

STATEMENT OF ACCOUNTS FOR YEAR ENDED 31 MARCH 2014



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A. EXPLANATORY FOREWORD

Welcome to the Statement of Accounts

Peter Steed, Executive Manager (Finance and Commercial)

Introduction

As the Council's Chief Finance Officer, I have pleasure in presenting the Explanatory Foreword to Rushcliffe's 2013/14 Statement of Accounts. The Statement of Accounts is required by law and provides statutory and other information in line with professional best practice. In doing so, the Financial Statements continue to accord with International Financial Reporting Standards (IFRS) ensuring consistency with accounts produced by organisations in other sectors of the economy.

The Explanatory Foreword supports the accounts by summarising key events and their financial impact. It also provides additional context on some of the issues and challenges that have faced the Council during the year. I hope this explanatory foreword, and the information that follows, give a clear picture of how Council Tax and our other sources of income are used to deliver a wide range of services. The Foreword, along with the Annual Governance Statement and the auditor's report, are outside the scope of the Statement of Accounts, but all of the documents, as one, constitute the Council's Financial Report for 2013/14.

In light of the difficult economic circumstances currently facing the public sector, the Council has maintained its focus on achieving a viable Medium Term Financial Strategy. The Council continues to aim to secure value for money and remains committed to delivering quality frontline services, working with partners and, most importantly delivering services residents want whilst meeting the Council's corporate priorities of:

- Supporting economic growth to ensure a sustainable, prosperous and thriving local economy.
- Maintaining and enhancing our residents' quality of life.
- Transforming the Council to enable the delivery of efficient high quality services.

Should you have any queries regarding these accounts or suggestions as to how we could improve the information provided please forward them to me at finance@rushcliffe.gov.uk.

Peter Steed
Executive Manager (Finance and Commercial)

1. The Statement of Accounts

The Executive Manager (Finance and Commercial) is the statutory officer responsible for the proper administration of the Council's financial affairs (sometimes referred to as the Chief Financial Officer). He is required by Law to confirm that the Council's system of internal controls can be relied upon to produce an accurate Statement of Accounts. To do so the Chief Financial Officer ensures that the Council maintains proper and up to date accounting records and takes all reasonable steps to prevent and detect fraud and any other irregularities. His statement of assurance for 2013/14 (known as *The Statement of Responsibilities*) appears on Page 1 of the Statement.

The Statement has been produced in accordance with *The Code of Practice on Local Authority Accounting* ('the Code') developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Council's Accounting Policies, which are written to take into account the Code, are outlined in the Statement.

The Statement is subject to review by the Council's external auditors, KPMG, and as with previous years it is anticipated that they will conclude that it provides a true and fair view of Rushcliffe's financial position for the financial year 2013/14.

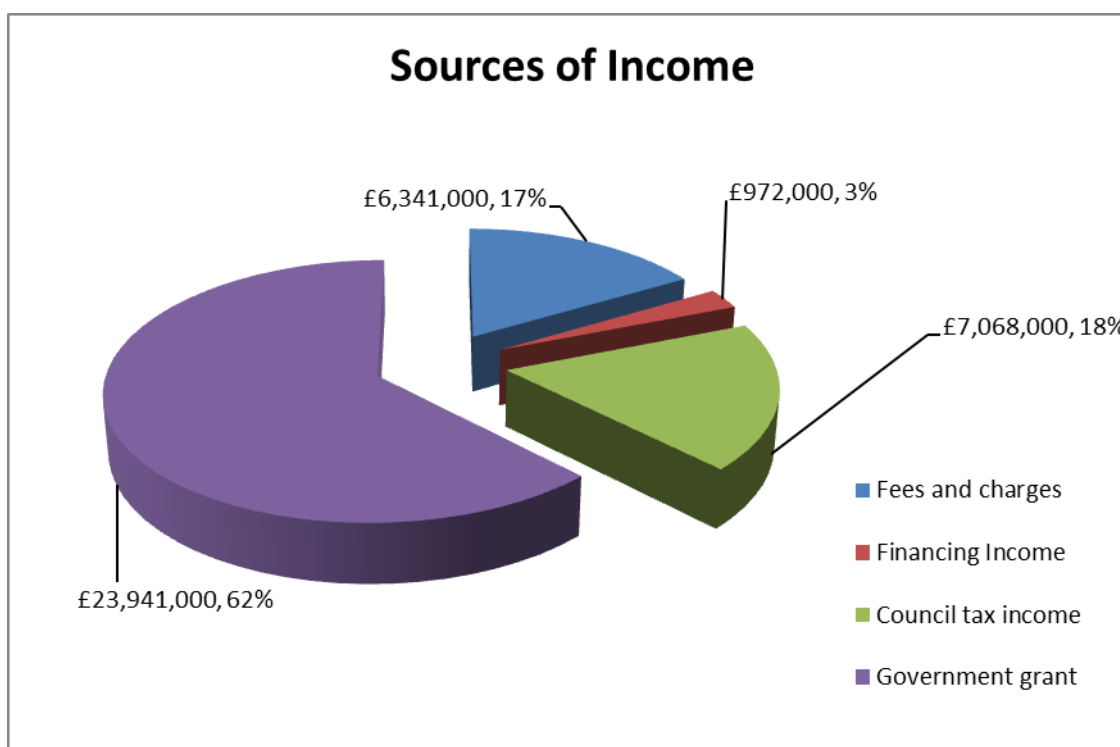
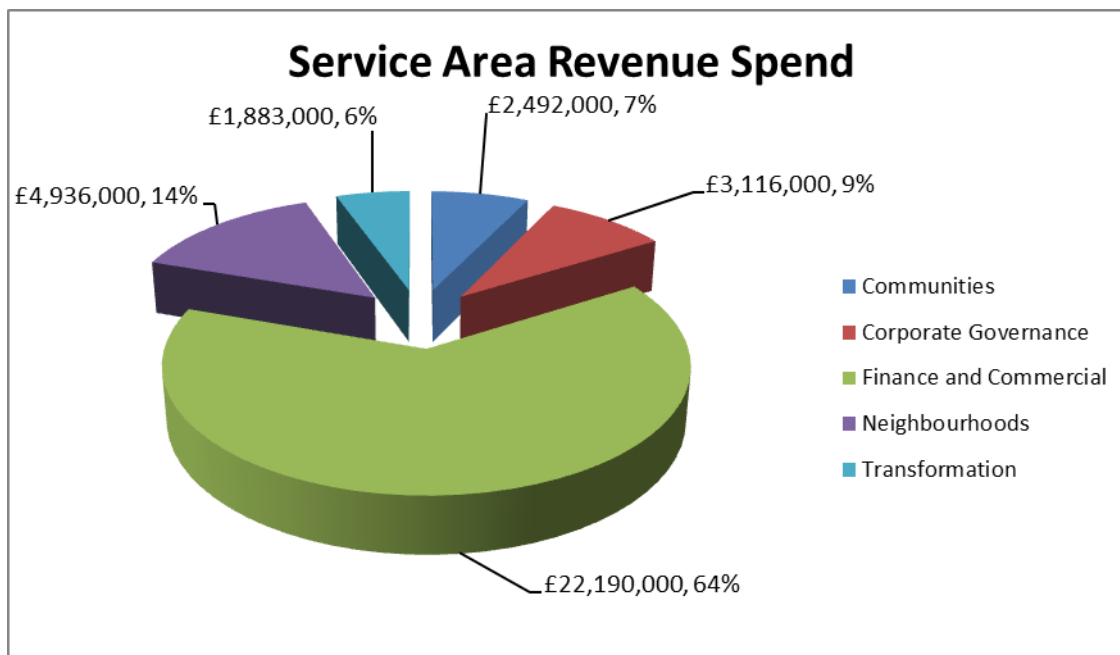
2. Revenue Expenditure and Income

The Council receives and spends money from various sources. The income comes primarily from central government, local residents in the form of Council Tax, and local businesses (as Business Rates). Each year the Council spends its money on key services, delivered in accordance with our local priorities and legal requirements. During the year officers have made a conscious effort to constrain expenditure, increase income and continue to deliver effective services. As a result the Council achieved a balanced budget and a net transfer of £1.844m into Reserves. This included £0.974m of New Homes Bonus, £0.340m arising from the release of balances from the balance sheet as a result of a cleansing exercise and £0.350m of Small Business Rates Relief as a result of the Government extending the level of relief from 50% to 100%. Reserves are available to meet future cost pressures in areas such as:

- Enabling delivery of the Four Year Plan; the transformation programme by which the Council will balance future budgets and continue to deliver good quality services;
- Smoothing saving requirements between financial years;
- Funding capital expenditure including repairs and maintenance for property, plant and equipment; and
- Ensuring the Council's IT infrastructure and equipment is of sufficient quality to facilitate the delivery of modern services.

The Movement in Reserves Statement (page 2) demonstrates prudent financial management throughout the year with the Council having had few reasons to call on its reserves and as a result the General Fund Balance remains unchanged from 2012/13 at £2.6m. Earmarked reserves have increased by £1.8m from £8.4m to £10.2m (see Note 8, page 30). The increase in reserves puts the Council in a stronger position to both withstand future financial pressures and look at opportunities to develop the borough.

The following charts demonstrate where money was spent in 2013/14 and how this expenditure was funded:



Source: Segmental Reporting – Note 26

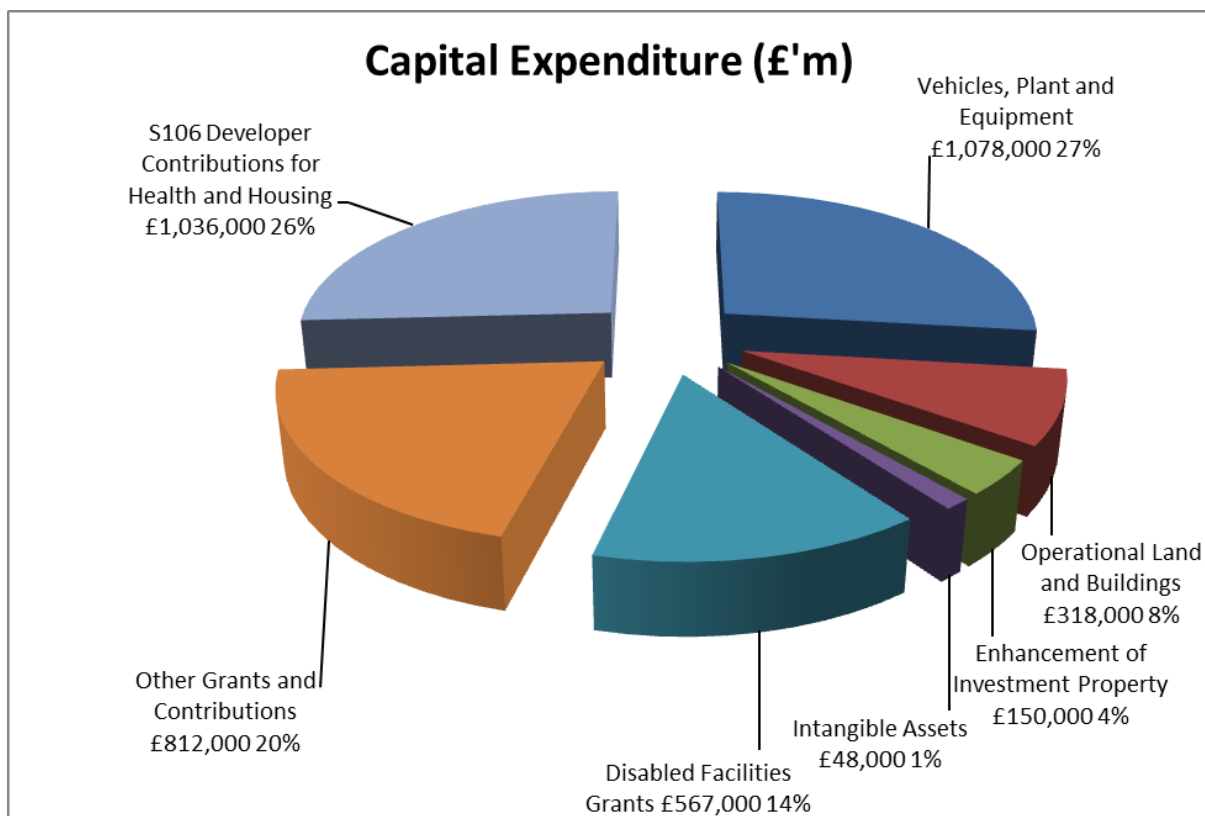
3. Capital Expenditure and Income

As well as delivering day to day services, the Council also spends money on capital works creating or enhancing assets which are shown on the balance sheet primarily as Property, Plant and Equipment, or as Investment Property. In 2013/14, schemes totalling £577,000 were undertaken on the Civic Centre giving rise to enhancement of the operational building and the Civic landlord function. The Council

invested £539,000 in the acquisition and enhancement of vehicles for the fleet and also spent £245,000 improving Information Systems either through the acquisition of hardware or intangible software assets. The other significant form of Capital Expenditure comprises capital grants and contributions released to finance capital assets owned by third parties. Of the £812,000 released, £512,000 was invested to facilitate provision of Social Housing units by way of grants to Registered Social Landlords and the balance was awarded for Partnership Grants. A further £567,000 was awarded to owner occupiers in the form of Disabled Facilities Grants (partially offset by a grant from Central Government totalling £225,000).

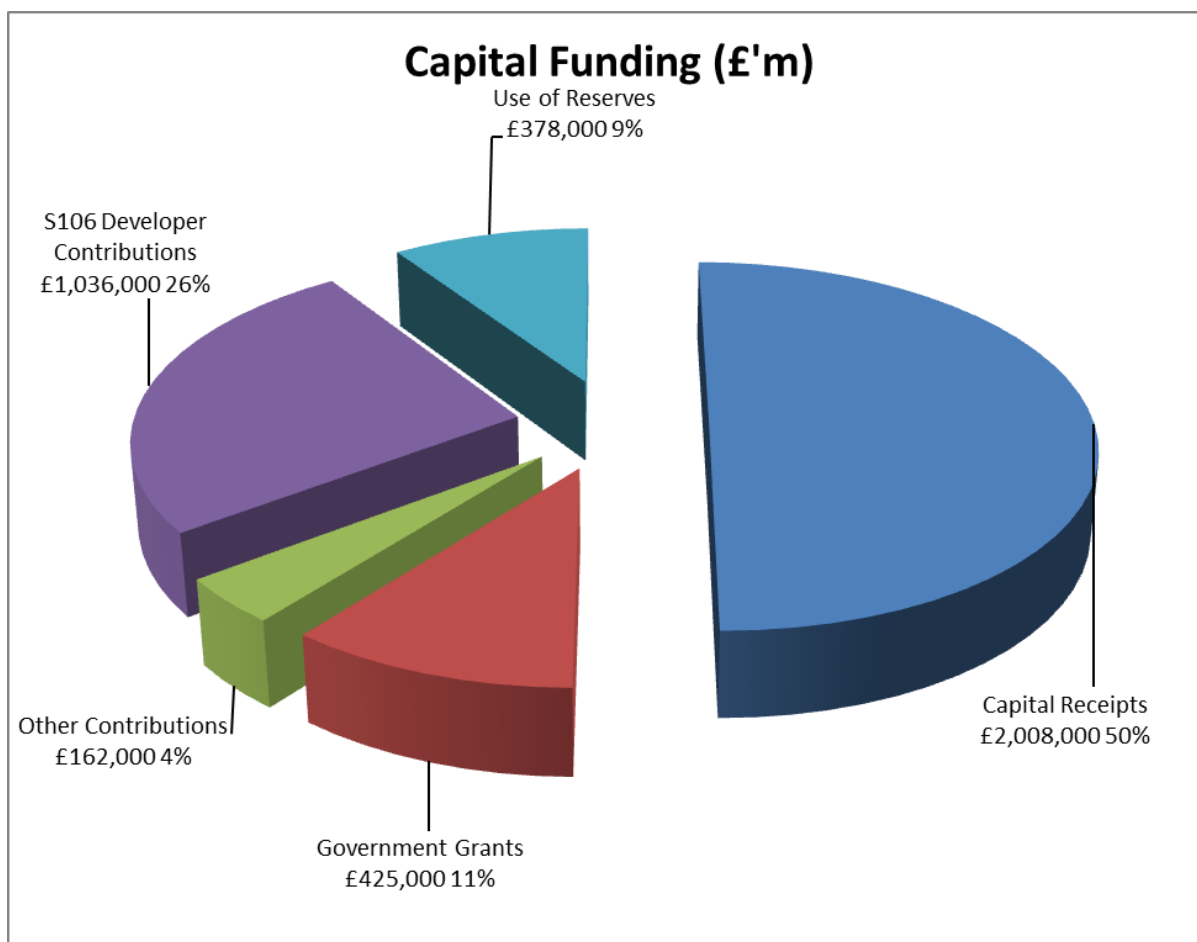
The Council has to ensure its Capital Programme is not only prudent, but also affordable and sustainable. In 2013/14 the Council spent £3.4m compared to an overall Capital Programme of £5.4m. This included the release of £461,000 of Section 106 Planning Agreement Developer Contributions to third parties for investment in Social Housing units. Of the remaining £2m, £1.5m is committed to on-going Capital Schemes and this has been carried forward to the 2014/15 Capital Programme.

In addition to the above expenditure, the Council released £575,000 of Section 106 Planning Agreement Developer Contributions to third parties for investment in Health facilities. This resulted in total capital expenditure for the year of £4m split as follows:



Source: Capital Expenditure and Capital Financing – Note 33

The Council has no external borrowing and has been debt free since May 2003. As shown below this means that capital expenditure is funded from capital receipts, Government Grants, Section 106 Developer Contributions, other minor contributions and reserves.



Source: *Capital Expenditure and Capital Financing – Note 33*

In 2013/14 Capital Receipts represented the largest funding source and, as a result, at 31 March 2014 the balance in the Useable Capital Receipts Reserve stood at £10.949m (2012/13 £12.663m). The release of S106 Planning Agreement Developer Contributions was the next largest source of funding. Of the £1.036m, £575,000 was used for investment in a new Health Centre in Bingham and the remainder supported the development of Social Housing units. Use of Government Grants was the third largest source of funding with the application of £425,000. Just over half of this was for Disabled Facilities Grant expenditure and the remainder was used to fund Partnership Grants and a strategic property acquisition in Cotgrave (Social Housing). Use of Council Reserves increased from £65,000 in 2012/13 to £378,000 in 2013/14 as the Council commenced application of its New Homes Bonus money for Capital Investment in the Borough.

4. Major Service Developments and Future Challenges

During 2013/14 the Council continued to respond positively to challenges presented by the funding restrictions facing local government. The success of the Council in addressing this difficult financial context can be seen in the positive Value for Money conclusion given by the Audit Commission in their 2013 Annual Audit Letter, the delivery of transformational activity such as that being delivered with partners at Cotgrave, and looking forward the development of leisure and office facilities, and the maintenance of a balanced revenue budget without reductions in service quality. It also reflects the continued work, outlined in the original Four Year Plan, and the newly developed Transformation Strategy to identify efficiency savings of £1.6m until 2018/19 through initiatives based upon three core principles of business cost reduction, income generation and service redesign.

Looking ahead the Council faces a range of challenges and opportunities. These include

- *Meeting the financial challenge of maintaining a sustainable Medium Term Financial Strategy*
Whilst the Council's reserves provide a buffer against funding and service risks, it is critical that the Council continues to deliver savings from the Transformation Strategy and monitors the position on significant projects such as alternative service delivery vehicles such as Streetwise (as a company) and the Leisure and Office accommodation projects. The wider economic situation, the impact of the Government's June 2013 Spending Review, and limits on future Council Tax increases, will all impact on the scale of this challenge.
- *Changes to Local Government funding*
The changes of the basis of allocation of central government funding to local government through the localisation of business rates from April 2013 means that the Council now shares the financial risks and benefits associated with changes to non-domestic rate income in the Borough. To help mitigate such risks and to maximise funding opportunities Rushcliffe is a member, along with the County Council and the other six District Councils of the Nottinghamshire Business Rate Pool.
- *Pension Contributions*
The Pension Fund liabilities have increased as a result of both a fall in asset values and a rise in liabilities. Statutory arrangements should ensure the financial position of the Council's Pension Fund remains healthy. On-going national reforms, which commenced in April 2014, should assist the Council in closing the funding gap.

5. Financial Statements

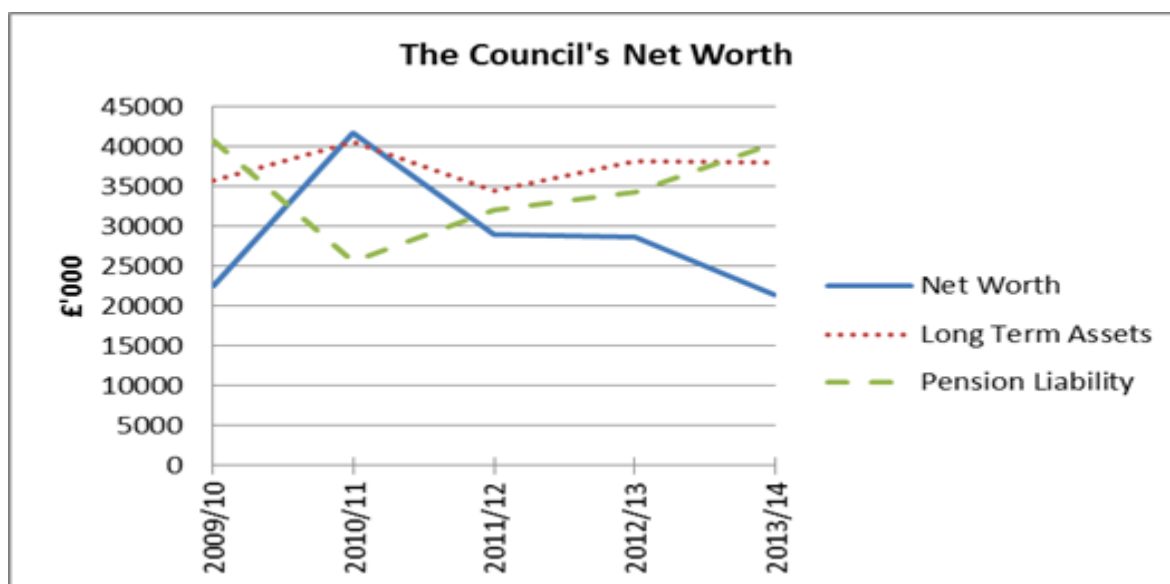
The financial activities of the Council can be split between revenue and capital, and in general terms, the definitions are as follows:-

- Income and expenditure within the revenue accounts of the Council relate to items consumed within the year; and
- Income and expenditure within the capital accounts relate to items with a life in excess of one year.

The Council's accounts consist of:

- **Movement in Reserves Statement (Page 2)** – this shows the movement in the year of the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure) and 'unusable reserves'.
- **Comprehensive Income and Expenditure Statement (Page 4)** - this shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices rather than the amount to be funded from taxation. Unlike last year some of the one-off costs linked to the Cotgrave re-development downward valuation are not present in 2013-14; the culmination of this and downward pressure on net costs has resulted in the Net Cost of Service reducing from £15.1m to £14.3m. The movement in Financing and Investment Income and Expenditure is technical in nature due to IAS19 treatment of interest in relation to Employee Benefits (pensions). Taxation and non-specific grant income has reduced for a number of reasons, a primary one being that in 2012/13 £1.6m was received in grant from the Homes and Communities Agency for the Cotgrave project.

- Balance Sheet (Page 5)** –The Balance Sheet shows the Council's assets and liabilities at 31 March each year, in accordance with the Council's Accounting Policies. As this is reported annually the position over a longer period is not always obvious. The Chart below shows how the higher value components of the Balance Sheet, namely Long Term Assets and the Pensions Liability, have affected the Council's overall Net Worth since the introduction of International Financial Reporting Standards and national changes to the Local Government Pension Scheme (as covered in previous years accounts). There is an inverse relationship between the Council's net worth and in particular pension liabilities ie as pension liabilities increase the Council's net worth reduces and vice versa. The net worth has reduced by £7.4m largely due to the increase in pensions liability.



Source: Balance Sheet

Further key points to note are that as the Council looked to invest longer term there has been a switch between the value of cash held to the value of short term investments. The latter has risen by £12.5m, whereas cash has fallen by a similar amount. This also impacts upon cashflow (Note 24) with higher purchases of short term investments.

Note 20 of the Statement is a new note detailing short term and long term provisions. This has primarily been added due the requirement, as a result of the new Business Rates retention scheme, for a provision for valuation appeals.

- Cash-flow Statement (Page 6)** – this shows the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- Accounting Policies (Pages 7-22)** – these explain the basis of the figures presented in the accounts. The main changes to these were agreed by the Corporate Governance Group (19th June 2014) concerning the impact of IAS19 on Employee Benefits, changes to the Collection Fund as a result of the Business Rates Retention Scheme, and the removal of what are deemed either non-material or low relevance notes.

- **Notes (pages 7-68)** – these provide supporting context to the above Statements. A number of non-material notes have been removed covering Trading Operations, Agency Services and Pooled Budgets.

6. Supplementary Financial Statements

- **Collection Fund (pages 69-72)** – this reflects the statutory requirement for the Council to maintain a separate account providing details of receipts of Council Tax and Business Rates and any associated payments to precepting authorities and the National Non-Domestic Rates (NNDR) Pool. As stated in Accounting Policy (xxiii) the accounting arrangements for Business Rates has altered with the introduction of the Business Rates Retention Scheme. It is noted that there is a £2.1million deficit on the Business Rates section of the Collection Fund. This is due to a reduction in in-year valuations largely due to the power station.

7. Summary

Like many public sector organisations the Council has, and continues to face, many significant financial challenges. The Council's response has been to not only develop a culture of prudence but to also deliver initiatives focusing on investment and growth in the community.

The Council is committed to delivering better services and change for the Borough through its Transformation Strategy which will remain a key focus for the Authority's new management team. There is a commitment to the significant task of transforming the services that are delivered to the people of Rushcliffe. The challenges that face Rushcliffe are ones which both members and officers of the Borough Council are determined to meet.

8. Further Information

Further information about the Statement of Accounts is available from the Financial Services section at the Civic Centre, Pavilion Road, West Bridgford, Nottinghamshire NG2 5FE, telephone 0115 981 9911 or by e-mail: finance@rushcliffe.gov.uk. In addition, members of the public have a statutory right to inspect the accounts before the annual audit is completed. The availability of the accounts for inspection is advertised in the local press and on our website at www.rushcliffe.gov.uk.

Peter Steed
Executive Manager (Finance and Commercial)
30 June 2014

B. ANNUAL GOVERNANCE STATEMENT

1. SCOPE AND PURPOSE

1.1 Scope of responsibility

Rushcliffe 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. Rushcliffe Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

Rushcliffe Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at <http://www.rushcliffe.gov.uk/> or can be obtained from Rushcliffe Borough Council, Civic Centre, Pavilion Road, West Bridgford, Nottingham, NG2 5FE. This statement explains how Rushcliffe Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 and 2011, in relation to the publication of a statement on internal control.

1.2 The purpose of the governance framework

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

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 on-going process designed to identify and prioritise the risks to the achievement of Rushcliffe Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

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

2 THE GOVERNANCE FRAMEWORK

2.1 Vision and priorities

Long term strategic planning has enabled Rushcliffe to address its immediate financial pressures, develop an initial financial strategy to 2018/19 and introduce its fifth Corporate Strategy covering the period 2012 to 2016. The three key themes for this strategy are:

- Supporting economic growth to ensure a sustainable, prosperous and thriving local economy;
- Maintaining and enhancing our residents' quality of life; and
- Transforming the Council to enable the delivery of efficient high quality services.

The integration of service and financial planning has continued through the budgets for both 2013/14 and 2014/15, and the financial strategy to 2018/19.

During 2013/14 the Council developed its approach to the financial pressures facing all public bodies through the development of a new Transformation Strategy replacing the Four Year Plan. This outlines how the Council will meet its financial challenges until 2018/19. The Transformation Strategy focuses upon three key elements income generation, service re-design and business cost reduction. It highlights the relationship between the Corporate Strategy, the Medium Term Financial Plan and the Transformation Strategy. As part of the service re-design process the council will be reviewing the services it provides to identify improved or alternate methods of delivery which will enable it to meet its financial targets without eroding the high quality of service for which Rushcliffe is known

Progress against previous priorities and actions, as laid down in previous service plans, has been reported to the Performance Management Board during the course of the year. All key tasks within the current service delivery plans have been linked directly to the Council's objectives.

2.2 Improvement and Efficiency

As with other public bodies the Council faces unprecedented financial pressures. Its original efficiency requirement of £2.8m has increased to around £6m from 2011/12 to 2018/19. Much has been achieved with around £3.2m of savings over a 3 year period; however, there remains the need to continue to identify savings from the Transformation Strategy in order to meet financial pressures in the medium term. A combination of Member and management challenge has reduced a projected budget shortfall from £2.8m to £1.6m (until 2018/19). The following thematic areas summarise how the budget will be balanced in future years:-

- (a) Service Efficiencies – focusing on both the customer and looking at streamlining services;
- (b) Management Challenge – challenging base budgets each year;
- (c) Transformational Projects - both new projects and those identified via the 4 year plan, eg building control and garage partnerships
- (d) Thinking big reviews – for example the Leisure Strategy and office accommodation projects.

A comprehensive document setting out the Council's constitution exists which sets out the clearly defined structure for the Council's organisational arrangements based upon a cabinet executive model. In essence the different roles can be summarised as follows:

- Council decides upon certain policies and other specialist functions that cannot be delegated elsewhere including the setting of the council tax
- Cabinet is allocated authority by council to approve policies not reserved for consideration by Council, deliver policies and to take most significant executive decisions
- Cabinet works to a Forward Plan of forthcoming decisions for up to three months ahead
- The work of Cabinet is supported by four scrutiny groups
- Scrutiny groups develop their own work programme for the review of council policies in addition to scrutinising the work of the cabinet
- Separate committees exist for Development Control, Employment Appeals, Alcohol and Entertainments Licensing, Interviewing and Licensing.
- Delegation arrangements to officers are set out in detail within the Constitution
- A protocol defining the relationship between Members and Officers was adopted during 2008

The constitution also provides detailed guidance on standing orders, financial regulations and the conduct of meetings. In addition it also contains codes of conduct applying to members and officers as well as a protocol for councillor/officer relationships. The codes include reference to the need to declare any interests which may conflict with the individual's role at the Council and such registers for councillors and officer are maintained by the Executive Manager Corporate Governance and Operations and the Strategic Human Resources Manager respectively. The Council has in place a confidential reporting code (whistleblowing policy) and any referrals under the policy are investigated.

The Constitution as a whole is reviewed when necessary and appropriate. The last significant review was undertaken in 2011/12; however a number of amendments have been made since then to accommodate legislative changes or to reflect changes to the Council's structure.

2.3 Policies, Procedures, Laws and Regulations

The Council has three statutory officer roles: the Chief Executive, the Section 151 Officer and the Monitoring Officer. They are responsible for ensuring that the Council acts within the law and in accordance with established policies and procedures. The Section 151 Officer is specifically responsible for the proper discharge of financial arrangements and must advise the Council where any proposal might be unlawful or where expenditure is likely to exceed resources.

The Council's financial management arrangements should conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). During 2013/14, the Council's financial management arrangements complied in all respects with the governance requirements of the aforementioned statement, in particular:

- During 2013/14 the Executive Manager (Finance and Commercial) held the post of Chief Financial Officer. The postholder is a professionally qualified accountant with direct access to the Chief Executive, Leader of the Council and other Cabinet Members. The postholder also has direct access to the Corporate Governance Group and the Council's external auditors.

- The Chief Financial Officer has a line of professional accountability for all finance staff and for ensuring that the finance function is 'fit for purpose'. The Council has established robust arrangements to manage its finances, including a Medium Term Financial Strategy, annual budget process and compliance with CIPFA's Codes and Guidance on the Prudential Framework for Capital Finance, Treasury Management and the management of reserves.
- Internal audit services are provided to the Council by Baker Tilly (formerly RSM Tenon). The effectiveness of this service is monitored by the Corporate Governance Group.

Executive Managers are responsible for ensuring that legislation and policy relating to service delivery and health and safety are implemented in practice. Oversight of these arrangements is provided by the Executive Manager (Corporate Governance and Operations).

2.4 Risk Management

The Council's risk management arrangements are regularly reviewed with a complete review being undertaken during 2013/14. The effectiveness of the overall risk management arrangements is monitored by the Corporate Governance Group who, on 6 February 2014, approved the changes to the Risk Management Strategy. Pleasingly within the 2013/14 Annual Report by Internal Audit there have been enhancements to the existing framework resulting in an improvement in the direction of travel and a 'green' rating (giving substantial assurance).

2.5 Development and training needs

The Council achieved Councillor Member Development Charter status in March 2011 and has a cross party Member Development Group to oversee development and delivery of Councillor learning and training. This Group meets on a quarterly basis.

Each Councillor is offered the opportunity to undertake an annual Personal Development Plan the results of which are used to inform the on-going Member Development Programme. Development needs are also identified directly by feedback from Councillors and in response to issues which may occur throughout the year.

To support new and returning Councillors a comprehensive induction programme is in place which runs after the local elections. The delivery of this is overseen by the cross party Member Development Group who evaluates its effectiveness upon its completion based on Councillor feedback.

The identification and delivery of appropriate training for officers is dealt with via the Learning and Development Plan which links to the annual performance development review (PDR) process.

2.6 Communication

Three editions of Rushcliffe Reports – the Council's newsletter for residents – are printed and circulated to all households each year and these set out details of a number of key service changes, both in the past and in the future, and ask for customer feedback.

On-going customer satisfaction surveys were undertaken by several key customer facing services such as planning, revenues and benefits and customer services. The customer feedback received from these exercises is used to improve services to all customers. The Council also undertakes consultation to inform decisions relating to policy changes. Over the

course of this year, additional consultation was undertaken on leisure provision in West Bridgford, the future uses of Bridgford Hall, and the Edwalton Community Governance Review (regarding parish status). A further review for the Shelford and Newton parish has been undertaken with a report due to June Cabinet.

2.7 Partnerships

The Council has in place a scrutiny group that reviews significant partnerships with which the Council is involved. The Council has put in place strong governance arrangements around the major leisure services and car parking contracts. In addition the Cabinet Portfolio Holder also chairs quarterly strategic board meetings with the two main leisure providers, Parkwood and Carillion.

3 REVIEW OF EFFECTIVENESS

3.1 Introduction

Rushcliffe 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 senior 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 and this review is considered by the Corporate Governance Group.

3.2 The Council

The Council approves and keeps under regular review all the strategic policies which it reserves for its own consideration, including:

- The Constitution
- The Corporate Strategy
- The Capital Programme and Revenue Budget
- The Housing Strategy
- The Local Development Framework

3.3 The Cabinet

The Cabinet carries out the executive functions of the Council as required by the legislation and the Council's constitution. It accordingly:

- Takes key decisions
- Takes other executive decisions
- Approves policies other than those reserved for Council
- Recommends to Council policies and budgetary decisions

3.4 Corporate Governance Group

The Corporate Governance Group is the group within the Council that is charged with Governance and has a number of responsibilities including:

- Overseeing financial governance arrangements
- Overseeing strategic risk management
- Scrutinising the Annual Governance Statement
- Scrutinising the Statement of Accounts prior to its agreement by full council
- Reviewing the plans and work of Internal Audit
- Receiving reports from external audit in relation to the audit arrangements

3.5 Performance Management Board

The Performance Management Board reviews the performance of the Council against the approved targets. Other reports are taken to this group and during the last year the group has considered the equality and diversity plan and the local Home Improvement Agency performance.

In addition to the Performance Management Board the Council has two other scrutiny groups which were formed during 2007. The first, Place Shaping and Community Engagement looks at areas that affect the community like future changes to glass recycling and provision of car parking. The other group is Partnership Delivery which is tasked with looking at the effectiveness of current and future potential partnerships.

3.6 Executive Managers

Executive Managers are responsible for ensuring proper standards of internal control within their service areas. On-going reviews are undertaken throughout the year. At the end of the financial year Executive Managers are required to confirm that they have reviewed the system of internal control and identify any areas where improvements are necessary.

3.7 Internal Audit

Internal Audit is responsible for the review of the systems of internal control and for giving an opinion on both the corporate and service specific standards in place. The Council tendered during 2009/10 for a new 5 year audit contract which was awarded to RSM Tenon (now Baker Tilly). An Audit Strategy has been developed covering all activities of the Council at a level and frequency determined using a risk management methodology. The current Strategy now covers the period up to March 2016.

An annual audit plan governs each year's activity and at the completion of each audit, a report is produced for management with recommendations for improvement. Regular reports covering internal audit activities are submitted to the Corporate Governance Group for scrutiny.

A detailed annual review of the effectiveness of the Council's system of internal audit is undertaken every year and reported to the Corporate Governance Group. As mentioned at Section 2.4 the direction of travel has improved and in terms of governance, risk management and internal control substantial assurance has been given by Internal Audit.

3.8 External Audit

The external auditors review the Council's arrangements for:

- Preparing accounts in compliance with statutory and other relevant requirements
- Ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice
- Managing performance to secure economy, efficiency and effectiveness in the use of resources

The auditors give an opinion on the Council's accounts, corporate governance and performance management arrangements. The Council takes appropriate action where improvements need to be made.

The provision of external audit is undertaken by KPMG.

4 SIGNIFICANT GOVERNANCE ISSUES

4.1 Issues Identified and remedial action

The Council continues to utilise partnership arrangements with other public bodies and private organisations to deliver services. The Council therefore remains committed to meeting the challenge of ensuring that the appropriate governance arrangements are in place for each of the major partnerships that the Council has entered or will enter.

Whilst the Council's external auditors have recognised improvements in the production of the Statement of Accounts they have also identified two key risks, which the Council are actively managing:

- (a) given the pension fund has undergone a triennial review, risks surrounding the accuracy of the estimate for pension liabilities; and
- (b) the impact of the new cash receipting system on the bank reconciliation process.

During 2014/15 the Council will also need to manage a number of challenges arising from legislative changes such as the Localism and Local Government Finance Acts, and in particular challenges arising from welfare reform and the introduction of Universal Credit. Furthermore the Council has to address the issue of housing growth and the concerns of the planning inspector, with the Core Strategy being revisited in the coming year. The Cotgrave Masterplan is a significant project which demonstrates the Council's commitment to developing the community and provides affordable housing. Other challenges include the management of the leisure and accommodation project, and as the Council becomes increasingly innovative the management of alternative service delivery vehicles such as Streetwise (Social Enterprise); and greater collaborative arrangements including the provision of Garage services through Nottingham City Council; and Building Control Services with South Kesteven District Council. These opportunities will be managed in line with the Governance Framework outlined earlier in this report.

5 STATEMENT OF THE CHIEF EXECUTIVE AND THE LEADER OF THE COUNCIL

We have been advised of the implications of the result of the review of the effectiveness of the governance framework by the Corporate Governance Group. 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 above.

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.

Signed.....
Councillor J N Clarke (Leader)

Signed.....
A Graham (Chief Executive)

Date

Date

C. Independent Auditors Report

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

We have audited the financial statements of Rushcliffe Borough Council for the year ended 31 March 2014 on pages 2 to 72. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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

Respective responsibilities of the Executive Manager Finance and Commercial and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority's expenditure and income for the year then ended;

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

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

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

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

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

Certificate

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

Neil Bellamy

for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants

St Nicholas House
31 Park Row
Nottingham
NG1 6FQ
30 September 2014

STATEMENT OF ACCOUNTS

2013/14

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Manager (Finance and Commercial).
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

THE EXECUTIVE MANAGER (FINANCE AND COMMERCIAL) RESPONSIBILITIES

The Executive Manager (Finance and Commercial) is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices, as set out in the Chartered Institute of Public Finance and Accountancy/Local Authority Scotland Accounts Advisory Committee's "Code of Practice on Local Authority Accounting in the United Kingdom" ("the Code of Practice").

In preparing this Statement of Accounts, the Executive Manager (Finance and Commercial) has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice

The Executive Manager (Finance and Commercial) has also:

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

The Executive Manager (Finance and Commercial) should sign and date the Statement of Accounts, stating that it gives a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2014.

CERTIFICATE

I hereby certify that the following Statement of Accounts gives a true and fair view of the financial position of Rushcliffe Borough Council at 31 March 2014 and its income and expenditure for the financial year ended 31 March 2014.

Peter Steed
Executive Manager (Finance and Commercial)
30 June 2014

FORMAL APPROVAL

Full Council approved the audited Statement of Accounts on 25 September 2014

On behalf of the Council
Councillor Hetherington
Mayor of the Council

D. THE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT (MIRS)

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

2013/2014	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance 31 March 2013	(2,604)	(8,378)	(12,663)	(487)	(24,132)	(4,499)	(28,631)
Movement in Reserves during 2013/2014							
(Surplus) or deficit on the provision of services	3,948	0	0	0	3,948	0	3,948
Other Comprehensive Income and Expenditure	3,437	0	0	0	3,437	0	3,437
Total Comprehensive Income and Expenditure	7,385	0	0	0	7,385	0	7,385
Adjustments between accounting basis and funding basis under regulations (Note 7)	(9,229)	0	1,714	75	(7,440)	7,440	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(1,844)	0	1,714	75	(55)	7,440	7,385
Transfers to/from Earmarked Reserves (Note 8)	1,844	(1,844)	0	0	0	0	0
Increase/Decrease in 2013/2014	0	(1,844)	1,714	75	(55)	7,440	7,385
Balance at 31 March 2014 Carried Forward	(2,604)	(10,222)	(10,949)	(412)	(24,187)	2,941	(21,246)

D. THE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT (MIRS)

2012/2013	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance 31 March 2012	(2,604)	(7,768)	(15,626)	(238)	(26,236)	(2,690)	(28,926)
Movement in Reserves during 2012/2013							
(Surplus) or deficit on the provision of services	1,653	0	0	0	1,653	0	1,653
Other Comprehensive Income and Expenditure	(1,358)	0	0	0	(1,358)	0	(1,358)
Total Comprehensive Income and Expenditure	295	0	0	0	295	0	295
Adjustments between accounting basis and funding basis under regulations (Note 7)	(905)	0	2,963	(249)	1,809	(1,809)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(610)	0	2,963	(249)	2,104	(1,809)	295
Transfers to/from Earmarked Reserves (Note 8)	610	(610)	0	0	0	0	0
Increase/Decrease in 2012/2013	0	(610)	2,963	(249)	2,104	(1,809)	295
Balance at 31 March 2013 Carried Forward	(2,604)	(8,378)	(12,663)	(487)	(24,132)	(4,499)	(28,631)

D. THE FINANCIAL STATEMENTS

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2012/2013				2013/2014		
Gross Exp £000	Gross Inc £000	Net Exp £000		Gross Exp £000	Gross Inc £000	Net Exp £000
7,464	(5,726)	1,738	Central Services to the Public	2,548	(446)	2,102
3,521	(654)	2,867	Cultural & Related Services	3,867	(657)	3,210
			Environmental & Regulatory			
6,935	(1,533)	5,402	Services	6,203	(1,586)	4,617
4,980	(2,614)	2,366	Planning Services	3,377	(1,819)	1,558
391	(545)	(154)	Highways & Transport Services	357	(554)	(197)
19,722	(18,727)	995	Housing Services	20,129	(18,876)	1,253
1,740	(43)	1,697	Corporate and Democratic Core	1,528	(346)	1,182
190	0	190	Non Distributed Costs	550	0	550
44,943	(29,842)	15,101	Cost of Services	38,559	(24,284)	14,275
2,014	(195)	1,819	Other Operating Exp. (Note 9)	1,911	(126)	1,785
3,883	(4,168)	(285)	Financing & Investment Inc. & Exp. (Note 10)	1,926	(972)	954
0	(14,982)	(14,982)	Taxation & Non-Specific Grant Income (Note 11)	0	(13,066)	(13,066)
50,840	(49,187)	1,653	(Surplus)/Deficit on Provision of Services	42,396	(38,448)	3,948
		(2,279)	Surplus or deficit on revaluation of non-current assets			(524)
		921	Actuarial gains/losses on pension assets/liabilities			3,961
		(1,358)	Other Comprehensive Income & Expenditure			3,437
		295	Total Comprehensive Income & Expenditure			7,385

D. THE FINANCIAL STATEMENTS

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 of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. 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 repay debt). The second category of reserves is those 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 the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2013 £000		Note Ref	31 March 2014 £000
25,937	Property, Plant and Equipment	12	26,203
165	Heritage Assets		169
10,525	Investment Property	13	10,323
305	Intangible Assets	14	117
1,244	Long Term Debtors	16	1,156
38,176	Long Term Assets		37,968
5,011	Short Term Investments	16	17,540
45	Inventories		18
1,826	Short Term Debtors	17	1,550
28,759	Cash and Cash Equivalents	16,18	16,095
35,641	Current Assets		35,203
(54)	Short Term Borrowing	16	(54)
0	Short Term Provisions	20	(180)
(5,079)	Short Term Creditors	19	(6,205)
(5,133)	Current Liabilities		(6,439)
(56)	Long Term Provisions	20	(572)
(5,691)	Capital Grants Receipts in Advance	16,31	(4,542)
(34,306)	Pension Liability	36	(40,372)
(40,053)	Long Term Liabilities		(45,486)
28,631	NET ASSETS		21,246
12,663	Usable Capital Receipts Reserve		10,949
2,604	General Fund Balance		2,604
8,378	Earmarked Reserves	8	10,222
487	Capital Grants Unapplied		412
24,132	Usable Reserves		24,187
4,499	Unusable Reserves	22	(2,941)
28,631	TOTAL RESERVES		21,246

D. THE FINANCIAL STATEMENTS

CASHFLOW STATEMENT (INDIRECT METHOD)

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 net 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 (i.e. borrowing) to the authority.

2012/2013 £000		2013/2014 £000
1,653	Net (surplus) or deficit on the provision of services	3,948
(6,111)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(7,609)
4,330	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 23)	1,692
(128)	Net cash flows from Operating Activities	(1,969)
(1,018)	Investing Activities (Note 24)	13,692
(2,750)	Financing Activities (Note 25)	941
(3,896)	Net increase or decrease in cash and cash equivalents	12,664
(24,863)	Cash and cash equivalents at the beginning of the reporting period	(28,759)
(28,759)	Cash and cash equivalents at the end of the reporting	(16,095)

E. NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. It has been prepared in accordance with the Accounts and Audit Regulations 2012 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS) It also complies with guidance notes issued by CIPFA on the application of accounting standards (Standard Statement of Accounting Practice and Financial Reporting Standards) to the local authority accounts.

ii. 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** is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- **Revenue from the provision of services** is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- **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 payable on borrowings and receivable on investments** 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 have 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 of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that 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 Council's cash management.

iv. **Exceptional Items**

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

v. **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, i.e. 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 Council'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.

vi. **Charges to Revenue for Non-Current Assets**

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

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

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisation. These are therefore reversed out of the General Fund and into an unusable capital reserve.

It is however, required to make annual provision from revenue towards the reduction in its overall borrowing requirement; this is referred to as Minimal Revenue Provision (MRP). New guidance was issued by the Secretary of State under section 21 (1A) of the Local Government Act 2003 for the calculation of this provision.

The Council is currently debt free and has no borrowing requirement and is therefore not required to make a MRP. If this were to change, the Council would need to set a policy for calculating MRP.

vii. **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 example, cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, for example, time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year, where material. The accrual is made at the wage and salary rates applicable in the following 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 benefits 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 Council to either terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to relevant services in the Comprehensive Income and Expenditure Statement when the Council has demonstrably committed to the termination of the employment or has made an offer to encourage voluntary redundancy to an officer or group of officers.

When termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional debits and credits for pension enhancement termination benefits. These are replaced 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

The Local Government Pension Scheme (LGPS) is administered by Nottinghamshire County Council and is accounted for as a defined benefits scheme providing defined benefits to members (Retirement Lump Sums and Pensions) earned as employees working for the Council.

The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – (i.e. 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 projected earnings for current employees).

The assets of the pension fund attributed to the Council are included in the Balance Sheet at their fair value

- **Quoted Securities** - current bid price
- **Unquoted Securities** - current bid price
- **Utilised Securities** - Professional Estimate
- **Property** - Market Value

The change in the net pension's liability is analysed into five components:

- **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 service for which the employees worked.
- **Past Service Cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- **Net interest on the net defined benefit liability (asset)** ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of 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 contribution and benefit payments
- **Re-measurements comprising**
 - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pension 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 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 Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations 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 any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to 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 Council 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 LGPS.

viii. Events after the Balance Sheet Date

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

- **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 are 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.

ix. Financial Instruments

General

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Most straight forward financial assets (debtors, bank deposits and investments) are covered, together with more complex ones not used by the Council (debt instruments with embedded swaps and options).

The Council recognises a financial asset or liability on the Balance Sheet when it becomes party to the contractual provisions of an instrument.

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 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 liability, multiplied by the effected rate of interest for the investment. 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.

The Council currently has no long term debt but any future long term debt would be within the Councils Treasury Management Strategy, Minimum Revenue Provision Policy and future Accounting Policies.

Financial Assets

Financial assets are classified as either;

- **Loans and Receivables** – assets that have fixed or determinable payments but are not quoted in an active market.

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the 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.

The Council has made one loan at less than market rates (soft loan). When such a soft loan is made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the cricket club, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

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

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

- **Available-for-sale assets** – assets that have a quoted market price and/or do not have fixed or determinable payments. These are non-derivative financial assets designated available for sale which are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the income statement on de-recognition.

Financial Instruments – Risks

The Council's activities in this area expose it to a number of risks; it regularly reviews and agrees policies for such risks which are set out below:

- **Credit Risk** – the possibility that other parties may fail to pay amounts due.

To mitigate this risk the parties that owe money are sent timely reminders, defaulters are given reminders, warnings and ultimately legal action is taken where necessary.

In addition, the Council has adopted the CIPFA Prudential Code and reviews and monitors the level of exposure to investments which mature beyond one year and the use of specified and non-specified investments.

- **Interest Rate Risk** – that changes in areas such as interest rates will affect the Council's revenue resources. To mitigate this risk the Council monitors the available rates, and also consults with its Treasury Advisors, Arlingclose Ltd, and maintains fixed deposits when good rates are available. Fixed rate deposits are maintained to maximise interest receivable; variable rate deposits are maximised for working capital requirements.

- **Liquidity Risk** – the possibility that the council cannot pay its commitments.

To mitigate this risk the Council ensures that current working capital requirements are immediately available. At the period end, there were no remaining investments which exceeded 12 months. Short-term flexibility is achieved by overdraft facilities.

x. **Government Grants and Contributions**

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

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

Amounts recognised as due to the Council 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 acquired using the 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 long term liabilities (Capital Receipts in Advance). When conditions are satisfied, the grant or contribution is credited to the Comprehensive Income and Expenditure Statement.

Where capital grants are contributions including section 106's are credited to the Comprehensive Income Expenditure Statement as Taxation and Non Specific Grant Income, 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.

xi. Heritage Assets

The Council has two classifications of Heritage Assets; a small art collection and a war memorial. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment, however the art collection is reported in the Balance Sheet at insurance valuation, which is based on market value, these insurance valuations are updated annually.

Art collection

The Council's art collection consists of 82 exhibits of oils, watercolours and prints. There are 7 items with a value of over £5,000. The highest value item is an oil painting valued at £65,000. The assets within the art collection are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Purchases are initially recognised at cost and donations are recognised at valuation.

War Memorial

The War Memorial is situated in West Bridgford and is held at Depreciated Historical Cost (a proxy for current value).

General

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment, for example, where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

xii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (for example, software licences). These are capitalised at cost when the economic benefit is estimated to be greater than 12 months.

Once capitalised, the assets will be amortised on a systematic basis over their useful lives. The amortisation charge will be made to the relevant General Fund Service revenue accounts.

Internally generated assets are only re-valued where the fair value of assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the council meets this criterion and they are therefore carried at amortised cost.

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.

xiii. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Long term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the value of works and services received under contract during the financial year.

xiv. 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 fair value, and are not depreciated but are re-valued annually according to market conditions at the start of the year. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

xv. 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.

An exception is made where leases were in existence prior to the introduction of IFRS and not treated in accordance with proper practice as at 31st March 2010. Under the terms of the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2010 no 454, the Council may continue to account for money received in accordance with the original type of leases.

Leases classified as Investment Properties are not required to show a split between the land and building elements.

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

The Council 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 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.

Lease payments are apportioned between:

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

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

The Council 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 an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the leases asset.

The Authority as Lessor

Finance Leases

These finance leases are dealt with under the exception outlined above.

Operating Leases

Where the Council 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 Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

xvi. Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Authority in conjunction with the other ventures that involve the use of assets and resources of the venture rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

xvii. Overheads and Support Services

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

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

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

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

xviii. Property, Plant & 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.

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 service potential associated with the item will flow to the Council 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 is charged as an expense when it is incurred. In addition, expenditure needs to be in excess of the Council de-minimis level of £10,000 before it can be recognised as capital, spend below this limit is charged to revenue.

The Code requires components to be accounted for as separate items where they are material, the Council has undertaken a review of its assets relating to Property, Plant and Equipment and componentising these assets has no material impact. The Council has however componentised its assets, into two elements, land and buildings.

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 initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

Donated assets are measured initially at fair value unless the donation has been made conditionally. 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. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where

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

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

Property, Plant and Equipment	
Other Land and Buildings	Existing Use Value (EUV)
Vehicles and Plant	Depreciated Historical Cost
Infrastructure	Depreciated Historical Cost
Community Assets	Depreciated Historical Cost
Assets Under Construction	Depreciated Historical Cost

Assets included in the Balance Sheet at fair value are re-valued 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 three 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.

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 by:

- 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.

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 (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction) and assets held for a commercial return (i.e. investment properties). It is calculated as follows:

Property, Plant and Equipment	
Other Land and Buildings	Straight line – over the useful life of the asset
Vehicles and Plant	Straight line – over the useful life of the asset
Infrastructure	Straight line – over the useful life of the asset
Community Assets	No charge is made for depreciation
Assets Under Construction	No charge is made for depreciation

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

Disposals and Non-current Assets held for Sale

When 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 (i.e. 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.

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 re-valued 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 been recognised had they not been classified as 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.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Capital receipts are credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Assets under Construction

Assets under Construction are only recognised when it is probable that the future economic benefits will flow to the council and the cost can be measured reliably. Assets under construction are capitalised at cost which includes labour and overhead costs arising directly from the construction of the asset. Assets under construction are not depreciated until they are brought into the use under the relevant sections of Property Plant and Equipment.

xix. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council 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 Council 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 Council 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 (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council 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 Council. 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 Council 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 Council. Where it is probable that there will be an inflow of economic benefits or service potential, contingent assets are not recognised in the Balance Sheet but disclosed in a note to the Accounts.

xx. Reserves

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

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

xxi. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but 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 Council 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.

xxii. 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.

xxiii. Collection Fund

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

From 1 April 2009 for both Billing and Precepting authorities and central government, the NNDR income included in their Comprehensive Income and Expenditure Statement (CIES) shall be the accrued income for the year. Any difference between the income included in the CIES and their

demand or precept is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. As the collection of Council Tax is an agency agreement there is a debtor/creditor position between the billing Council and the major preceptors. As the billing Council, this Council's Cash Flow Statement includes in 'revenue activities' only its own share of the Council Tax collected.

From 1 April 2013 for billing and precepting authorities and central government, the NNDR income included in their CIES shall be the accrued income for the year. Any difference between the income included in the CIES and their estimate of share of income is taken to the Collection Fund Adjustment Account and included as an adjusting item in the Movement in Reserves Statement. As the collection of NNDR is an agency agreement there is a debtor/creditor position between the billing council and the major preceptor (governed by the Nottinghamshire Pool) and central government. As the billing Council, this Council's Cash Flow Statement includes in 'revenue activities' only its own share of the Council Tax collected.

xxiv. Removal of Notes

The Council generally considers £1m to be a reasonable level in terms of what is material. There are 3 notes which have been excluded on the grounds of the items not being material both in value or political consideration. The items removed are:

- (a) Trading operations with regards to Bingham Market and Building Control (Gross expenditure for 2013/14 of £344,000);
- (b) Agency Services in relation to the Nottinghamshire Parking Partnership with Penalty Charge Notice income amounting to c£97,000 (2013/14); and
- (c) Pooled budgets concerning 'choice based lettings' with regards to Social Housing (gross expenditure in 2013/14 of c£107,000); and South Nottinghamshire Community Safety Partnership to address crime and disorder (gross expenditure in 2013/14 of c£33,000).

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2014. If these had been adopted for the financial year 2013/14 there would be no material changes as detailed below.

A number of new and revised standards have been issued addressing the accounting for consolidation, involvement in joint arrangements and disclosure of involvement in other entities. These include:

- **IFRS 10 Consolidated Financial Statements** – this standard introduces a new definition of control, which is used to determine which entities are consolidated for the purpose of group accounts. The Council is due to set-up a new Company for its grounds maintenance and street cleansing operations (Streetwise Environmental Ltd), wholly owned by the Council and is likely to have to Group its accounts. This is aiming to be operational from September 2014 (for staff and asset transfer), with the company being incorporated on the 15 May 2014. On consolidation the impact should not be material. Further information is provided below in line with the new disclosure requirements of IFRS12.

- **IFRS 11 Joint Arrangements** – this standard addresses the accounting for a ‘joint arrangement’, which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or joint operation. The Council has no material joint venture arrangements;
- **IFRS 12 Disclosures of Involvement with other entities** – this is a consolidated disclosure standard requiring a range of disclosures about an entity’s interests in subsidiaries, joint arrangements, associates and unconsolidated ‘structured entities’. The Council will have 100% ownership of Streetwise Environmental Ltd (Ltd by guarantee).
- **IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures** – these standards have been amended to conform with the changes in IFRS 10, IFRS 11, and IFRS 12. Given that there would be no changes in the financial statements, except for disclosure, due to the changes to IFRS 10, IFRS 11 and IFRS 12, there is also no impact as a result of changes in IAS 27 and IAS 28.
- **IAS 32 Financial Instruments Presentation** – the Code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses would be separately identified on the Comprehensive Income and Expenditure Statement but currently there are no gains or losses and therefore no further disclosure is required.
- **IAS 1 Presentation of the Financial Statements** – the changes clarify the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have a material impact on the Statement of Accounts.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts concern the following:

- a. There is a high degree of uncertainty about future levels of funding for local government notably issues around welfare reform and localisation of Business Rates. 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 provision. Future transformation plans will have an effect on the assets of the authority for example the Council’s office accommodation and leisure facilities, these are seen as positive opportunities to improve the Council’s asset base and provide efficiencies;
- b. One factor that has demonstrably in the past 3 years had a significant impact on the accounts concerns the assumptions surrounding pensions and the likelihood of legislative change and the impact of such change. The impact of either a change in the discount rate of 0.1% or a change in life expectancy of 1 year, for either, would be less than £100,000 on service costs.
- c. The Council has no relationships with other entities which take the form of a parent/subsidiary, associate or joint control arrangement.

d. It is anticipated no substantial legal claims or appeals will be made against the Council in the next financial year.

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. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Most significant estimates are for pensions, bad debts (impairments), accruals and provisions. Each of these has a different process for making the estimate:

a. Pension estimates are provided by Nottinghamshire County Council and assurance is placed on the use of suitably qualified professionals to provide this estimate. Note 3(b) gives further analysis;

b. Bad debt estimates are based on prudent historical collection rates taking into account knowledge of existing conditions on outstanding debts, particularly given the current economic climate and future changes in relation to welfare reform. At 31st March 2014 the Authority had sundry debtor balances of £749,000 and Housing Benefit (HB) debtors of £844,000. If recoverability of these balances falls the amount set aside for these balances would increase. Provisions for bad debt are made according to the age of the debt. The provisions amount to £119,000 and £265,000, respectively for HB and sundry debtors. If recoverability of the debt falls by 10% across all ages of debt an estimated further £96,000 would have to be set aside;

c. Provisions – generally most provisions are relatively low in value. Business Rate appeals (which the Valuation Office is responsible for) have been estimated in line with the new accounting requirements of the national Business Rates Retention Scheme. In total Rushcliffe's estimated liability amounts to £516,000, with a further £744,000 in relation to other precepting authorities and the Government. This has been calculated in accordance with a methodology developed across Nottinghamshire (agreed by Chief Finance Officers) focusing on key determinants such as type of property, reasons for appeal and age of the appeal; and

d. Purchase accruals – these are low in volume and value, but with items such as utility accruals they are based on past bills / seasonality / readings and current contract prices.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

In 2013/14 the Council released £1.036m of Section 106 Planning Agreement Developer Contributions to third parties for investment in Health facilities and Social Housing units. These schemes were not commissioned by Rushcliffe but the responsibility for ensuring that the criteria for the S106 are met, lay with the Borough Council. Both the income and expenditure sits within Planning Services (£575,000) and Housing Services (£461,000) in the Comprehensive Income and Expenditure Statement (CIES).

The equivalent amount in 2012/13 was £1.6m of grant funding in connection with Section 106 expenditure, primarily on Education and Transport/Road Safety related capital schemes, this was charged to the CIES within Planning services.

6. EVENTS AFTER THE BALANCE SHEET DATE

There is an expected post Balance sheet event as described at note 2 with the formation of Streetwise Environmental Ltd from May 2014.

7. 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 provisions as being available to the Authority to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are set against

General Fund Balance

The General Fund is the statutory fund into which all the receipts of a Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice.

The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on the capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets which are restricted by the statute from being used other than to a fund new capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (reserve) holds the grants and contributions received towards the capital projects for which the Council has met the conditions that would have otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by the grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

7. ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2013/2014	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Useable Reserves	Movement in Unusable Reserves
Adjustments primarily involving the Capital Adjustment Account	£000	£000	£000	£000	£000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Charges for depreciation and impairment of non-current assets	(1,852)	0	0	(1,852)	1,852
Revaluation gain on Property Plant and Equipment	524	0	0	524	(524)
Movement in the market value of investment properties	(352)	0	0	(352)	352
Capital grants and contributions applied	48	0	0	48	(48)
Revenue expenditure funded from capital under statute	(562)	0	75	(487)	487
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(36)	0	0	(36)	36
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Capital expenditure charged against the General Fund Balance	25	0	0	25	(25)
Adjustments primarily involving the Capital Grants Unapplied Account					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0	0	0	0
Adjustments primarily involving the Capital Receipts Reserve					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	143	(261)	0	(118)	118
Use of the Capital Receipts Reserve to finance new capital expenditure	0	2,008	0	2,008	(2,008)

7. ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2013/2014	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Useable Reserves	Movement in Unusable Reserves
	£000	£000	£000	£000	£000
Transfer (from)/to the Deferred Capital Receipts Reserve upon receipt of cash	0	(33)	0	(33)	33
Adjustments primarily involving the Financial Instruments Adjustment Account					
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	17	0	0	17	(17)
Adjustments primarily involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(7,662)	0	0	(7,662)	7,662
Employers' pensions contributions and direct payments to pensions payable in the year	1,596	0	0	1,596	(1,596)
Adjustments primarily involving the Collection Fund Adjustment Account					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,118)	0	0	(1,118)	1,118
Adjustments primarily involving the Accumulated Adjustments Account					
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	0	0	0	0	0
Total Adjustments	(9,229)	1,714	75	(7,440)	7,440

7. ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2012/2013	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Useable Reserves	Movement in Unusable Reserves
Adjustments primarily involving the Capital Adjustment Account	£000	£000	£000	£000	£000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Charges for depreciation and impairment of non-current assets	(2,661)	0	0	(2,661)	2,661
Revaluation gain on Property Plant and Equipment	2,279	0	0	2,279	(2,279)
Movement in the market value of investment properties	410	0	0	410	(410)
Capital grants and contributions applied	1,635	0	0	1,635	(1,635)
Revenue expenditure funded from capital under statute	(773)	0	0	(773)	773
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(97)	0	0	(97)	97
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Capital expenditure charged against the General Fund Balance	65	0	0	65	(65)
Adjustments primarily involving the Capital Grants Unapplied Account					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	249	0	(249)	0	0
Adjustments primarily involving the Capital Receipts Reserve					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	259	(676)	0	(417)	417
Use of the Capital Receipts Reserve to finance new capital expenditure	0	3,672	0	3,672	(3,672)

7. ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2012/2013	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Useable Reserves	Movement in Unusable Reserves
	£000	£000	£000	£000	£000
Transfer (from)/to the Deferred Capital Receipts Reserve upon receipt of cash	0	(33)	0	(33)	33
Adjustments primarily involving the Financial Instruments Adjustment Account					
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(53)	0	0	(53)	53
Adjustments primarily involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,613)	0	0	(3,613)	3,613
Employers' pensions contributions and direct payments to pensions payable in the year	1,406	0	0	1,406	(1,406)
Adjustments primarily involving the Collection Fund Adjustment Account					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(16)	0	0	(16)	16
Adjustments primarily involving the Accumulated Adjustments Account					
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	5	0	0	5	(5)
Total Adjustments	(905)	2,963	(249)	1,809	(1,809)

8. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund Balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

2013/14 Reserves

	Balance at 1 st April 2013 £000	Transfers In £000	Transfers Out £000	Balance at 31 st March 2014 £000
Investment Reserves				
Regeneration and Community Projects	2,136	0	(25)	2,111
Cotgrave Regeneration Project	100	72	0	172
Council Assets and Service Delivery	684	0	0	684
Local Area Agreement	294	0	0	294
New Homes Bonus	785	974	(422)	1,337
Invest to Save	661	0	0	661
Corporate Reserves				
Organisational Stabilisation Reserve	2,531	2,158	(880)	3,809
Risk and Insurance	100	0	0	100
Planning Appeals	349	0	0	349
Elections	200	0	0	200
Operating Reserves				
Planning	203	0	0	203
Leisure Centre Maintenance	180	22	(55)	147
Lottery	55	0	0	55
Planned Maintenance	100	0	0	100
Total	8,378	3,226	(1,382)	10,222

INVESTMENT RESERVES

Regeneration and Community Projects – to provide funding to support capital improvement projects across the Borough.

Cotgrave Regeneration Project – is a new reserve for surpluses generated from investment properties on the site for re-investment into the project.

Council Assets and Service Delivery – to provide funding to support improvements and optimum rationalisation of council owned assets and facilitate the implementation of innovative service delivery models.

8. TRANSFERS TO/FROM EARMARKED RESERVES CONTINUED

Local Area Agreement – to provide funding for Local Strategic Partnership (LSP) initiatives where monies are held by the Council on behalf of the LSP as the Accountable body.

New Homes Bonus – to help facilitate growth within the Borough, not ring-fenced solely for housing projects.

Invest to Save – to fund projects that require ‘pump priming’ that generate future savings.

CORPORATE RESERVES

Organisation Stabilisation Reserve – to be used to provide resilience against risks surrounding the Medium Term Financial Strategy.

Risk and Insurance – to provide funding 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.

Planning Appeals – to provide funding to cover potential legal and other cost in respect of large applications.

Elections – to provide funding for the future costs of the four yearly Borough Council elections.

OPERATING RESERVES

Planning - to provide funding for one off revenue costs of the planning service, for example, legal costs, specialist advice and consultancy.

Building Control – to hold surplus funds, which can be used to manage fluctuations in income caused by the economic downturn.

Leisure Centre Maintenance – to provide funding for dilapidation works required at leisure centres as a result of the transfer of the management of the leisure centre to Parkwood and maintenance not covered as part of the contract.

Lottery – a sum left in reserve from a discontinued lottery scheme. Interest is used to fund small sports grants.

Planned Maintenance – to provide funding for potential higher value repairs and maintenance of existing buildings and land.

9. OTHER OPERATING EXPENDITURE

The composition of the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement is detailed below:

	2012/2013 £000	2013/2014 £000
Parish Council Precepts	1,794	1,691
Internal Drainage Board Levies	220	220
Payments to the Government Housing Capital Receipts Pool	0	0
(Gains)/losses on the disposal of non-current assets	(195)	(126)
Total	1,819	1,785

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

The composition of the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement is detailed below:

	2012/2013 £000	2013/2014 £000
Pensions interest cost and expected return on pension assets	988	0
Net interest on the net defined benefit liability (asset)*	0	1,486
Interest receivable and similar income	(313)	(240)
Income and Expenditure in relation to Investment Properties and changes in their fair value	(960)	(292)
Total	(285)	954

* Accounting policy vii – Employee Benefits provides details relating to the changes to IAS19

11. TAXATION AND NON SPECIFIC GRANT INCOME

The composition of the Taxation and Non Specific Grant Income line in the Comprehensive Income and Expenditure Statement is detailed below:

	2012/2013 £000	2013/2014 £000
Council Tax Income	(7,319)	(7,068)
Non Domestic Rates	(4,912)	(1,357)*
Revenue Support Grant	(95)	(3,131)
Capital Grants (Notes 31)	(1,885)	(48)
Other Non Ring-fenced Grants	(771)	(1,462)
Total	(14,982)	(13,066)

*This is a net figure and is reduced by RBC's NDR deficit of £863,000 (see the Collection Fund Notes)

12. PROPERTY, PLANT AND EQUIPMENT

Movements on Balances 2013/2014

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000
At 1 April 2013	20,685	9,630	3,038	329	305	6	33,993
Additions	239	1,078	79	0	0	0	1,396
Transfers	305	0	0	0	(305)	0	0
Revaluation (+/-) recognised in the Revaluation Reserve	(337)	0	0	0	0	0	(337)
Revaluation (+/-) recognised in the Surplus/Deficit on Provision of Services	(156)	0	0	0	0	0	(156)
De-recognition – Disposals	0	(548)	0	0	0	0	(548)
At 31 March 2014	20,736	10,160	3,117	329	0	6	34,348
Accumulated Depreciation or Impairment							
At 1 April 2013	(899)	(6,345)	(812)	0	0	0	(8,056)
Depreciation charge	(538)	(939)	(174)	0	0	0	(1,651)
Depreciation transfer	0	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	857	0	0	0	0	0	857
Depreciation written out to the Surplus/Deficit on Provision of Service	193	0	0	0	0	0	193
De-recognition - Disposals	0	512	0	0	0	0	512
At 31 March 2014	(387)	(6,772)	(986)	0	0	0	(8,145)
Net Book Value at 31 March 2014	20,349	3,388	2,131	329	0	6	26,203
Net Book Value at 31 March 2013	19,786	3,285	2,226	329	305	6	25,937

12. PROPERTY, PLANT AND EQUIPMENT

Movements on Balances 2012/2013

	Other Land and Buildings	Vehicles, Plant, Furniture and	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000
At 1 April 2012	17,693	10,171	3,018	329	305	41	31,557
Additions	1,804	632	31	0	0	0	2,467
Transfers	5	(112)	0	0	0	(35)	(142)
Revaluation (+/-) recognised in the Revaluation Reserve	2,003	0	0	0	0	0	2,003
Revaluation (+/-) recognised in the Surplus/Deficit on Provision of Services	(819)	0	0	0	0	0	(819)
De-recognition – Disposals	(1)	(1,061)	(11)	0	0	0	(1,073)
At 31 March 2013	20,685	9,630	3,038	329	305	6	33,993
Accumulated Depreciation or Impairment							
At 1 April 2012	(696)	(6,563)	(648)	0	0	0	(7,907)
Depreciation charge	(476)	(918)	(174)	0	0	0	(1,568)
Depreciation transfer	0	112	0	0	0	0	112
Depreciation written out to the Revaluation Reserve	272	0	0	0	0	0	272
De-recognition - Disposals	1	1,024	10	0	0	0	1,035
At 31 March 2013	(899)	(6,345)	(812)	0	0	0	(8,056)
Net Book Value							
At 31 March 2013	19,786	3,285	2,226	329	305	6	25,937
At 31 March 2012	16,997	3,608	2,370	329	305	41	23,650

12. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Other Land and Buildings 5-100 years
- Vehicles, Plant Furniture and Equipment 3-30 years
- Infrastructure 3-50 years

Capital Commitments

At 31 March 2014 the Council was committed to works totalling £89,000 for the construction of Property, Plant and Equipment in 2014/15. The majority of this (£86,000) relates to the installation of new play equipment at Rushcliffe Country Park.

Revaluations

In accordance with the Code of Practice, the Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years. The Council have reviewed this policy and will be revaluing a third of its Land and Buildings portfolio every year.

Valuations of land and buildings were carried out in accordance with the Royal Institution of Chartered Surveyors Valuation Standards (Red Book) 6th Edition. Every fair value valuation was carried out using the assumptions as set out in the Red Book. Where assumptions additional to those which are set out in the Red Book have been made these are stated on the relevant valuation certificates. Ms Leanne Baines MRICS is responsible for revaluation of property assets. An impairment review is carried out annually on the Land and Buildings portfolio.

Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost as a proxy for current prices. Valuations of vehicles, plant and equipment are reviewed annually to ensure that assets are recorded at no more than their recoverable amount.

All valuations were carried out internally.

The following table shows the progress of the Council's three year rolling programme for the revaluation of fixed assets. These figures are shown at gross book value.

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Carried at Historical Cost	£000	£000	£000	£000	£000	£000	£000
Valued at fair value as at:							
31 March 2014	810	10,160	3,117	329	0	6	14,422
31 March 2013	11,801						11,801
31 March 2012	5,600						5,600
31 March 2011	2,525						2,525
Total Cost or Valuation	20,736	10,160	3,117	329	0	6	34,348

13. INVESTMENT PROPERTIES

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

	2012/2013 £000	2013/2014 £000
Rental income from investment property	860	996
Direct operating expenses arising from investment property	(160)	(224)
Net gain/(loss)	700	772

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's rights to the remittance of income and the proceeds of disposal with the exception of industrial units at Hollygate Lane (Phase I) and those on The Pithead site in Cotgrave. A rental income claw back arrangement is in place for both these sites, this will expire in 2015. The Council has no contractual obligations to purchase, construct or develop investment property or repair, maintain or enhance (except for voids)

The following table summarises the movement in the fair value of investment properties during 2013/14 and 2012/13.

	2012/2013 £000	2013/2014 £000
Balance at start of the year	8,018	10,525
Additions/Enhancements	2,127	150
Disposals	(60)	0
Net gains/losses from fair value adjustments	410	(352)
Transfers	30	0
Total	10,525	10,323

All of the Council's Investment Properties are treated as operating leases.

Valuations of Investment Properties are carried out annually in accordance with the Code of Practice and with the Royal Institution of Chartered Surveyors Valuation Standards (Red Book) 6th Edition. Every Fair Value valuation was carried out using the assumptions as set out in the Red Book. Where assumptions additional to those which are set out in the Red Book have been made these are stated on the relevant valuation certificates. Ms Leanne Baines MRICS is responsible for revaluation of property assets. An impairment review is carried out annually on the Investment Property portfolio.

14. INTANGIBLE ASSETS

The Council accounts for its software as intangible assets. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council.

The useful lives assigned to the major software suites used by the Council are three years.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £238,000 charged to revenue in 2013/14 (£274,000 2012/13) was charged to the IT cost centre and then absorbed as an overhead across all service headings in the Net Expenditure of Services. It is not possible to quantify how much of the amortisation is attributable to each service heading.

Movements on Intangible Fixed Assets

	2012/2013 £000	2013/2014 £000
Balances at start of the year		
Gross Carrying Amounts	1,383	1,363
Accumulated Amortisation	(809)	(1,058)
Net carrying amount at the start of the year	574	305
Additions		
Purchases	5	48
Transfers into the group	112	0
	117	48
Disposal	(137)	(222)
Amortisation		
Amortisations of the period	(274)	(238)
Amortisations on disposals	137	224
Amortisations on transfers into the group	(112)	0
	(249)	(14)
Net carrying amount at the end of the year	305	117
Comprising		
Gross Carrying Amounts	1,363	1,189
Accumulated Amortisation	(1,058)	(1,072)
Net Book Value	305	117

15. ASSETS HELD FOR SALE

The Authority had no Property, Plant and Equipment assets held for sale at the Balance Sheet date. It should be noted, however, that one Investment Property asset (part of the Gresham site) was declared surplus in 2012/13 and was actively marketed with disposal due to take place early in 2014/15. The Code of Practice specifies that this asset must continue to be accounted for as an Investment Property until disposal. Any loss or gain arising from the disposal will be posted to the Finance and Investments Income line in the Comprehensive Income & Expenditure Statement.

In addition, a Cabinet report taken in May 2014 (after the Balance Sheet date) declared two Investment Properties surplus: a bungalow at Boundary Road and Park Lodge. In accordance with the Code, these will continue to be accounted for as Investment Property until disposal. A further operational asset: Rushcliffe Lodge, was also declared surplus in May 2014 and this will be assessed to determine when it fulfils the criteria of being an Asset Held for Sale.

16. FINANCIAL INSTRUMENTS

The following categories of financial instruments are carried in the balance sheet.

	Long-term		Current	
	2012/2013 £000	2013/2014 £000	2012/2013 £000	2013/2014 £000
Investments				
Loans and Receivables	0	0	33,770	33,635
Total Investments	0	0	33,770	33,635
Debtors				
Loans and Receivables	1,244	1,156	1,775	1,518
Total Debtors	1,244	1,156	1,775	1,518
Borrowings				
Financial Liabilities at Amortised Cost	0	0	(54)	(54)
Total Borrowing	0	0	(54)	(54)
Creditors				
Financial Liabilities at Amortised Cost	(5,691)	(4,542)	(2,277)	(3,220)
Total Creditors	(5,691)	(4,542)	(2,277)	(3,220)

Valuation Assumptions

Investments held at 31 March 2014 amounted to £33.38m, consisting of £17.54m of fixed term investments where the instrument carries the same interest rate for the whole term and £15.84m of deposits in Money Market Funds and Call Accounts where, in general, the rate only alters with movements in the Bank rate. No formal calculation of the effective interest rate (EIR) is necessary, and the carrying amount is a reasonable approximation of the fair value.

Debtors and creditors, both of which are instruments of short duration, with no formal effective interest rate (EIR) are at fair value.

16. FINANCIAL INSTRUMENTS CONTINUED

An assessment has been made whether any impairment write-down or provisions previously made need to be reversed, or if any new ones need to be made. A full review of bad debt provisions has been completed and appropriate adjustments to the provisions have been made on the age analysis of debtors involved.

17. DEBTORS

	2012/2013 £000	2013/2014 £000
Central Government Bodies	421	409
Other Local Authorities	128	60
Council taxpayers	51	260
Pre-payments	18	8
Sundry debtors	1,208	813
	1,826	1,550

18. CASH AND CASH EQUIVALENTS

	2012/2013 £000	2013/2014 £000
Cash held by the Council	1	1
Bank Current Accounts	245	204
Short-term Deposits	28,513	15,890
	28,759	16,095

19. CREDITORS

	2012/2013 £000	2013/2014 £000
Central Government Bodies	2,106	2,077
Other Local Authorities	783	1,072
Nottinghamshire Police Authority	86	137
Nottinghamshire Fire Authority	36	56
Council taxpayers	79	238
Sundry creditors	1,989	2,625
	5,079	6,205

20. PROVISIONS

	Short Term		
	Land Charges	Building Control	Total
	£000	£000	£000
Balance at 1st April 2013	0	0	0
Additional Provisions made in 2013/14	100	80	180
Amount used in 2013/14	0	0	0
Balance at 31 March 2014	100	80	180

	Long Term		
	Leaseholder	NNDR	Total
	Deposits	Appeals	
	£000	£000	£000
Balance at 1st April 2013	56	0	56
Additional Provisions made in 2013/14	0	1,290	1,290
Amount used in 2013/14	0	0	0
Amount transferred in 2013/14 to major preceptors (Gov't, Notts CC and Fire)	0	(774)	(774)
Balance at 31 March 2014	56	516	572

21. USEABLE RESERVES

Movements in the Council's useable reserves are detailed in the Movement in Reserves Statement (MiRS).

22. UNUSABLE RESERVES

	2012/2013	2013/2014
	£000	£000
Revaluation Reserve	7,447	7,873
Capital Adjustment Account	31,201	30,535
Financial Instruments Adjustment Account	(87)	(70)
Pension Reserve	(34,306)	(40,372)
Deferred Capital Receipts	229	196
Collection Fund Adjustment Account	75	(1,043)
Accumulated Absences Adjustment Account	(60)	(60)
	4,499	(2,941)

22. UNUSABLE RESERVES CONTINUED

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). 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 that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2012/2013 £000	2013/2014 £000
Balance at 1 April	5,266	7,447
Upward Revaluation of Assets	2,279	585
Downward Revaluation of Assets and Impairment losses not charged to the surplus/deficit on Provision of Services	0	(61)
Surplus/deficit on revaluation of non-current assets not posted to the surplus/deficit on Provision of Services	2,279	524
Difference between fair value depreciation and historical cost depreciation	(98)	(98)
Accumulated gains on assets sold or scrapped	0	0
Amounts written off to the Capital Adjustment Account	(98)	(98)
Balance at 31 March	7,447	7,873

Available for Sale Financial Instruments

The Council has no available for sale financial instruments.

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 postings from the Revaluation Reserve to convert fair values to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

22. UNUSABLE RESERVES CONTINUED

Note 7 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2012/2013 £000	2013/2014 £000
Balance at 1 April	29,316	31,201
Reverse 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	(2,387)	(1,614)
Amortisation of Intangible Assets	(274)	(238)
Revenue Expenditure Funded from Capital Under Statute	(2,959)	(2,415)
Amount 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.	(97)	(36)
	(5,717)	(4,303)
Adjusting amounts written out of the Revaluation Reserve	98	98
Write down long-term debtors	(464)	(118)
Net amount written out of the cost of non-current assets consumed in the year	(6,083)	(4,323)
Capital Financing Applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	3,672	2,008
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	3,821	1,520
Application of grants to capital financing from the Capital Grants Unapplied Account	0	103
Capital Expenditure charged against the General Fund Balance	65	378
	7,558	4,009
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	410	(352)
Balance at 31 March	31,201	30,535

22. UNUSABLE RESERVES CONTINUED

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory requirements.

	2012/2013 £000	2013/2014 £000
Balance at 1 April	(34)	(87)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs charged in the year in accordance with statutory requirements	(53)	17
Balance at 31 March	(87)	(70)

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 Council 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 Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council 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.

	2012/2013 £000	2013/2014 £000
Balance at 1 April	(32,099)	(34,306)
Actuarial gains or losses on pensions assets and liabilities	(921)	(3,961)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,692)	(3,701)
Employer's pensions contributions and direct payments to the pensioners payable in the year	1,406	1,596
Balance at 31 March	(34,306)	(40,372)

22. UNUSABLE RESERVES CONTINUED

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 Council does not treat these gains as usable for financing new capital expenditure until they are backed by capital receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2012/2013 £000	2013/2014 £000
Balance at 1 April	215	229
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	47	0
Transfer to the Capital Receipts Reserve on receipt of cash	(33)	(33)
Balance at 31 March	229	196

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising between the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2012/2013 £000	2013/2014 £000
Balance at 1 April	91	75
Council Tax	(16)	49
Non Domestic Rates	0	(1,167)
Balance at 31 March	75	(1,043)

Accumulated Absences Account

The Accumulated Absences Account absorbs 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/from the Account.

22. UNUSABLE RESERVES CONTINUED

	2012/2013 £000	2013/2014 £000
Balance at 1 April	(65)	(60)
Settlement or cancellation of accrual made at the end of the preceding year	65	60
Amounts accrued at the end of the current year	(60)	(60)
Amounts 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	5	0
Balance at 31 March	(60)	(60)

23. CASHFLOW STATEMENT – OPERATING ACTIVITIES

	2012/2013 £000	2013/2014 £000
Net (Surplus) or Deficit on the Provision of Services	1,653	3,948
Adjust net surplus or deficit on the provision of services for non-cash movements		
Depreciation	(1,568)	(1,651)
Impairment or downward valuations	(819)	37
Amortisation	(274)	(238)
Increase/Decrease in Creditors	96	(831)
Increase/Decrease in Debtors	(1,710)	(557)
Increase/Decrease in Inventories	(8)	(27)
Pension Liability	(1,289)	(2,105)
Movement in Provisions	0	(696)
Carrying amount of non-current assets sold	(97)	(36)
Collection Fund Adjustment Account	(16)	(1,118)
Other non-cash items charged to the net surplus or deficit on the provision of services	(426)	(387)
	(6,111)	(7,609)
Adjust for items in the net surplus or deficit on the provision of services that are investing or financing activities		
Capital Grants credited to surplus or deficit on the provision of services	4,071	1,549
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	259	143
	4,330	1,692
Net Cash Flows from Operating Activities	(128)	(1,969)

23. CASHFLOW STATEMENT – OPERATING ACTIVITIES CONTINUED

The cash flows for operating activities include the following items:

	2012/2013 £000	2013/2014 £000
Interest received	(366)	(223)
Soft Loans – Interest adjustment credited to the Income and Expenditure Statement	53	(17)
Interest paid	0	0
Total	(313)	(240)

24. CASHFLOW STATEMENT – INVESTING ACTIVITIES

	2012/2013 £000	2013/2014 £000
Purchase of property, plant and equipment, investment property and intangible assets	4,931	1,731
Purchase of Short-term and Long-term Investments	136,607	143,096
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(235)	(143)
Proceeds from Short-term and Long-term Investments	(141,604)	(130,592)
Other receipts from investing activities	(717)	(400)
Total Cash Flows from Investing Activities	(1,018)	13,692

25. CASHFLOW STATEMENT – FINANCING ACTIVITIES

	2012/2013 £000	2013/2014 £000
Cash receipts of short and long term borrowing	0	0
Other receipts from financing activities	0	0
Repayment of short and long term borrowing	0	0
Other payments for financing activities	(2,750)	941
Total Cash Flows from Financing Activities	(2,750)	941

26. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports that analyse across service areas. These reports are prepared on a different basis from the accounting policies used in the financial statements.

In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the revaluation and amortisations are charged to services in the Comprehensive Income and Statement).
- The cost of retirement benefits is based on cash flows (payments of employer's pension's contributions) rather than current service cost of benefits accrued in the year.

26. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

Service Areas Income and Expenditure 2013/2014	Communities	Corporate Governance	Finance and Commercial	Neighbourhoods	Transformation	Total
Income	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(1,564)	(46)	(1,538)	(1,909)	(1,405)	(6,462)
Government Grants	(7)	0	(17,928)	(8)	0	(17,943)
Total Income	(1,571)	(46)	(19,466)	(1,917)	(1,405)	(24,405)
Operating Expenses						
Employee expenses	1,743	1,967	2,571	3,431	1,001	10,713
Other operating expenses	749	1,149	19,619	1,505	882	23,904
Total Operating Expenses	2,492	3,116	22,190	4,936	1,883	34,617
Net Cost of Services	921	3,070	2,724	3,019	478	10,212

Service Areas Income and Expenditure 2012/2013	Communities	Corporate Governance	Finance and Commercial	Neighbourhoods	Transformation	Total
Income	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(1,316)	(30)	(1,265)	(1,801)	(1,276)	(5,688)
Government Grants	0	0	(23,426)	0	(22)	(23,448)
Total Income	(1,316)	(30)	(24,691)	(1,801)	(1,298)	(29,136)
Operating Expenses						
Employee expenses	1,871	1,779	2,353	3,562	1,230	10,795
Other operating expenses	757	1,130	25,105	1,429	819	29,240
Total Operating Expenses	2,628	2,909	27,458	4,991	2,049	40,035
Net Cost of Services	1,312	2,879	2,767	3,190	751	10,899

26. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS CONTINUED

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

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

	2012/2013 £000	2013/2014 £000
Net expenditure in the Service Area Analysis	10,899	10,097
Net expenditure of services and support services not included in the Analysis	0	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	9,183	10,003
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(4,981)	(5,825)
Cost of Services in the Comprehensive Income and Expenditure Statement	15,101	14,275

Reconciliation to Subjective Analysis

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

26. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS CONTINUED

Reconciliation to Subjective Analysis 2013/2014	Service Analysis £000	Not reported to Mgmt £000	Not included in I & E £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Income						
Fees, charges and other service income	(6,462)	(1,518)	1,639	(6,341)	0	(6,341)
Financing and Investment Income	0	0	0	0	(972)	(972)
Income from council tax	0	0	0	0	(7,068)	(7,068)
Business Rates Income	0	0	0	0	(1,357)	(1,357)
Government grants and contributions	(17,943)	0	0	(17,943)	(4,641)	(22,584)
Total Income	(24,405)	(1,518)	1,639	(24,284)	(14,038)	(38,322)
Operating Expenses						
Employee Expenses	10,713	1,131	(4,908)	6,936	0	6,936
Other service expenses	23,568	5,329	(2,335)	26,562	0	26,562
Support Service recharges	0	3,851	0	3,851	0	3,851
Depreciation, amortisation and impairment	0	1,210	0	1,210	0	1,210
Interest payments	0	0	0	0	1,926	1,926
Precepts and Levies	221	0	(221)	0	1,911	1,911
Gain or Loss on Disposals of Fixed Assets	0	0	0	0	(126)	(126)
Total Operating Expenses	34,502	11,521	(7,464)	38,559	3,711	42,270
Surplus or deficit on the provision of services	10,097	10,003	(5,825)	14,275	(10,327)	3,948

26. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS CONTINUED

Reconciliation to Subjective Analysis 2012/2013	Service Analysis £000	Not reported to Mgmt £000	Not included in I & E £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Income						
Fees, charges and other service income	(5,688)	(2,268)	1,571	(6,385)	0	(6,385)
Financing and Investment Income	0	0	0	0	(4,168)	(4,168)
Income from council tax	0	0	0	0	(7,318)	(7,318)
Government grants and contributions	(23,448)	0	0	(23,448)	(7,664)	(31,112)
Total Income	(29,136)	(2,268)	1,571	(29,833)	(19,150)	(48,983)
Operating Expenses						
Employee Expenses	10,795	403	(4,160)	7,038	0	7,038
Other service expenses	29,020	5,091	(2,172)	31,939	0	31,939
Support Service recharges	0	3,983	0	3,983	0	3,983
Depreciation, amortisation and impairment	0	1,974	0	1,974	0	1,974
Interest payments	0	0	0	0	3,883	3,883
Precepts and Levies	220	0	(220)	0	2,014	2,014
Gain or Loss on Disposals of Fixed Assets	0	0	0	0	(195)	(195)
Total Operating Expenses	40,035	11,451	(6,552)	44,934	5,702	50,636
Surplus or deficit on the provision of services	10,899	9,183	(4,981)	15,101	(13,448)	1,653

27. MEMBERS ALLOWANCES

The Council paid the following amounts to members of the Council during the year:

	2012/2013 £000	2013/2014 £000
Expenditure		
Allowances	304	304
Other Expenses	13	14
Total Expenditure	317	318

28. OFFICERS REMUNERATION

The remuneration paid to the Council's senior employees is as follows:

Post Title	Year	Salary, Fees & Allowances £	Lease Car, Car Compensation & Car Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
Chief Executive	2013/14	112,522	6,500	0	14,448	133,470
	2012/13	112,000	7,101	0	14,448	133,549
Deputy Chief Executive – 1 (to 31 December 2012)	2013/14	0	0	0	0	0
	2012/13	61,762	4,886	62,695	77,278	206,621
Deputy Chief Executive – 2	2013/14	61,173	1,096	61,912	7,886	132,065
	2012/13	81,504	5,729	0	10,514	97,747
Executive Manager – Corporate Governance (Head of Corporate Services to 31 January 2013)	2013/14	84,081	0	0	10,843	94,924
	2012/13	71,629	3,708	0	9,316	84,653
Executive Manager – Finance & Commercial	2013/14	80,893	0	0	10,350	91,243
	2012/13	72,149	147	0	9,293	81,589
Executive Manager – Neighbourhoods (Head of Environment & Waste Management to 31 January 2013)	2013/14	78,007	0	0	10,022	88,029
	2012/13	70,758	3,136	0	9,128	83,022
Executive Manager – Communities (Head of Partnerships & Performance to 31 January 2013)	2013/14	78,254	0	0	10,022	88,276
	2012/13	64,398	3,166	0	8,307	75,871
Executive Manager – Transformation (Head of Transformation to 31 January 2013)	2013/14	77,688	0	0	10,022	87,710
	2012/13	64,398	2,510	0	8,307	75,215

28. OFFICERS REMUNERATION CONTINUED

Post Title	Year	Salary, Fees & Allowances £	Lease Car, Car Compensation & Car Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
Head of Planning & Place Shaping	2013/14	6,187	309	32,057	664	39,217
	2012/13	61,740	3,970	0	7,965	73,675
Head of Revenue & ICT	2013/14	5,494	284	63,273	664	69,715
	2012/13	61,829	3,932	0	7,965	73,726
Head of Community Shaping (to 28 February 2013)	2013/14	0	0	0	0	0
	2012/13	48,712	2,547	36,482	5,920	93,661

The Council has the following number of employees receiving more than £50,000 remuneration for the year.

Remuneration Band	Number of Employees 2012/13	Number of Employees 2013/14
£50,000 - £59,999	1	6

29. EXIT PACKAGES & TERMINATION BENEFITS

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

2013/2014				
Exit Package Cost Band	Number of Compulsory Redundancies	Number of other departures agreed	Total Exit Packages	
			Number	£
0 – 20,000	3	3	6	42,981
20,001 – 40,000	1	1	2	52,881
40,001 – 60,000	0	1	1	55,884
60,001 – 80,000	1	0	1	63,273
80,001 – 100,000	0	0	0	0
100,001 – 150,000	1	0	1	144,678
150,001 – 200,000	0	1	1	197,503
Total	6	6	12	557,200

29. EXIT PACKAGES & TERMINATION BENEFITS CONTINUED

2012/2013				
Exit Package Cost Band	Number of Compulsory Redundancies	Number of other departures agreed	Total Exit Packages	
			Number	£
0 – 20,000	0	3	3	19,300
20,001 – 40,000	3	1	4	109,040
40,001 – 60,000	0	0	0	0
60,001 – 80,000	0	0	0	0
80,001 -	0	1	1	132,087
Total	3	5	8	260,427

The Council terminated the contracts of a number of people in 2013/14, incurring liabilities of £557,200 (£260,427 in 2012/13). Of this total, £405,454 related to Deputy Chief Executive (£197,503), Head of Planning and Place Shaping (£144,678) and Head of Revenues and ICT (£63,273). The remaining £151,746 relates to three officers who were made compulsory redundant, five officers whose contracts were terminated under other agreed terms and one officer who took early retirement.

30. EXTERNAL AUDIT COSTS

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

	2012/2013 £000	2013/2014 £000
Fees payable with regard to external audit services carried out by the appointed auditor	54	54
Rebate of Charges	(6)	(7)
Fees payable for the certification of grant claims and returns	31	12
Fees payable in respect of other services provided during the year	1	1
Total	80	60

31. GRANT INCOME

The Council credited the following capital grants and contributions to the Comprehensive Income and Expenditure Statement in 2013/14 and 2012/13.

Grant	2012/2013 £000	2013/2014 £000
NCC - Leisure	267	0
Metropolitan Housing Trust (MHT) contribution	0	48
Decent Homes Funding	18	0
Homes and Communities Agency Cotgrave Precinct	1,600	0
Total	1,885	48

31. GRANT INCOME CONTINUED

The following grants, above £50,000, were credited to services.

Grant	2012/2013 £000	2013/2014 £000
DCLG – NNDR Cost of Collection	111	111
NCC – Leisure Centres	229	213
DWP – Housing Benefit Subsidy and Council Tax Rebates	22,853	17,365
DWP – Housing Benefit Administration	462	434
DCLG – Disabled Facilities Grant (REFCUS)	287	225
HCA – Support for RSL's (REFCUS)	133	123
DECC – Energy Efficiency (REFCUS)	0	53
S106 – Support for RSL's (REFCUS)	78	461
S106 – Planning Projects (REFCUS)	1,634	575
Total	25,787	19,560

The Council received grants, contributions and donations not yet recognised as income as they have conditions attached to them that will require the monies or property to be returned if the conditions are not met. The balances at the year-end are as follows:

Grant	2012/2013 £000	2013/2014 £000
S106 Planning Agreements		
Health Contributions	1,245	679
Transport Contributions	841	846
Education Contributions	904	909
Open Space Contributions	46	45
Leisure	61	61
Affordable Housing	886	431
Nature Conservation	80	81
Community Facilities	1,368	1376
Other	27	27
LAA Grant – LSP Initiatives	32	8
HCA Cotgrave Masterplan	201	79
Total	5,691	4,542

32. RELATED PARTIES

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

32. RELATED PARTIES CONTINUED

Central Government

Central Government has significant influence over the general operations of the Council, it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 26 on reporting for resource allocation decisions. Grant receipts at 31 March 2014 are shown in Note 31.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total members allowances paid in 2013/14 are shown in Note 27. The members of the Council could potentially have a material related party transaction with the Authority. During 2013/14 the Authority, in accordance with the National Code of Local Government Conduct, maintained a register of pecuniary and non-pecuniary interest disclosed by members. This register has been reviewed and was found to contain nothing that would suggest a material related party transaction occurred.

Officers

Similarly, a register for officers' outside interests and hospitality is also maintained. Again this has been reviewed and found to contain no entry that would suggest a material related party transaction.

Other Public Bodies

The Council has determined that material transactions have occurred in 2013/14 with the following parties and most transactions with related parties are disclosed elsewhere in the Statement of Accounts, as follows:

Joint Use arrangements with Nottinghamshire County Council.

Parish Precepts £1.691 million – disclosed in the Income and Expenditure Statement. Internal Drainage Boards are shown under precepts and levies on the Income and Expenditure Statement and totals £0.220 million.

Other local authorities, central government, the Nottinghamshire Police Authority and Nottinghamshire Fire Authority – disclosed in Note 3 to the Collection Fund Income and Expenditure Account.

Central Government – disclosed in all of the appropriate statements and notes.

Pensions Fund – administered by Nottinghamshire County Council (Note 36).

In addition, members and senior officers of the Council have been requested to complete a Declaration of Related Party Transactions return. These returns have shown no transactions which are material to the individuals concerned.

33. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown below (including the value of assets acquired under finance leases), 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 are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

	2012/2013 £000	2013/2014 £000
Opening Capital Financing Requirement	(505)	(505)
Capital Investment		
Property, Plant and Equipment	2,467	1,396
Heritage Assets	0	0
Investment Properties	2,127	150
Intangible Assets	5	48
Assets Held for Sale	0	0
Revenue Expenditure Funded from Capital Under Statute	2,959	2,415
Sources of Finance		
Capital Receipts	(3,672)	(2,008)
Government grants and other contributions	(3,821)	(1,623)
Direct Revenue Contributions	(65)	(378)
Closing Capital Financing Requirement	(505)	(505)
Explanations of movements in year		
Increase in the underlying need to borrow (unsupported by government financial assistance)	0	0
Assets acquired under finance leases	0	0
Increase/(decrease) in Capital Financing Requirement	0	0

34. LEASES

Council as a Lessor

Finance Leases

The Council leases out land for investment purposes generating income of £30,000 per annum. The Council recognises that this arrangement is a finance lease however it was entered into prior to 31 March 2010 as an operating lease. In accordance with its accounting policies (Note 1 xv) the Council continues to charge the income to the Comprehensive Income and Expenditure Statement.

Operating Leases

The Authority leases out property and equipment under operating leases for investment purposes for rental income or capital appreciation.

The minimum lease payments receivable under non-cancellable leases are:

34. LEASES CONTINUED

	2012/2013 £000	2013/2014 £000
Not later than one year	380	961
Later than one year and not later than five years	689	1,736
Later than five years	3,901	3,617
Total	4,970	6,314

The increase in lease payments received from 2012/13 to 2013/14 is because the 2012/13 figures excluded the income stream in relation to The Point.

35. IMPAIRMENT LOSSES

Paragraph 4.7.4.2(1) of the Code requires disclosure by class of assets of the amounts for impairment losses and reversals charged to the surplus or deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Note 12 reconciling the movement over the year in the Property, Plant and Equipment balances.

The Revaluation and impairment exercise gave rise to revaluation losses of £111,000 (arising from 3 assets) chargeable to the surplus or deficit on the Provision of Services as there was no or insufficient balances in the associated Revaluation Reserves. In addition, the Revaluation exercise gave rise to the reversal of previously recognised revaluation losses totalling £148,000 (arising from 2 assets). Both of these movements are from the revaluation of operational land and buildings and give rise to a net reversal of a previously recognised revaluation loss of £37,000.

The impairment review undertaken during 2012/13 identified one impairment loss of £819,000 in relation to the Cotgrave Regeneration project, which was charged to the Comprehensive Income & Expenditure statement.

36. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not be payable until employees retire, the Council has the commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

The Local Government Pension Scheme, administered locally by Nottinghamshire County Council is a funded defined benefit scheme and until 31 March 2014 was a final salary scheme. Changes came into effect on 1 April 2014 and any benefits accrued from this date is based on career average revalued salary, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Arrangements for the award of discretionary post-retirement benefits upon early retirement, 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 pensions liabilities, and cash has to be generated to meet actual pensions payments as they fall due.

36. DEFINED BENEFIT PENSION SCHEMES CONTINUED

The principal risks to the authority of the scheme are:

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.
- Statutory changes to the scheme.
- Structural changes to the scheme (ie large-scale withdrawals from the scheme)
- In addition, as many unrelated employers participate in the Nottinghamshire County Council Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Transactions relating to retirement benefits

The cost of retirement benefits is reported in cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out via the Movement in Reserves Statement. The following transactions have been made to the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during the year.

Please note some of the 2012/13 comparatives in the following tables have changed in presentation due to the introduction of IAS19 (as defined by Accounting Policy vii). There is no material impact.

36. DEFINED BENEFIT PENSION SCHEMES CONTINUED

Local Government Pension Scheme	2012/2013 £000	2013/2014 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Current Service Cost	1,604	1,762
Administration Expenses	0	4
Past Service Gain	0	0
Settlements and Curtailments	100	449
Financing and Investment Income and Expenditure		
Net Interest Expense	988	1,486
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	2,692	3,701
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(4,317)	(831)
Actuarial Gains and Losses arising on changes in demographic assumptions	0	4,694
Actuarial Gains and Losses arising on changes in financial assumptions	5,203	193
Other	35	(95)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	3,613	7,662
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit	(3,613)	(7,662)
Actual amount charged against the General Fund for Pensions in the year	0	0
Employers contributions payable to scheme	1,305	1,500
Discretionary Benefits		
Retirement benefits payable to pensioners	101	96

36. DEFINED BENEFIT PENSION SCHEMES CONTINUED

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plan is as follows:

Local Government Pension Scheme	2012/2013 £000	2013/2014 £000
Present value of the defined benefit obligation	84,757	88,756
Fair Value Plan Assets	(50,451)	(48,384)
Sub total	34,306	40,372
Other movements in the liability (asset)	0	0
Net liability arising from defined benefit obligation	34,306	40,372

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

Local Government Pension Scheme	2012/2013 £000	2013/2014 £000
Opening Fair Value of Scheme Assets	44,801	50,451
Expected Return on Scheme Assets	2,528	0
Interest Income	0	2,193
Total Actuarial gains/(losses)	4,317	0
Re -measurement gains/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	0	831
Other	0	(3,842)
Contributions from employer	1,406	1,596
Contributions from employees into the scheme	410	392
Benefits Paid	(3,011)	(3,233)
Other	0	(4)
Closing Fair Value of Scheme Assets	50,451	48,384

36. DEFINED BENEFIT PENSION SCHEMES CONTINUED

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

Local Government Pension Scheme	2012/2013 £000	2013/2014 £000
Opening Balance 1 April	76,900	84,757
Current Service Costs	1,604	1,762
Interest Cost	3,516	3,679
Contributions by scheme participants	410	392
Re – measurement gains/(loss)		
Actuarial (Gains) and Losses arising from changes in demographic assumptions	0	4,694
Actuarial (Gains) and Losses arising changes in financial assumptions	5,238	193
Other experience	0	(3,937)
(Gains) and Losses on Settlements / Curtailments	100	449
Benefits Paid	(2,910)	(3,137)
Unfunded Pension Payments	(101)	(96)
Closing Balance 31 March	84,757	88,756

The Local Government Pension Scheme's assets consist of the following categories, by proportion on the total assets held:

	2012/13 £000	2013/14 £000
Equities	36,829	35,320
Gilts	3,532	3,871
Other Bonds	3,027	2,419
Property	6,054	5,322
Cash	1,009	1,452
Total Assets	50,451	48,384

From the information we have received from the administering authority, we understand that of the Equities allocation above, 49% are UK investments, 48% are overseas investments and 3% are private equity investments of unspecified origin. Of the above, 93% are listed in a market and the remainder are not.

Of the Gilts allocation above, 60% are UK fixed interest Gilts, 25% are overseas fixed interest government bonds, and 15% are UK inflation – linked Gilts. Of the Other Bonds allocation above, 59% are UK corporates, 9% are overseas corporates and 32% are inflation –linked.

36. DEFINED BENEFIT PENSION SCHEMES CONTINUED

Basis for Estimating Assets & Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years that is dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been:

LGPS & Disc. Benefits	2012/13 £000	2013/14 £000
Mortality Assumptions		
Longevity at 65 for current pensioners		
Men	18.7	22.0
Women	22.8	25.1
Longevity at 65 for future pensioners		
Men	20.7	24.1
Women	24.6	27.4
Rates of Inflation		
RPI (Per Annum)	3.4%	3.5%
CPI (Per Annum)	2.6%	2.7%
CPI (Real)	-0.8%	-0.8%
Rates of Increase in Salaries		
(Per Annum)	4.8%	4.5%
(Real)	1.4%	1.0%
Rates of Increase in Pensions		
(Per Annum)	2.6%	2.7%
(Real)	-0.8%	-0.8%
Rates for Discounting Scheme Liabilities		
(Per Annum)	4.4%	4.4%
(Real)	1.0%	0.9%

Additional Assumptions

- Members will exchange half of their commutable pension for cash at retirement.
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age.
- 10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits, which will come into effect during the 2014/15 financial year

36. DEFINED BENEFIT PENSION SCHEMES CONTINUED

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all 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 in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. 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.

Impact on the Defined Benefit Obligation in the Scheme

	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	3,212	(3,181)
Rate of increase in salaries (increase or decrease by 0.1%)	202	(201)
Rate of increase in pensions (increase or decrease by 0.1%)	1,348	(1,324)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(1,499)	1,526

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions. The employer contribution rate for 2014/15 is 13% (2013/14 12.9%) and the authority anticipates paying £1,273,000 in expected contributions to the scheme. The deficit recovery contribution is now expressed as monetary amounts and the contribution anticipated by the authority for 2014/15 is £478,000 (£406,085 in 2013/14). Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016. The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants. The estimated duration of the defined benefit obligation for scheme members is 18 years.

36. DEFINED BENEFIT PENSION SCHEMES CONTINUED

Projected Pension Expense for the Year to 31 March 2015

Projected Pension Expense	2014/15 £'000
Service cost	1,433
Net Interest on the defined liability (asset)	1,749
Administration Expenses	3
Total	3,185
Employer contributions	1,273

Note: These figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2014.

These projections are based on the assumptions as at 31 March 2014, as described in the Barnett Waddington actuary report.

37. CONTINGENT LIABILITIES

At the 31st March 2014 the Council had one contingent liability requiring disclosure. The Council gave an environmental warranty as part of the housing stock transfer in 2003, both to Rushcliffe Homes – now Metropolitan Housing Trust and to their lender, Nationwide Building Society. The former is expected to run for 14 years until 2018 and the latter for 31 years to 2035. The value of the liability is unknown and to date there have not been any issues identified.

Last year there was a second Contingent Liability in respect of Land Charges. A provision has been created for £100,000 to address the likely payment with regard to this liability (see Note 20).

38. CONTINGENT ASSETS

At the 31 March 2014 the Council has two contingent assets requiring disclosure:

Following the large scale voluntary transfer of council houses to Metropolitan Housing Trust (formerly Rushcliffe Homes Ltd & Spirita Ltd) the Council is still entitled to preserved right to buy receipts. There were receipts of £129,000 in respect of 2013/14 disposals (2012/13 £107,000). Future receipts will depend on further right to buy sales and it is difficult to predict the amount to be received in any one year.

In addition, the Council has identified a contingent asset relating to an overage agreement for Land at Sharphill, Edwalton. The agreement arises from a transfer of a piece of agricultural land to the original seller. The transfer back included a provision giving the Council a percentage of the uplift of the original value of the land in the event of it being sold with the benefit of planning permission. Cabinet (January 2005) approved that the Council would receive 40% of such an uplift thus potentially giving rise to a significant capital receipt.

The overage agreement defines the events which could trigger a payment or payments to the Council.

39. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council's activities expose it to a variety of financial risks:

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

The Authority'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. Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers.

The risk is minimised through the Treasury Management Policy, which requires that deposits are not made with financial institutions unless they meet the identified minimum credit criteria. This means that, ordinarily, the counterparty must have long-term credit ratings of A-or above, but due to the current economic climate the Council is only lending money to institutions that can also access the Government's credit guarantee scheme.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. There remains a risk that the Council's deposits could be unrecoverable in the event of an institution failing, but there was no evidence at the 31 March 2014 that this was likely to happen.

No credit limits were exceeded during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to its deposits.

The Authority does not generally allow credit to its customers. The past due but not impaired amount can be analysed by age as follows:

39. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS CONTINUED

	2012/2013 £000	2013/2014 £000
Less than three months	443	748
Three to six months	79	112
Six months to one year	87	175
More than one year	518	558

Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrow from the money markets and the Public Works Loans Board. 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 will be bound to replenish a significant proportion of its borrowings as a time of unfavourable interest rates. The authority sets limits on the proportion of its fixed rate borrowing during specific periods. All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movement in interest rates have a complex impact on the authority. For instance, a rise in interest rates could have the following effects:

- **Borrowings at variable rates** – the interest expense charged to the Surplus or Deficit on the Provision of Services would rise.
- **Investment at variable rates** – interest income credited to the Surplus or Deficit on the Provision of Services will rise.
- **Investments at fixed rates** – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income or Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. The Authority is cushioned to some degree as it does not have any debt at the balance sheet date. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

As the Council does not have any borrowings at the balance sheet date the management of interest rate exposure is focused on its investments. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated.

39. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS CONTINUED

According to this assessment strategy, at 31 March 2014, if interest rates had been 1% higher or lower with all variables held constant, the effect would be:

	2012/2013 £000	2013/2014 £000
Increase in Interest Receivable on Variable Rate Investments	352	176
Impact on Surplus or Deficit on the Provision of Services	352	176
Decrease in Fair Value of Fixed Rate Investments	0	0
Impact on Other Comprehensive Income and Expenditure	0	0

Price Risk

The Authority has no equity shareholdings and therefore no exposure to risk arising from movements in share prices.

Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.

F. COLLECTION FUND

Income and Expenditure Account

2012/ 2013 £000		Note Ref	2013/2014 Council Tax £000	2013/2014 NNDR £000	2013/2014 Total £000
	INCOME				
61,972	Council Tax	2	63,571	0	63,571
	Transfers from General Fund				
5,310	• Council Tax Benefits		0	0	0
22,561	Income from business ratepayers		0	26,090	26,090
89,843			63,571	26,090	89,661
	EXPENDITURE				
	Precepts and Demands				
49,468	• Nottinghamshire County Council		46,472	0	46,472
6,899	• Nottinghamshire Police Authority		6,608	0	6,608
2,889	• Nottinghamshire Fire Authority		2,714	0	2,714
7,241	• Rushcliffe Borough Council		6,994	0	6,994
	Business Rate				
22,450	• Payments to the National Pool		0	0	0
0	• Payments to Government		0	13,429	13,429
0	• Payments to Nottinghamshire County Council*		0	10,940	10,940
0	• Payments to Nottinghamshire Fire Authority		0	269	269
0	• Payments to Rushcliffe Borough Council		0	2,220	2,220
111	• Costs of Collection		0	111	111
	Impairment of Debts/Appeals				
(123)	• Write offs and uncollectable amounts		92	121	213
205	• Allowance for Impairment		24	(132)	(108)
0	• Provision for appeals		0	1,290	1,290
	Contributions				
861	• Distribution of previous year's Collection Fund surplus	3	231	0	231
90,001			63,135	28,248	91,383
(158)	Movement on Fund Balance	3,5	436	(2,158)	(1,722)
839	Opening Fund Balance	3	681	0	681
681	Closing Fund Balance		1,117	(2,158)	(1,041)

*This includes £8,523,000 payable to the Nottinghamshire Business Rates Pool.

F. NOTES TO THE COLLECTION FUND

1. GENERAL

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

2. CALCULATION OF COUNCIL TAX BASE

The calculation of the Council Tax base i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings is shown in the table below:

Band D Equivalents 2012/13	Band	Chargeable properties after discounts	Ratio	Band D Equivalents 2013/14
3,224	A	3,700	6/9	2,465
6,320	B	6,841	7/9	5,321
8,323	C	8,752	8/9	7,779
8,111	D	7,897	9/9	7,897
7,035	E	5,723	11/9	6,995
5,158	F	3,565	13/9	5,149
3,511	G	2,119	15/9	3,532
195	H	102	18/9	204
41,877				39,342
(418)	Non-Collection Impairment was 1% for 2013/14 (2012/13 1.00%)			(394)
41,459	Council Tax Base			38,948

The reduction in the Council tax base between 2013/14 and 2014/15 is as a result of the Government's Council Tax Localisation changes which revised the way Central Government pay Council Tax benefit compensation to the council.

3. COLLECTION FUND COUNCIL TAX BALANCE/REDISTRIBUTING SURPLUSES

The precepts detailed in the statement are shown net of the previous year's surpluses. The Council estimates the year end Collection Fund Council Tax balance in January each year and in accordance with the Local Authorities (Funds) (England) Regulations 1992 this amount is distributed in the following financial year to the major preceptors in proportion to the respective precepts and demands. Any difference between the estimated and outturn figure is adjusted for in the following year.

For 2013/14 a Collection Fund Council Tax surplus of £231,000 was redistributed between the major precepting authorities. Of this £253k reflected the estimated outturn on the 15 January 2013 and £22,000 deficit arose from the difference between the estimated and actual outturn positions for 2011/12.

F. NOTES TO THE COLLECTION FUND CONTINUED

At the 15 January 2014 the Collection Fund Council Tax surplus for 2013/14 was estimated at £912,000 comprising an in-year surplus of £461,000 and £451,000 surplus arising from the difference between the actual and estimated outturns for 2012/13. These funds will be redistributed to the major precepting authorities in 2014/15.

2012/13 £000		2013/14 £000	2014/15 £000
643	Nottinghamshire County Council	172	677
86	Nottinghamshire Police Authority	24	95
38	Nottinghamshire Fire Authority	10	40
94	Rushcliffe Borough Council	25	100
861		231	912

At the 31 March 2014 the actual outturn for the Collection Fund Council Tax was £1.117million, an increase of £205,000 for the estimated outturn. This will be adjusted for as part of the calculations for the redistribution of Collection Fund balances in 2015/16.

4. NON-DOMESTIC RATES

The Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate in the pound. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) which was managed by Central Government, which in turn paid a standard amount back to Councils on a per capita basis.

In 2013/14, the administration of NNDR changed following the introduction of the business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to a central pool, local authorities retain a proportion of the collectable rates due. For Rushcliffe Borough Council the local share is 40%, the remainder is distributed to preceptors in the following proportions: Central Government (50%), Nottinghamshire County Council (9%) and Nottinghamshire Fire Authority (1%).

As a result of the changes and to help manage risks surrounding business rates volatility, the Nottinghamshire Business Rates Pool was formed. This is administered by Nottinghamshire County Council and includes the seven Nottinghamshire Districts and Nottinghamshire County Council.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the Valuation Office so authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. Note 20 provides further details on the provision made in 2013/14.

The total non-domestic rateable value, amounts due to the national pool and the national non-domestic rate multiplier for the year, are shown in the table below.

F. NOTES TO THE COLLECTION FUND CONTINUED

2012/2013		2013/2014
£71.276m	Local Rateable Values	£68.680m
£22.450m	Amount due to the National Pool	0
45.8p	National non-domestic rate multiplier	47.1p

5. NON-DOMESTIC RATES DEFICIT

At 31 March 2014 the actual outturn for the Collection Fund NNDR was a deficit of £2.158m which is then contributed towards by the preceptors as detailed in the following table.

	2013/14 £000
Central Government (50%)	(1,079)
Rushcliffe Borough Council (40%)	(863)
Nottinghamshire County Council (9%)	(194)
Nottinghamshire Fire Authority (1%)	(22)
	(2,158)

H. GLOSSARY OF TERMS

ACCOUNTING PERIOD

This is the length of time covered by the accounts. It is normally a period of twelve months commencing on 1st April. The end of the accounting period is in the balance sheet.

ACCRUALS

Income or expenditure relating to goods or services received / provided during the accounting period where payment has not been made or received at the end of the accounting period.

ACTUARIAL ASSUMPTIONS

Assumptions made by the Pension Fund Authority in valuing the funds assets and liabilities.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with the actuarial assumptions made in the last
- the actuarial assumptions have changed.

ACTUARIAL VALUATION

An actuary undertakes a valuation by comparing the value of the pension scheme assets with its liabilities. The actuary then calculates how much needs to be paid into the scheme by the employer and members to ensure there will be adequate funds to pay the pensions when they become due.

AMORTISATION

This is a charge made to the service revenue accounts each year to reflect the reduction in the value of the assets used in the delivery of services.

ASSET

An asset is something the Council owns. Assets can be either current or fixed.

A current asset is one that will be used or cease to have a material value by the end of the next financial year.

A **fixed asset** provides a benefit to the Council for a period greater than one year.

BALANCE SHEET

A statement summarising the Council's financial position at the end of the accounting period. The statement shows the Council's assets and liabilities.

BILLING CONTROL

Rushcliffe Borough Council is classed as a billing Council as it has the responsibility of collecting the Council Tax and non-domestic rates. It collects the Council Tax on behalf of the County Council, Fire, Police and Crime Commissioner and Parish Councils and the non-domestic rates on behalf of the central government.

CAPITAL EXPENDITURE

Expenditure on the acquisition or enhancement of a fixed asset, which adds to and not merely maintains the value of existing assets.

CAPITAL RECEIPTS

Proceeds arising from the sale of fixed assets, such as land and buildings.

CAPITAL FINANCING

Sources of money that have been used to finance the capital programme. The Council uses various methods to finance its capital expenditure, including direct financing, usable capital receipts, capital grants, revenue reserves and earmarked reserves.

CAPITAL ADJUSTMENT ACCOUNT

This account contains the amount that was required to be set aside from the capital receipts and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and the amount that must be set aside from revenue for the repayment of external debt.

CAPITAL GRANTS UNAPPLIED

These are capital grants that the Council has received, that have not yet been used to finance capital expenditure.

CAPITAL PROGRAMME

The planned capital schemes the Council intends to carry out over a specified period of time.

CAPITAL RECEIPT

The Council can use the proceeds from the disposal of fixed assets to finance new capital investments, the proceeds cannot be used to finance revenue expenditure.

CENTRAL SERVICES TO THE PUBLIC

The main service to the public often provided by central departments, includes, Council Tax, Council Tax Benefits, Elections, Emergency Planning, Local Land Charges and General Grants.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

Professional accountancy body specialising in the public sector.

COLLECTION FUND

A separate fund recording the income and expenditure relating to Council Tax and Business Rates.

CONTINGENT LIABILITIES ASSETS

A contingent liability / asset is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control, or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities.

CREDITORS

Amounts owed by the Council for goods or services they have received for which payment has not been made.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefit schemes liabilities.

DEBTORS

Amounts owed to the Council for goods or services the Council has provided for which payment has not been received.

DEPRECIATION

This is a charge made to the service revenue accounts each year to reflect the reduction in the value of the asset used in delivery of services.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

GOVERNMENT GRANTS

Grants made by the government towards either revenue or capital expenditure or support the cost of provision of services. These grants may be specifically towards the cost of particular schemes or to support the revenue spend of the Council.

GROSS BOOK VALUE

The historical cost or the revalued amount of the asset before depreciation.

HISTORICAL COST ADJUSTMENT

This is the difference between Historical Cost Depreciation and the actual depreciation charged calculated on re-valued assets.

IMPAIRMENT

Where the value of fixed assets reduces below its carrying amount on the balance sheet.

INVENTORIES

Items brought for consumption or resale, or raw materials, currently being held.

LIABILITY

A liability is where the Council owes payment to an individual or on organisation.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to a Councils revenue account each year for the servicing of debt.

NET BOOK VALUE

This is the value of an asset that is counted in the balance sheet. It represents its historical re-valued cost less than accumulated depreciation of the asset.

NET WORTH

The total value of an organisation expressed as total assets less total liabilities.

NON –DISTRIBUTED COSTS

Past service pension costs including settlements and curtailments which are not to be included in total individual service costs.

NATIONAL NON DOMESTIC RATES (NNDR)

A levy on business, based on a national rate in the pound set by the government multiplied by the rateable value of the premises they occupy. NNDR is collected by billing authorities on behalf of central government and then redistributed among all local authorities. New arrangements from 1 April 2013,

the business rate retention scheme were introduced. These arrangements provide a direct link between business rates growth and the amount of money local authorities have to spend on services. Local authorities can keep a proportion of their business rates collected in their area after certain contributions to and from the Government have been made.

NON OPERATIONAL ASSET

Fixed assets held by the Council but are not directly occupied used or consumed in the delivery of services.

NOTTINGHAMSHIRE BUSINESS RATES POOL

As a result of the new business rates arrangements the Nottinghamshire Business Rates Pool was formed. This is administered by Nottinghamshire County Council and includes the seven Nottinghamshire Districts and Nottinghamshire County Council.

OPERATING LEASE

A lease where the ownership of the asset remains with the lessor.

OPERATIONAL ASSET

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of services.

PRECEPT

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from taxpayers on their behalf.

PROVISION

Provisions are liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain.

RATEABLE VALUE (RV)

The annual assumed rental value of a property that is used for business purposes.

REALISED VALUATIONS

Any revaluations in the Revaluation Reserve relating to individual assets when they are disposed of are transferred to the Capital Adjustment Account and are referred to as Realised Valuations. This ensures the Revaluation Reserves balance represents revaluations on assets that the Council still holds.

RELATED PARTIES

The Council is required to disclose material transactions with related parties- bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

RESERVES

Funds set aside for expenditure in future years. Certain reserves have constraints on how they can be spent.

REVALUATION RESERVE

This reserve records unrealised revaluation gains/ losses from holding fixed assets.

REVENUE EXPENDITURE

Expenditure on the day-to-day costs of providing services.

REVENUE SUPPORT GRANT (RSG)

Grant from Central Government towards the cost of service provision.

SERCOP

Stands for Service Reporting Code of Practice for Local Authorities and provides guidance on financial reporting to stakeholders and supports the objective to establish the widest range of financial reporting requirements, in order that date comparability is achieved.

TRANSFER PAYMENTS

Relates to payments for which no goods or services are received by the Council e.g. Rent Allowances.