporting on all values, and due to Covid-19 there is some risk of material valuation uncertainty in some categories of asset valuation, and this is explained further in note 4. The following tables summarise 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.

#### **Long Term Investment Property:**

#### **Balance at the start of the year**

Additions (purchase, construction & subsequent expenditure)

Disposals

Net gain/(loss) from fair value adjustments

#### **Balance at the end of the year per Balance Sheet**

	2018/19	2019/20
	£000s	£000s
Balance at the start of the year	2,419	3,685
Additions (purchase, construction & subsequent expenditure)	0	0
Disposals	0	0
Net gain/(loss) from fair value adjustments	1,266	143
<b>Balance at the end of the year per Balance Sheet</b>	<b>3,685</b>	<b>3,828</b>

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## NOTES TO THE FINANCIAL STATEMENTS

### 14. INVESTMENT PROPERTY (Continued)

#### Held for Sale Investment Property (Current Assets)

	2018/19	2019/20
	£000s	£000s
<b>Balance at the start of the year</b>	2,847	0
Transfer from Long Term Investment Property	0	0
Disposals	(2,847)	0
<b>Balance at the end of the year per Balance Sheet</b>	<b>0</b>	<b>0</b>

The above disposal relates to the completion of a sale of land at Teal Close on 30 April 2018.

### 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. Over 90% of the amortisation of £31,872 charged to revenue in 2019/20 was charged to Payroll and IT, and then absorbed as an overhead across all relevant service headings in Cost of Services. Other charges were made directly to services.

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

	2018/19	2019/20
	£000s	£000s
Gross carrying amount	924	722
Accumulated amortisation	(829)	(662)
<b>Net carrying amount at start of year</b>	<b>95</b>	<b>60</b>
<b>Additions</b>	<b>0</b>	<b>88</b>
<b>Derecognition of decommissioned assets:</b>		
Gross carrying amount	(202)	0
Accumulated amortisation	202	0
Amortisation for the year	(35)	(32)
<b>Net carrying amount at end of year per Balance Sheet</b>	<b>60</b>	<b>116</b>
<b><u>Represented by:</u></b>		
Gross carrying amount	722	810
Accumulated amortisation	(662)	(694)
<b>Total</b>	<b>60</b>	<b>116</b>

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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 2019/20

## 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 2019/20 were car loans to employees. It is the Council's view that the outstanding sum of £116k 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 2019/20.

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## NOTES TO THE FINANCIAL STATEMENTS

### 16. FINANCIAL INSTRUMENTS (Continued)

#### The Council's Financial Instruments at 31 March 2020

##### **(a) Financial Liabilities at Amortised Cost:**

- (i) **Long and Short Term Borrowing** - Total long term debt outstanding on the balance sheet on 31 March 2020 is £9.812m, all held with the Public Works Loan Board (PWLb). The short term borrowing balance of £2k 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 £9.812m would be valued at £11.668m. However, if the Council was to seek to avoid the projected loss by repaying the loans to PWLB, the PWLB would raise a penalty charge based on the premature redemption interest rates, totalling £8.434m. The exit price for the outstanding PWLB loans including the penalty charge would therefore be £18.246m.

This redemption charge is a supplementary measure of the fair value of the outstanding PWLB loans of £9.812m. 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 penalty would fall from £8.434m to £4.520m and the exit price from £18.246m to £14.332m. These amounts would be reversed if the discount rate was to fall, ie. the penalty and the exit price would rise.

The valuation basis adopted uses level 2 inputs, ie. 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, ie. the carrying amount is a reasonable approximation of fair value. Long term creditors are represented by grants received in advance of £1.876m. Short-term creditors outstanding at 31 March 2020, which are classed as financial instruments, totalled £3.620m.

##### **(b) Financial Assets at Amortised Cost**

- (i) **Short Term Investment** - Investments held at 31 March 2020 amounted to £6.028m, including accrued interest, and consisted of fixed term deposits with approved counterparties. All the rates were fixed at inception, with interest paid on maturity. No formal calculation of EIR is deemed necessary, and the carrying amount is a reasonable approximation of the fair value.
- (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 2020 is £116k, which is not deemed material. The long term debtors figure also includes deferred capital receipts of £1.610m for a land sale at Teal Close.
- (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, ie. the carrying amount is a reasonable approximation of fair value. Short term debtors outstanding at 31 March 2020, which are classed as financial instruments, totalled £3.239m net of impairment provisions for doubtful debts (see note 19). This figure includes deferred capital receipts of £513k due in 2020/21 for a land sale at Teal Close.

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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 cash balances overdrawn at 31 March 2020 totalled £312k as a result of daily cashflow management. However these balances are combined on the Balance Sheet as part of the overall Cash and Cash Equivalents balance of £6.845m in hand, which includes a total of £7.150m 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 uses 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 2023 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 fell from £971,092 at 1 April 2019 to £936,390 at 31 March 2020. The loss of £34,702 was credited to CIES and reversed out in accordance with the statutory override. The current balance on the Pooled Investment Funds Adjustment Account is £63,610.

Dividends received in respect of the property fund investment totalled £41,339 in 2019/20. These have been credited to the CIES, and are included in the deficit on the provision of services.

On 25 March 2020, notice was received from CCLA that the LAPF was being suspended and that no subscriptions or redemptions could be made. Such suspension is a normal course of action in exceptional market conditions, such as those currently being experienced due to the coronavirus pandemic. Valuers cannot be confident that their valuations truly reflect prevailing conditions, and where there is a material risk of disadvantage to either party, all transactions must be suspended until the required level of certainty is re-established. CCLA fully expect the suspension to be temporary, albeit possibly lasting for several months, and as the property fund is viewed as a long-term investment, the existing statutory override mitigates the risk of impact by providing time for the market to recover.

A summary of the Council's exposure to financial instruments at 31 March 2020 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**

	31/3/19	31/3/20
	£000s	£000s
	(8,812)	(9,812)
	(147)	(1)
	(2,042)	(1,876)
	(2,088)	(3,620)
	(13,089)	(15,309)
	8,024	6,028
	2,144	1,726
	3,592	3,239
	3,444	6,845
	971	936
	18,175	18,774

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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 2019/20.

#### **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 increase of £169k in the Council's impairment loss allowances for financial instruments during 2019/20 has been debited 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 2020 is 0.008%, and would amount to an expected credit loss provision of less than £1,000. 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.



# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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

31/3/19	31/3/20
£000s	£000s
0	0
(147)	(1)
(147)	(1)
0	0
0	0
0	0
(8,812)	(9,812)
(8,812)	(9,812)

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

#### Market Risk:

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

#### Price Risk:

The authority'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.

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## NOTES TO THE FINANCIAL STATEMENTS

### 18. LONG TERM DEBTORS

	2018/19	2019/20
	£000s	£000s
Car Loans	20	115
Other - Cycle Scheme	1	1
Land Sale Deferred Settlement	2,123	1,610
<b>Total Long Term Debtors per Balance Sheet</b>	<b>2,144</b>	<b>1,726</b>

The sale of land at Teal close was completed on 30 April 2018, however the sale proceeds are being phased over a contractually agreed period. The sum of £513k is to be received in the forthcoming year and is included with short term debtors below, however the sum of £1.610m to be received in periods beyond 31 March 2021 is included as a long term debtor. The total deferred capital receipt is £2.123m as detailed in note 24, Unusable Reserves.

### 19. SHORT TERM DEBTORS

	2018/19			2019/20		
	Financial Instrum'ts	Statutory Debts	Total	Financial Instrum'ts	Statutory Debts	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Central Government Departments	1,031	292	1,323	594	212	806
Other Local Authorities	298	722	1,020	314	1,279	1,593
Land Sale Deferred Settlement	502	0	502	513	0	513
Other Entities and Individuals	3,838	1,546	5,384	4,064	1,214	5,278
<b>Total Short Term Debtors</b>	<b>5,669</b>	<b>2,560</b>	<b>8,229</b>	<b>5,485</b>	<b>2,705</b>	<b>8,190</b>
Less Impairment Loss Allowance	(2,077)	(266)	(2,343)	(2,246)	(324)	(2,570)
<b>Net Short Term Debtors per Balance Sheet</b>	<b>3,592</b>	<b>2,294</b>	<b>5,886</b>	<b>3,239</b>	<b>2,381</b>	<b>5,620</b>

In accordance with IFRS9, the increase of £169k on the impairment loss allowance for financial instruments between 2018/19 and 2019/20 has been debited 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.

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## NOTES TO THE FINANCIAL STATEMENTS

### 20. CASH AND CASH EQUIVALENTS (Continued)

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

Cash balance at bank and cash in transit

Imprest Accounts

Call Accounts

**Total Cash and Cash Equivalents per Balance Sheet**

31/03/19	31/03/20
£000s	£000s
(1,053)	(312)
7	7
(1,046)	(305)
4,490	7,150
<b>3,444</b>	<b>6,845</b>

### 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.

	2018/19			2019/20		
	Financial Instrum'ts	Statutory Creditors	Total	Financial Instrum'ts	Statutory Creditors	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Central Government Departments	0	(779)	(779)	(1,479)	(981)	(2,460)
Other Local Authorities	(351)	(817)	(1,168)	(368)	(844)	(1,212)
Other Entities and Individuals	(1,737)	(270)	(2,007)	(1,773)	(292)	(2,065)
<b>Total Short Term Creditors per Balance Sheet</b>	<b>(2,088)</b>	<b>(1,866)</b>	<b>(3,954)</b>	<b>(3,620)</b>	<b>(2,117)</b>	<b>(5,737)</b>

### 22. PROVISIONS

#### Over one year:

#### **Balance at 1 April 2019**

Additional Provisions made in 2019/20

Used in 2019/20

Reversed in 2019/20

#### **Balance at 31 March 2020**

Transf'd Stock Env. Warranties	Transf'd Stock Repairs	NDR Appeals	Total Provisions
£000s	£000s	£000s	£000s
(50)	(50)	(853)	(953)
0	0	(343)	(343)
0	0	0	0
0	0	0	0
<b>(50)</b>	<b>(50)</b>	<b>(1,196)</b>	<b>(1,296)</b>

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

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

**NDR Appeals** - The Business Rate Retention regime places a liability on the Council to refund ratepayers who successfully appeal against the rateable value of their properties on the rating list. A provision of £1,195,800 has been made, representing the Council's estimated share of such liabilities at 31 March 2020.

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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 35, and in note 9 on pages 46 to 49.

### 24. UNUSABLE RESERVES

Deferred Capital Receipts	2,625	2,123
Revaluation Reserve	5,752	5,747
Pooled Investment Funds Adjustment Account	(29)	(64)
Capital Adjustment Account	16,987	16,734
Pensions Reserve	(47,541)	(49,177)
Collection Fund Adjustment Account - Council Tax	(32)	(28)
Collection Fund Adjustment Account - Non Domestic Rates	(182)	(414)
Accumulated Absences Account	(253)	(247)

#### Total Unusable Reserves

31/03/19	31/03/20
£000s	£000s
2,625	2,123
5,752	5,747
(29)	(64)
16,987	16,734
(47,541)	(49,177)
(32)	(28)
(182)	(414)
(253)	(247)
(22,673)	(25,326)

#### Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve. The balance relates to the sale of land at Teal Close, completed on 30 April 2018.

#### 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

Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services

Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services

Difference between fair value depreciation and historic cost depr'n

Accumulated gains on assets sold or scrapped

Amount written off to the Capital Adjustment Account

#### Balance at 31 March

2018/19	2019/20
£000s	£000s
5,426	5,752
1,353	387
(685)	(242)
668	145
(154)	(150)
(188)	0
(342)	(150)
5,752	5,747

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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 2023 requires these gains and losses to be neutralised via the Movement on Reserves Statement to the Pooled Investment Funds Adjustment Account (PIFAA). The decrease in value of the Council's property fund investment in 2019/20 represents a loss, which has been reversed out to the PIFAA in accordance with the regulations.

#### **Balance at 1 April**

Balance transferred from Available for Sale Financial Instruments Reserve (abolished 1 April 2019)

Gain/(Loss) on CCLA Property Fund in year

#### **Balance at 31 March**

2018/19	2019/20
£000s	£000s
0	(29)
(43)	0
14	(35)
(29)	(64)

#### 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 46 to 49 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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

2018/19	2019/20
£000s	£000s
18,286	16,987
(1,610)	(1,678)
(883)	(323)
(36)	(32)
(117)	(535)
(3,356)	(2)
(6,002)	(2,570)
342	150
(5,660)	(2,420)
636	581
1,567	458
86	235
555	571
251	179
3,095	2,024
1,266	143
16,987	16,734

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## NOTES TO THE FINANCIAL STATEMENTS

### 24. UNUSABLE RESERVES (Continued)

#### Pensions Reserve

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

The Council paid a single lump sum to the Pension Fund in 2017/18 representing its monetary pension deficit contributions for a three year period, in order to take advantage of a cash discount. The cash payment of £1.675m immediately reduced the Council's pension deficit, however only one third of the sum paid was chargeable to the revenue accounts in 2017/18, resulting in a difference of £1.116m between the Pension Liability Account and the Pension Reserve at 31 March 2018. A further £0.558m was charged to the revenue accounts in 2018/19, reducing the difference to £0.558m at 31 March 2019. The final charge to the revenue accounts has been made in 2019/20 and the difference is nil at 31 March 2020.

#### **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**

2018/19	2019/20
£000s	£000s
(49,724)	(47,541)
5,759	1,283
(5,649)	(5,231)
2,073	2,312
(47,541)	(49,177)

#### 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**

2018/19	2019/20
£000s	£000s
(24)	(32)
(8)	4
(32)	(28)

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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**

2018/19	2019/20
£000s	£000s
(370)	(182)
188	(232)
(182)	(414)

#### 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**

2018/19	2019/20
£000s	£000s
(155)	(253)
155	253
(253)	(247)
(98)	6
(253)	(247)



# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## NOTES TO THE FINANCIAL STATEMENTS

### 25. CASH FLOW STATEMENT - OPERATING ACTIVITIES

**Net Surplus / (Deficit) on the Provision of Services per CIES on p34**

**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 p38**

2018/19	2019/20
£000s	£000s
(2,005)	(5,904)
1,610	1,678
883	323
36	32
111	968
(910)	969
(51)	(12)
4,134	3,477
3,356	2
(1,255)	235
7,914	7,672
(5,291)	(1,127)
618	641

**Cash flows for operating activities include the following items:**

Interest Received  
 Interest Paid

2018/19	2019/20
£000s	£000s
(160)	(190)
288	488

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## NOTES TO THE FINANCIAL STATEMENTS

### 26. CASH FLOW STATEMENT - INVESTING ACTIVITIES

Purchase of property, plant and equipment, investment property and intangible assets	(2,943)	(1,560)
Purchase of short term and long term investments	(4,000)	0
Pension Fund prepayment	0	0
Other payments for investing activities	(8)	(5)
Proceeds from sale of property, plant and equipment, investment property and intangible assets	1,402	581
Proceeds from short-term and long term investments	0	2,000
Other receipts from investing activities	119	117
Capital grants & contributions	2,337	993

**Net cash flows from Investing Activities per Cash Flow Statement on p38**

2018/19	2019/20
£000s	£000s
(2,943)	(1,560)
(4,000)	0
0	0
(8)	(5)
1,402	581
0	2,000
119	117
2,337	993
(3,093)	2,126

### 27. CASH FLOW STATEMENT - FINANCING ACTIVITIES

Receipt of short-term and long-term borrowing	2,000	1,000
Local Authority Mortgage Scheme receipt	1,000	0
Other receipts from financing activities	21	20
Movement on NDR debtor with preceptors and CLG	254	377
Movement on Council Tax debtors with Preceptors	(41)	(701)
Community Infrastructure Levy held for Parishes	87	53
Grants & contributions held for other principal parties	(21)	0
Other payments for financing activities	(22)	(115)

**Net cash flows from Financing Activities per Cash Flow Statement on p38**

2018/19	2019/20
£000s	£000s
2,000	1,000
1,000	0
21	20
254	377
(41)	(701)
87	53
(21)	0
(22)	(115)
3,278	634

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

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

	2018/19	2019/20
	£000s	£000s
<b>Allowances:</b>		
Basic	167	173
Special Responsibility	106	119
<b>Expenses:</b>		
Car mileage and public transport	3	4
Conferences and subsistence	5	6
	281	302

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 2019/20, 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.

	2018/19	2019/20
	£	£
Audit services carried out by the appointed auditor (Mazars)	32,779	32,779
Additional fees paid to the appointed auditors in respect of previous years	0	750
Additional fees paid to previous auditors in respect of previous years	0	5,446
Grant certification	11,495	11,800
<b>Total fees for statutory audit services in the year</b>	<b>44,274</b>	<b>50,775</b>
<b>Fees for tax advisory services</b>	<b>0</b>	<b>0</b>
<b>Total fees paid to the appointed auditor</b>	<b>44,274</b>	<b>50,775</b>

In addition to the £750 paid to Mazars in 2019/20 for additional work on pensions carried out 2018/19, the sum of £3,402 was agreed in principle by the CFO for additional work on Property, Plant and Equipment. However, at 31 March 2020 this had not been formally approved by the PSAA and was therefore not accrued into the 2019/20 Accounts. This amount is not material and will be included in the sum paid in respect of previous years in the corresponding note in the 2020/21 Accounts.

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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, plus the previous Chief Executive who was in post from 1 April 2019 until 28 February 2020.

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 2019/20, and in 2018/19 for comparison, is detailed in the table below.

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

#### 2019/20

Chief Executive (to 28/2/20)  
Deputy Chief Executive & Director of Finance  
Director of Org'l Devel. & Democratic Services  
Director of Health & Community Well-being

Salary, Fees & All'wces	Exps All'wces	Benefits in Kind	Comp'n for loss of Office	Total exc Pension Contribs	Employer Pension Contribs	Total
£	£	£	£	£	£	£
118,055	464	74	26,976	145,569	15,684	161,253
93,877	180	29	0	94,086	13,776	107,862
86,478	83	13	0	86,574	12,260	98,834
83,805	468	74	0	84,347	12,260	96,607

#### 2018/19

Chief Executive (from 1/10/18)  
Chief Executive (to 22/7/18)  
Deputy Chief Executive & Director of Finance  
Director of Org'l Devel. & Democratic Services  
Director of Health & Community Well-being

55,474	233	37	0	55,744	8,317	64,061
32,840	156	25	0	33,021	4,872	37,893
89,000	176	28	0	89,204	13,402	102,606
80,296	62	10	0	80,368	12,124	92,492
79,604	278	45	0	79,927	12,019	91,946

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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. Only relevant bands are shown.

#### 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

£95,000 to £99,999

2018/19 Number	2019/20 Number
5	7
4	1
0	3
1	0
0	1
0	2
10	14

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

Two employees fall in the £95,000 to £94,999 band in 2019/20 only by way of significant termination payments made following a review of Service Manager posts.

### 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 2019/20, incurring liabilities of £269,550. There were also three terminations agreed for reasons other than redundancy, incurring total liabilities of £12,580. 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 £	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
0 to 20,000	1	0	4	3	5	3	19,406	12,580
20,001 to 40,000	0	1	0	0	0	1	0	24,880
100,001 to 150,000	0	2	0		0	2	0	244,670
	1	3	4	3	5	6	19,406	282,130

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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.

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 2019/20

## 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 three events which occurred during 2019/20 as "material special events".

**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 on page 78.

When the Government reformed public service pension schemes in 2014 and 2015 it introduced protections for older scheme members. In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes had been discriminated against because the protections did not apply to them. This decision was upheld by the Supreme Court.

The Government confirmed that there would be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. This ruling is often called the 'McCloud judgment' after a member of the Judges' Pension Scheme involved in the case.

When the LGPS changed from a final salary to a career average pension scheme in 2014, members who were within 10 years of their Normal Pension Age (usually age 65) on 1 April 2012 were provided with a protection called the 'underpin'. When a protected member takes their pension, the benefits payable under the career average and final salary schemes are compared and the higher amount is paid.

The Government will need to provide younger members of the LGPS with a protection equal to the underpin protection provided to older members in order to remove the discrimination. It is currently consulting on the changes that need to be made to do this.

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## NOTES TO THE FINANCIAL STATEMENTS

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

There remains uncertainty regarding the exact impact of this judgement on the LGPS, but following a report from the Government Actuary's Department in 2018/19 it was concluded very likely that there would be some impact, since similar reforms had been made to the LGPS. An allowance of 0.8% of liabilities, equating to £959,000, was made by the Actuary for the potential impact of this "McCloud Judgement" in the Council's 2018/19 Accounts, and this has therefore been remeasured at the accounting date along with the normal LGPS liabilities.

#### Comprehensive Income and Expenditure Statement (CIES):

##### Cost of Services:

##### **a) Service cost comprising:**

Current service cost

Past service cost

Loss on settlement (net)

##### **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

#### **Total Re-measurements (See Comprehensive Income and Expenditure Statement on page 34)**

#### **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)

2018/19	2019/20
£000s	£000s
3,439	3,822
959	285
0	0
31	32
1,220	1,092
5,649	5,231
(4,515)	7,240
0	416
5,963	(12,895)
(7,207)	(2,377)
0	6,333
(5,759)	(1,283)
(110)	3,948
(5,649)	(5,231)

#### **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**

2018/19	2019/20
£000s	£000s
1,881	2,038
191	274
2,072	2,312



# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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:

	2015/16	2016/17	2017/18	2018/19	2019/20
	£000s	£000s	£000s	£000s	£000s
Present value of the funded defined benefit obligation	98,144	122,520	121,554	125,402	121,473
Fair value of assets	(59,327)	(72,172)	(74,855)	(80,196)	(73,829)
<b>Net liability arising from the funded defined benefit obligation (LGPS)</b>	<b>38,817</b>	<b>50,348</b>	<b>46,699</b>	<b>45,206</b>	<b>47,644</b>
Present value of the unfunded obligation (Discretionary Benefits)	1,851	2,027	1,909	1,777	1,533
<b>Net Pension Liability on the Balance Sheet</b>	<b>40,668</b>	<b>52,375</b>	<b>48,608</b>	<b>46,983</b>	<b>49,177</b>

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits. These total £123.006m, including funded and unfunded obligations.

The net pension liability of £49.177m has a substantial impact on the net worth of the authority, as recorded in the Balance Sheet, reducing it by 138.9%. 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.

The Council paid a single lump sum to the Pension Fund in April 2017, representing its monetary pension deficit contributions for a three year period, in order to take advantage of a cash discount. The cash payment of £1.675m immediately reduced the Council's pension deficit, however only one third of the sum paid was chargeable to the revenue accounts in 2017/18. This resulted in a difference of £1.116m between the Pension Liability Account and the Pension Reserve at 31 March 2018. This reduced to £0.558m by 31 March 2019, and is Nil at 31 March 2020 since the final charge has been made to revenue in 2019/20.

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

##### **Opening defined benefit obligation**

Current service cost

Interest Cost

Change in financial assumptions

Change in demographic assumptions

Experience loss/(gain) on defined benefit obligation

Estimated Benefits Paid (net of transfers in)

Past Service Cost including curtailments

Contributions by Scheme Participants

Unfunded Pension Payments

##### **Closing defined benefit obligation**

	2018/19	2019/20
	£000s	£000s
Opening defined benefit obligation	123,463	127,179
Current service cost	3,439	3,822
Interest Cost	3,116	2,903
Change in financial assumptions	5,963	(12,895)
Change in demographic assumptions	(7,207)	(2,377)
Experience loss/(gain) on defined benefit obligation	0	6,333
Estimated Benefits Paid (net of transfers in)	(3,020)	(2,751)
Past Service Cost including curtailments	959	285
Contributions by Scheme Participants	591	630
Unfunded Pension Payments	(125)	(123)
<b>Closing defined benefit obligation</b>	<b>127,179</b>	<b>123,006</b>

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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

Return on plan assets in excess of interest

Other actuarial gains/(losses)

Administration expenses

Contributions by Employer including Unfunded Benefits

Contributions by Scheme Participants

Estimated Benefits paid including Unfunded Benefits

Settlement price received/(paid)

#### Closing fair value of scheme assets

2018/19	2019/20
£000s	£000s
74,855	80,196
1,896	1,811
4,515	(7,240)
0	(416)
(31)	(32)
1,515	1,752
591	630
(3,145)	(2,872)
0	0
80,196	73,829

#### LGPS assets allocated to Gedling Borough Council by asset class:

Equities

Gilts

Other Bonds

Property

Cash

Inflation-linked Pooled Fund

Infrastructure

Unit Trust

#### Total assets allocated to Gedling Borough Council

2017/18	2018/19	2019/20	
£000s	£000s	£000s	%
49,220	49,775	42,609	58
1,715	2,612	3,068	4
8,744	7,431	6,784	9
9,403	10,852	11,008	15
1,479	1,938	3,009	4
1,852	2,914	2,758	4
2,442	3,861	4,593	6
0	813	0	0
74,855	80,196	73,829	100

It is estimated that Gedling Borough Council's share of the total assets in the Fund is approximately 1%. Information regarding the detail of the total assets held in the Fund at 31 March 2020 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 2019/20

## 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	4.2	0.0	4.2
Corporate Bonds	UK	3.5	0.0	3.5
	Overseas	5.7	0.0	5.7
Equities	UK	21.6	0.1	21.7
	Overseas	31.7	0.0	31.7
Property	All	0.0	15.0	15.0
Others:	Private equities	0.0	3.1	3.1
	Infrastructure	0.0	6.2	6.2
	Inflation-linked pooled funds	0.0	3.7	3.7
	Credit	0.0	1.0	1.0
	Cash/temporary investments	0.0	3.0	3.0
	Unit Trust	0.0	1.2	1.2
<b>Total</b>		<b>66.7</b>	<b>33.3</b>	<b>100.0</b>

#### (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 2019 (the next triennial valuation of the Fund will be carried out as at 31 March 2022, and will set contributions for the period from 1 April 2023 to 31 March 2026). The actuary's estimate for the duration of Gedling Borough Council's liabilities is 21 years.

Significant assumptions used by the actuary as at 31 March 2020 are as follows:

#### Expected return on assets:

The discount rate is the annualised yield at the 21-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 18	31 Mar 19	31 Mar 20
		Years	Years	Years
Retiring today-	Male	22.6	21.6	21.8
	Female	25.6	24.4	24.4
Retiring in 20 years-	Male	24.8	23.3	23.2
	Female	27.9	26.2	25.8

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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 2020.

	31 Mar 18	31 Mar 19	31 Mar 20
	%	%	%
Retail Price Index increase	3.30	3.40	<b>2.70</b>
Consumer Price Index increase	2.30	2.40	<b>1.90</b>
Salary Increase	3.80	3.90	<b>2.90</b>
Pension Increase	2.30	2.40	<b>1.90</b>
Discount rate for liabilities	2.55	2.40	<b>2.35</b>

The RPI increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using notional cashflows. The SEIR is that which gives the same net present value of cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the Bank of England (BOE) implied inflation curve. This approach is consistent with the approach used at the previous accounting date, and results in an RPI assumption of 2.7%.

As future pension increases are expected to be based on CPI rather than RPI, the actuary has made a further assumption that CPI will be 0.8 below RPI, ie. 1.9%. This is considered by the actuary to be a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts, and is consistent with the approach used at the previous accounting date. The 0.8% difference between RPI and CPI is less than the 1% assumed at the previous accounting date, reflecting the movement in market implied inflation that occurred following the UK Statistics Authority's proposal to change how RPI is calculated, and subsequent announcements made by the Chancellor.

Salaries are assumed to increase at 1% above CPI, ie. 2.9%. This differs from the assumption at the previous accounting date, and has been updated in line with the most recent funding valuation.

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 2019/20

## 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%
Present value of total obligation	120,555	123,009	125,516
Projected service cost	3,302	3,391	3,482
	+0.1%	0%	-0.1%
Present value of total obligation	123,257	123,009	122,764
Projected service cost	3,393	3,391	3,389
	+0.1%	0%	-0.1%
Present value of total obligation	125,277	123,009	120,787
Projected service cost	3,481	3,391	3,304
	+ 1 Year	None	- 1 Year
Present value of total obligation	128,106	123,009	118,132
Projected service cost	3,495	3,391	3,290

#### 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](http://www.nottspf.org.uk).

#### Impact on the Council's cash flows

The objectives of the pension scheme are to keep employers' contributions at as constant a rate as possible. Contributions are set every three years as a result of the actuarial valuation of the fund, as required by the regulations. The next triennial valuation will be carried out as at 31 March 2022 and will set contribution rates for the period from 1 April 2023 to 31 March 2026. 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 2020/21

The actuary's estimate of the total pension expense for the year to 31 March 2021 is £4,555,000. Service cost is estimated to be £3,391,000, net interest on the defined liability £1,134,000, and administration expenses £30,000. Expected employer contributions are £1,777,000, and contributions for discretionary benefits are £124,600, as per the Council's own budget for 2020/21.

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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 page 52.

#### **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 page 73. 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 2019/20 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 74 to 75.

#### **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, 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 64 and 65 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 2019/20

## NOTES TO THE FINANCIAL STATEMENTS

### 33. RELATED PARTIES (Continued)

<u>Organisation/Body</u>	<u>Nature of relationship</u>	<b>Receipts £000s</b>	<b>Payments £000s</b>
APSE	Elected Member is a representative	(1)	14
Citizens' Advice Bureau	Elected Member has a management interest	0	50
East Midlands Council	Elected Member is a representative	0	13
Gedling/Jigsaw Homes	Elected Member is a board member and/or representative	(67)	45
Gedling Play Forum	Elected Member is a management committee representative	0	11
Groundwork Greater Nottingham	Elected Members & Senior Officer are board members/directors	0	13
Local Government Association	Elected Members are board members and/or representatives	0	16
Mapperley Golf Club	Elected Members are representatives and/or have a management interest	(75)	0
Netherfield Forum	Elected Member is a representative	(1)	11
NHS Trust	Elected Member is a trust member	(125)	0
Nottinghamshire Police & Crime Commissioner's Office	Elected Member is a member of the Crime Panel	(115)	0
Other Local Authorities	Material employee relationships	(756)	1,566
Parish Councils	GBC Elected Members on parish councils	(65)	25

# **ANNUAL STATEMENT OF ACCOUNTS 2019/20**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **34. CONTINGENT LIABILITIES**

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

### **35. CONTINGENT ASSETS**

#### **VAT - Sporting and Leisure Services - Non-Business claim**

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

Appeals have now been heard in respect of three "lead authorities" on the non-business principle, however no decisions have yet been released.

An alternative argument for treatment of sporting services as exempt was put forward and the judgement in the London Borough of Ealing case was handed down in July 2017. The effect of this judgement is that councils can now, if they so wish, opt to claim an exemption for sporting services, with the associated restriction of input tax recovery unless the exempt proportion remains de-minimis. Alternatively councils can continue to tax supplies of sporting activities, with full input tax recovery where it relates to taxable supplies.

In view of the Council's ongoing review of the delivery of leisure services, together with the unresolved non-business argument (which would be most favourable to the Council) no change has yet been made to the VAT treatment of sporting services and they remain taxable.

### **36. EVENTS AFTER THE BALANCE SHEET DATE**

Local authorities began to experience the substantial impact of the coronavirus pandemic in March 2020, ie. before the end of the financial year to which the Accounts relate. A continual assessment of this impact has been undertaken during the preparation of the financial statements, especially with regard to asset values and impairments, and this will continue to be the case. The main Covid-19 related issues are included within Section 6 of the Narrative Statement.

The final audited Statement of Accounts was authorised for issue by Alison Ball CPFA, Chief Financial Officer, following approval at the Audit Committee on 24 November 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.



# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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).

2018/19			2019/20		
Council Tax £000s	NDR £000s	Total £000s	Council Tax £000s	NDR £000s	Total £000s
(68,891)	0	(68,891)	(72,936)	0	(72,936)
0	(22,726)	(22,726)	0	(22,629)	(22,629)
(68,891)	(22,726)	(91,617)	(72,936)	(22,629)	(95,565)
<b>INCOME:</b>					
Council Tax Receivable					
Business Rates Receivable					
<b><u>Apportionment of previous year deficits</u></b>					
0	(354)	(354)	0	(358)	(358)
0	(64)	(64)	0	(65)	(65)
0	0	0	0	0	0
0	(7)	(7)	0	(7)	(7)
0	(283)	(283)	0	(287)	(287)
0	(708)	(708)	0	(717)	(717)
<b><u>Other Income to Collection Fund</u></b>					
0	(545)	(545)	0	(283)	(283)
0	(545)	(545)	0	(283)	(283)
<b>EXPENDITURE:</b>					
<b><u>Precepts, Demands and Shares</u></b>					
0	11,521	11,521	0	11,256	11,256
52,004	2,074	54,078	54,625	2,026	56,651
7,159	0	7,159	8,117	0	8,117
2,840	230	3,070	2,953	225	3,178
5,974	9,216	15,190	6,035	9,005	15,040
673	0	673	714	0	714
68,650	23,041	91,691	72,444	22,512	94,956

**ANNUAL STATEMENT OF ACCOUNTS 2019/20**  
**COLLECTION FUND STATEMENT (Continued)**

2018/19			2019/20		
Council Tax £000s	NDR £000s	Total £000s	Council Tax £000s	NDR £000s	Total £000s
160	89	249	85	1	86
181	72	253	368	64	432
0	65	65	0	857	857
0	0	0	0	0	0
0	135	135	0	201	201
0	100	100	0	99	99
341	461	802	453	1,222	1,675
100	(477)	(377)	(39)	105	66
247	1,043	1,290	347	566	913
347	566	913	308	671	979

**Other Charges to Collection Fund**

Sums written off  
Incr/(Decr) in Impairment Allowance  
Incr/(Decr) in Provision for Appeals  
Transitional Protection Pyts payable  
Renewables  
Costs of Collection

**Net Deficit/(Surplus) for Current Yr.**

Add Balance BFwd from Previous Yr.

**Balance CFwd (Surplus) / Deficit  
(notes 2 and 4 to the Collection  
Fund Accounts)**

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## 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

2018/19	2019/20
Number	Number
12	13
6,204	6,243
9,274	9,306
7,557	7,622
5,917	6,023
4,356	4,457
1,865	1,880
1,312	1,323
141	140
36,638	37,007

**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 deficit of £0.347m. By 31 March 2020, this deficit had decreased to £0.308m.

#### 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

2018/19	2019/20
£000s	£000s
262	233
39	35
14	12
315	280
32	28
347	308

### 3. NON DOMESTIC RATES (NDR)

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

2018/19	2019/20
£58,750,626	£59,163,571
49.3p	50.4p
48.0p	49.1p

### 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.

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## NOTES TO THE COLLECTION FUND ACCOUNTS (Continued)

### 4. ACCOUNTING FOR THE COLLECTION FUND BALANCE - NDR (continued)

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

The opening balance on the NDR Collection Fund was a deficit of £0.566m. By 31 March 2020, this had increased to a deficit of £0.671m.

#### Balance Sheet Deficit/(Surplus) Allocation:

Central Government  
Nottinghamshire County Council  
Combined Fire Authority

#### NDR (Surplus) / Deficit attributable to Gedling BC

#### TOTAL

2018/19	2019/20
£000s	£000s
283	336
51	60
6	7
340	403
226	268
566	671

### 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 2020 is £2,234,900, of which £153,400 and £171,100 represent Gedling's shares of NDR and Council Tax respectively. 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 when arrears rise there is a corresponding increase in the expected credit loss provision.

##### Effect if actual results differ from assumptions

If collection rates were to deteriorate, a 10% increase on the impairment percentage would require an additional total of £437,100 to be set aside as an allowance, of which Gedling's share as billing authority would be approximately £30,000 for NDR and £33,500 for Council Tax. Collection rates for Council Tax have not varied by more than 0.2% in any of the past five years. Apart from 2018/19 when the collection rate for NDR was lower by 1.1% lower, the rate has not varied by more than 0.3% in the last five years.

#### (ii) Appeals:

##### Uncertainties

The Business Rates Retention scheme introduced a requirement to maintain a provision for rating appeals. The system is complex and neither the number of successful appeals nor the percentage reduction in rateable value (RV) achieved can be pre-determined. The current provision totals £2,989,500 of which the Council's share as billing authority is 40%, ie £1,195,800.

##### Effect if actual results differ from assumptions

A change of 5% in the assumed RV reduction achieved for each NDR appeal could increase or decrease the provision required by around £149,500. Of this, the Council's share as billing authority would be 40%, ie. £59,800.

# **Audit Statements**

## **ANNUAL STATEMENT OF ACCOUNTS 2019/20**

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## **ANNUAL STATEMENT OF ACCOUNTS 2019/20**

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## **Accompanying Statements**

# ANNUAL STATEMENT OF ACCOUNTS 2019/20

## ANNUAL GOVERNANCE STATEMENT

### 1. Scope of Responsibility

- 1.1 Gedling Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Gedling Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Gedling Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3 Gedling Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (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 Assistant Director - Finance, Gedling Borough Council, Arnot Hill Park, Arnold, Nottingham. NG5 6LU. This statement explains how Gedling Borough Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015, 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 2020 and up to the date of approval of the statement of accounts.

### 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.*

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- (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 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 2019 received the report on Gedling's "*Local Code of Corporate Governance 2019/20*" which set out in detail how the Council demonstrates that its governance structures comply with these seven core principles. An end of year review 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.
- 4.2 The framework identifies the main sources of assurance on the controls in place to manage those risks, and it is the evaluation of those assurances that is the basis of this Annual Governance Statement.
- 4.3 The following documents establish these policies, aims and objectives at a strategic level:
- The Corporate Plan (The Gedling Plan);
  - The Community Safety Partnership Strategy;
  - The Local Development Framework;
  - The Annual Budget and Performance Management Framework;
  - The Financial Strategy;
  - The Treasury Management Strategy;
  - The Internal Audit Strategy;
  - The Risk Management Strategy;
  - The Corporate Equalities Scheme;
  - The 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](http://www.gedling.gov.uk) or can be inspected at the Council's Civic Centre, Arnot Hill Park, Arnold, Nottinghamshire.

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- 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 Service Managers;
  - 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;

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- Budgetary and performance management reporting to management, Cabinet and Council;
- Formal project management guidelines;
- 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 Standing Orders and Procurement Procedure Rules and administration procedures, adequate separation of duties, management supervision, and a system of delegation and accountability.
- 5.3 The Council has produced comprehensive procedure notes/manuals for all key financial systems, and these are regularly reviewed. The controls created by management are evaluated to ensure:
- Council objectives are being achieved;
  - The economic and efficient use of resources;
  - Compliance with policies, procedures, laws, rules and regulations;
  - The safeguarding of Council assets;
  - The integrity and reliability of information and data.
- 5.4 CIPFA issued in 2016 a Statement on *“The Role of the Chief Financial Officer in Local Government”*, and this covered five key areas. The Council can demonstrate how it conforms to these governance requirements as 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.
  - is professionally qualified and suitably experienced.
- 5.5 CIPFA issued in 2010 a Statement on *“The Role of the Head of Internal Audit”*, and this covered five key areas. The Council can demonstrate how it conforms to these governance requirements as the Head of Internal Audit:

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- champions best practice in governance and management, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments.
- gives an objective and evidence based opinion on all aspects of governance, risk management and internal control.
- is Chris Williams, a Director of RSM UK, and he (or his RSM representatives) have had regular and open engagement across Gedling Borough Council, particularly with the Leadership Team and with the Audit Committee. From 1 April 2020 this role is to be undertaken by a Director of BDO, who were awarded the internal audit contract for a period of four years;
- leads and directs an internal audit service that is resourced to be fit for purpose.
- 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 Service Manager and Director has signed an assurance checklist. The checklist requires assurance that services are operating in compliance with the Council's policies, procedures and practices and with the internal control and governance assurance framework. The checklist asked each Service Manager 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 Service Manager gave a positive assurance. Throughout the year a small number of issues were raised regarding non-compliance with contract standing orders and financial regulations, and a new process for recording such events and targeting training is to be introduced in 2020/21.

### 6.4 Assurance from Internal and External Audit

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

External Auditor (Mazars) Value For Money conclusion for 2018/19 which stated:

*"we are satisfied that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019."*



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The Head of Internal Audit (RSM) Annual Report for 2019/20, which concluded:

*“For the 12 months ended 31 March 2020, the Head of Internal Audit opinion for Gedling Borough Council is as follows:*

*The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.”*

*“Factors and findings which have informed our opinion*

- ❖ *Governance* – A review of Corporate Governance was undertaken at the Council as part of the approved internal audit periodic plan for 2019/20. The review reported positively on the governance framework in place and concluded that the Council could take substantial assurance. This review resulted in one ‘medium’ and three ‘low’ priority findings; the medium priority finding related to a register of interest not being in place for all staff at the Council.

We have also taken into consideration the governance and oversight related elements of each of the reviews undertaken as part of the 2019/20 internal audit plan. We have observed that the Audit Committee is effective in monitoring and challenging management and holding them to account.

- ❖ *Risk Management* – Our risk management opinion is informed by our observation of risk management systems and processes throughout the course of all audits within the Audit Plan. The Corporate Risk Register contains those risks which may impact achievement of the Council’s strategic objectives, whereas the Service Risk Register documents risks identified at an operational level for each service area. The risks are discussed and reviewed quarterly by the Senior Leadership Team and a quarterly report is presented to the Audit Committee.

An audit of Risk Management was undertaken during 2019/20, which concluded that the Council could take substantial assurance. We did not consider it necessary to raise any management actions as a result of this audit.

- ❖ *Internal control* – We undertook 16 internal audit reviews in 2019/20 which resulted in an assurance opinion. There were 12 reviews (75%) from which the Council can take substantial assurance, three reviews (19%) from which the Council can take reasonable assurance and one review of IT General Controls (6%) from which the Council can take partial assurance.

The IT General Controls review resulted in three high, three medium and six low priority actions being raised and agreed with management.

During the year we raised a total of 69 management actions across assurance and follow up reviews. Of the 69 actions raised: three (4%) were ‘high’ priority, 31 (45%) were ‘medium’ priority and 35 (51%) were ‘low’ priority actions.

An advisory review of the Council’s Flexible and Lone Working arrangements was undertaken, and suggestions were provided to management to consider.

- 6.5 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined in section 7 below.

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### 7 Significant Governance Issues

- 7.1 The control framework described above 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.

As detailed in paragraph 6 above the annual review of the effectiveness has been completed and has not highlighted any significant control or risk management concerns. The Head of Internal Audit concluded in the Annual Internal Audit Opinion that the organisation has an adequate and effective framework for risk management, governance and internal control.

#### 7.2 Covid-19 Pandemic

The Annual Governance Statement assesses governance in place during 2019/20 so for the majority of the year our governance was unaffected by the impact of Covid-19. Covid-19 has impacted on governance during March 2020 and whilst the impact at the end of the 2019/20 financial year was not material, its ongoing impact will be significant and raises issues that will need to be addressed in 2020/21. A full report on the Council's response to Covid-19 was considered by Cabinet on 18 June 2020 which demonstrates the effectiveness of governance arrangements during the response phase.

The key governance issues arising and actions are summarised below:

#### Council Decision Making and Meetings

When setting up the Incident Management Team structure in response to the Covid-19 pandemic, it was clear at an early stage that rapid decisions would need to be made to close facilities and suspend services in response to changes in government policy or staffing issues. In order to ensure established governance arrangements were maintained and Constitutional and legislative requirements complied with, an emergency decision making process was adopted.

Whilst the Constitution contains a delegation to the Chief Executive to make urgent decisions, given the magnitude of the potential impact of those decisions both in relation to the community and the Council's finances and to ensure transparency in decision-making, it was agreed that the Leader would make all Covid-19 response related decisions after consideration of a written report. Decisions were published on the Council's website in the usual way.

Previously the Council has not had the power to hold meetings remotely and therefore when Covid-19 restrictions were imposed in March, Council, Cabinet and Committee meetings had to be cancelled until further notice.

Work was carried out to enable remote meetings to be support on the Microsoft Teams platform, which included practical guidance and instructions for Members. The Procedural Rules included in the Constitution apply to remote meetings in the same way as they do for other meetings of the council; however additional Rules for holding remote meetings, were agreed by the Chief Executive in consultation with the Mayor on 10 May. In addition a schedule of meetings was also agreed on 12 May to enable meetings to recommence with effect from June.

In conclusion the arrangement for decision making have remained effective following the onset of Covid-19.

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### Impact on Service Delivery

At the onset of the pandemic it was quickly recognised that effective Business Continuity Planning was vital to ensuring the continued operation of key services. A review of Business Continuity Plans (BCPs) was an outstanding action on the Council's corporate risk register which was due for completion by September 2020. In the first week in March, to ensure any gaps in Business Continuity Plans were quickly addressed, a Business Continuity Impact Assessment template was adopted and completed by all services, together with the identification of critical services and staff. Whilst there is still an outstanding action on the risk register to ensure a full suite of BCPs covering all business continuity risks, this represents an improvement in the governance arrangements. Enabling home working involved a rapid deployment of guidance and equipment and ensured there was no compromise to IT security.

### Financial Impact

Whilst the financial impact of Covid-19 at the end of 2019/20 was not material, the ongoing impact is expected to be significant and the impact of an expected economic downturn adds further to the uncertainty. For 2020/21, performance monitoring information projects that the financial impact of additional expenditure pressures and reductions in income will be in the region of £3.5m to £3.8m, which after accounting for estimated emergency government funding of £2.8m, it is estimated that between £0.7m and £1.0 m will required from reserves or other spending reductions in order to balance the budget. This will have a knock on impact on achieving a sustainable Medium Term Financial Plan up to 2024/25 which is currently predicated on the availability of reserve balances to support the budget whilst the Council's planned efficiency programme is delivered.

A revised Medium Term Financial Plan will be presented to Cabinet during the autumn of 2020. This will consider key areas of risk, being income streams, including Business Rates and Council Tax collection, the capital programme and its funding and, the national reviews of Business Rates and Fair Funding which have now been delayed for a further year due to Covid-19 and will now not be implemented in 2021/22. The Government has announced that the 2020 Spending Review due to be published in the autumn will not now cover the previously expected 3 year period of 2021/22 to 2023/24 but will be for one year only as the Government returns its focus to the response work for managing the impact of Covid-19. A one year Settlement continues to inhibit effective medium term financial planning. This complex economic environment is further compounded by the uncertainty that BREXIT creates and the impact of the deal that is eventually negotiated. The Medium Term Financial Plan will be considered in the context of the Gedling Plan (see below) to ensure available resources are effectively aligned to priorities and the delivery of sustainable outcomes.

### Future Service Impacts

The Council's Covid-19 Reset Strategy was considered by Cabinet on 18 June 2020. The Strategy recognises that there will be an impact on the delivery of the Gedling Plan with the need for a review to ensure that it remains fit for purpose and incorporates any new work streams required as a result of Covid-19 impacts, ensuring the Council does not return to 'normal' but strives to 'build back better'. The Gedling Plan is a key aspect of the Council's governance framework and essential in defining sustainable outcomes in terms of economic, social and environmental benefits. The review of the Gedling Plan will consider both equalities and climate impacts to address specific issues highlighted by Covid-19. The work streams to deliver the Reset Strategy will seek to address the inequalities highlighted by Covid-19 and retain the positive carbon reduction benefits.

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#### 7.3 Action Plans

##### 7.3.1 Review of Progress in 2019/20

The 2018/19 Annual Governance Statement did not identify any significant control or risk issues but recognised some emerging issues, through its proactive and holistic approach to Governance. The progress is detailed below:

- Constitutional Changes – *A review group was established to update a number of sections of the Constitution in 2019/20.*

This work is still ongoing. The updated sections have now been drafted and will need further consideration by SLT before being presented to Members.

**Updated Action: Senior Leadership Team – March 2021.**

- Commercialisation – *The Council will investigate the possibility of introducing a commercial housing development operation and appropriate governance issues will need to be identified.*

This work is ongoing and the potential options for a commercial housing development operation and appropriate governance issues will be considered by SLT before being presented to Members

**Updated Action: Senior Leadership Team – December 2020.**

- Member Training – *The Council has introduced a number of new Members as part of the district elections and an appropriate training programme will be developed.*

**Action: Completed August 2019.**

- Officer Training – *A suitable training programme for staff will need to be developed following the outcome of the Constitution review, which would include training in financial management.*

The training programme commenced in 2019/20, covering Local Government Governance Basics; Reporting and Decision Making; Contract Standing Orders and Procurement; Contracts Risk Management; Members Code of Conduct. Further training will be delivered during 2020/21 and, if necessary into 2021/22 subject to impact of Covid-19 response work, to include: Financial Regulations, Counter Fraud, Anti-Money Laundering; Whistleblowing; Officers Declaration of Interests.

**Updated Action: Senior Leadership Management Team – March 2021.**

- Counter Fraud & Corruption Strategy – *A new strategy is currently in development which will require approval by both the Audit Committee and the Cabinet.*

**Action: Completed February 2020.**

##### 7.3.2 Actions 2020/21

Based on our review of the Governance Framework, the following issues will be addressed in 2020/21:

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- Sustainable Medium Term Financial Plan - A review of the Medium Term Financial Plan will be presented to Cabinet to reflect the impact of Covid-19 and consider the emerging risks of an economic downturn and uncertainties of future local government funding.

**Action: Senior Leadership Team – Autumn 2020**

- Gedling Plan - A review of the Gedling Plan will be presented to Cabinet to reflect the impact and risks arising from Covid-19.

**Action: Senior Leadership Team – September 2020**

- Efficiency Programme - A review of the current approved efficiency programme will be completed to ensure value for money is secured: to incorporate the new efficiency target approved by Council in March 2020; the impact of emerging budget pressures e.g. pay award 2020/21; the delivery risks of existing initiatives.

**Action: Senior Leadership Team – Autumn 2020**

- Officer Declaration of Interests – The review of the Counter Fraud and Corruption Strategy identified improvements to the process for officer declaration of interests that will be implemented in 2020/21.

**Action: Chief Financial Officer and Monitoring Officer – December 2020**

- Brexit - The United Kingdom left the European Union on 31 January 2020 and entered a transition period which will last until 31 December 2020 and new rules will come into place from 1 January 2020/21. There is considerable uncertainty regarding the future rules and any impact on the economy and how this might impact on funding levels and demands for public services.

**Watching brief: Senior Leadership Management Team.**

- 7.4 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: 24 November 2020

John Clarke  
Council Leader

Date: 24 November 2020

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This is the Audited Version, to be published by 30 November 2020 by the  
Financial Services Team.

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