

# Statement of Accounts

For year ended 31 March 2017



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## **A. NARRATIVE STATEMENT**

### **Welcome to the Statement of Accounts**

**Peter Linfield, Executive Manager (Finance and Corporate Services)**

#### **Introduction**

As the Council's Chief Finance Officer, I have pleasure in presenting the Narrative Statement to Rushcliffe's 2016/17 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 Narrative Statement replaces what was traditionally referred to as the Explanatory Foreword and is now enhanced to report not only on the accounts by summarising key events and their financial impact but also non-financial performance indicators against key corporate priorities and commentary on key risks. It also provides additional context on some of the issues and challenges that have faced the Council during the year. I hope that this Narrative Statement, and the information that follows, gives a clear picture of how Council Tax and our other sources of income are used to deliver a wide range of services. The Narrative Statement, 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 2016/17. It should be noted that this year a new Expenditure and Funding Analysis Statement has been introduced (that accords with professional practice), which reports income and expenditure as it is reported to the Council.

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](mailto:finance@rushcliffe.gov.uk).

Peter Linfield  
Executive Manager (Finance and Corporate Services)



## 1. The Statement of Accounts

The Executive Manager (Finance and Corporate Services) is the statutory officer responsible for the proper administration of the Council's financial affairs (sometimes referred to as the Chief Finance 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 Finance 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 2016/17 (known as *The Statement of Responsibilities*) appears on Page 1 of the Statement of Accounts.

The Statement of Accounts 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 on pages 8 to 22 of the Statement of Accounts.

The Statement of Accounts has been reviewed by the Council's external auditors, KPMG, and as with previous years they have concluded that it provides a true and fair view of Rushcliffe's financial position for the financial year 2016/17.

## 2. Council Performance

Performance is reported quarterly to the Council's Performance Management Board (PMB). PMB discussed the corporate scorecard at its meeting on 29 September 2016 and asked for the set of indicators within the scorecard to be changed to better represent the new strategy and to provide the opportunity to scrutinise those indicators that are more relevant. As a result the new corporate scorecard has increased from 33 indicators to 54, a combination of those monitored within the Corporate Strategy 2012-16, the new Corporate Strategy 2016-20 and operational measures. At the end of 2016/17, the PMB report of 20 June 2017 highlighted 22 indicators with 'green status' (achieving or within 1% of their target). Particular highlights for each corporate priority include:

### Supporting economic growth to ensure a sustainable, prosperous and thriving local economy

*Indicator ref    Indicator Description*

**LITR31 - Percentage of new private homes on the colliery site completed.** The build out of this site has been faster than expected, 46% have been completed against a target of 20%.

**LITR32 - Percentage of new affordable homes on the colliery site completed.** There have been 28 new affordable homes built out of the 137 due to be built on this site, providing an opportunity for families on lower incomes to rent and buy in an area where more supply is much needed.

**LITR34 - Percentage of employment units on the Cotgrave colliery site occupied.** The new units are due for completion in July 2017 and these will provide an increased supply of units.

**LITR35 - Percentage of Growth Deal money drawn down and allocated.** To date £3m (48%) of the Growth Deal money has been secured and this will facilitate the re-development work in Cotgrave, with further money allocated for development at Bingham and RAF Newton.

### Maintaining and enhancing our residents' quality of life

**LIFCS01 – Percentage of users satisfied with sports and leisure centres** - Satisfaction remains high at 90.5% and the opening of the new Rushcliffe Arena in January 2017 has provided residents with an outstanding leisure centre with the opportunity to choose from a wide spectrum of sporting activities.

**LINS24 – Number of affordable homes delivered** – the target was reached within the first 6 months as a greater than expected number of affordable homes have been delivered. The 73 completions have continued the increased provision, following the previous year’s achievement of 79 in 2015/16.

**LINS38 – Robberies per 1,000 population** – achieved 0.23 compared to the target of 0.24. The incidence of this crime has fallen from a highpoint of 1.07 in 2007/08.

**LINS39 – Vehicle crimes per 1,000 population** – achieved 3.19 compared to the target of 3.8, continuing the downward trend and is the lowest recorded. The number of crimes recorded in the Borough continues to fall.

#### Transforming the Council to enable delivery of efficient high quality services

**LITR03a – Percentage increase in self-serve transactions** – this is a new measure that tracks the growth in the uptake of self-service services the Council offers through its automated channels, and the increase of 13.67% this year is largely due to the popularity of online registering and paying for the green bin service.

**LITR12 – Percentage of RBC owned industrial units occupied** – the units have remained occupied almost throughout the whole year and improved on last year’s occupation of 99.38% with a record performance of 99.45% against a target of 98%.

**LITR13 – Level of income generated through letting property owned by the Council but not occupied by the Council** – the income received has exceeded target by over £246,000 as a result of high occupancy levels with actual performance at £1.24m against a target of £1.0m.

This year is the first of the new Corporate Strategy 2016-20. There have been significant outcomes for the community already with the opening of the new Rushcliffe Arena and the refurbishment of Bridgford Hall nearing completion. The highlights for each task are listed below:

#### Supporting economic growth to ensure a sustainable, prosperous and thriving local economy

##### **ST1620\_01 Develop a programme of Growth Boards initially focusing on West Bridgford, Bingham and Radcliffe on Trent to support economic growth and infrastructure in these areas**

Growth boards have been set up for the three areas prescribed within the strategic task and are making progress in their aim to guide development in these areas. A new growth board for East Leake will meet for the first time in the summer of 2017.

##### **ST1620\_02 Proactively engage with partnership activities to maximise the benefits of collaborative working for Rushcliffe residents and businesses, including: • Playing an active role in D2N2 • Combined Authority • Collaboration Partners**

The Council continues to be involved in various collaboration activities including payroll, green bins, tree advice, ICT provision and Building Control, with further opportunities being considered, such as extending the green bin service to other Councils.

**ST1620\_03 Activate the Asset Investment Strategy to maximise the Council's asset portfolio as the conditions prescribed in the Strategy arise**

Options are being considered for housing development and the general commercial sector.

**ST1620\_04 Work with partners to progress infrastructure projects, including: • Improvements to the A52 • Improvements to the rail connections between Nottingham and Grantham • Feasibility of a fourth Trent crossing**

Phase 1 of the A52 road improvements are in progress, and work is ongoing to finalise a business case for improved services on the 'Poacherline' between Nottingham and Bingham.

**ST1620\_05 Regenerate Cotgrave, including:**

**New housing on the colliery site**

- Employment opportunities through jobs clubs, apprenticeships and training,
- Additional employment units on the colliery site
- A vibrant town centre with new public sector facilities and refurbished shops and public areas

New homes are being completed and occupied including 28 affordable homes, providing much needed accommodation whilst also providing opportunities for local young people to apply for apprenticeships. The new employment units are nearing completion and will be ready for businesses to move in during the summer of 2017.

**ST1620\_06 Contribute towards economic growth in the Borough**

The Council was successful in its application for 'Growth Deal 2' funding, nearly 50% has been secured and will be used to help development at sites in Bingham, Cotgrave and Newton.

Maintaining and enhancing our residents' quality of life

**ST1620\_07 Activate the Leisure Strategy to best provide leisure facilities and activities as the conditions prescribed in the Strategy arise**

The building of a new joint leisure centre and civic office has enhanced the provision of leisure facilities in Rushcliffe and provided modern fit for purpose office accommodation that will be less expensive to run than three separate buildings.

**ST1620\_08 Facilitate activities for Children and Young People to enable them to reach their potential**

Community Development Group are actively considering YouNG programme and will consider current opportunities in order to recommend to Cabinet a future operating model for the programme.

**ST1620\_09 Deliver Part 2 of the Rushcliffe Local Plan**

Work is on-going to identify preferred options for Local Plan part 2 and to complete the Green Belt review.

Transforming the Council to enable delivery of efficient high quality services

**ST1620\_10 Deliver the Medium Term Financial Strategy**

The Medium Term Finance Strategy for 2016/17 has been delivered, and has been refreshed for 2017/18.

**ST1620\_11 Continue to reduce costs and increase efficiencies**

Access to Council services online continues to improve as more can be reported, applied for and paid electronically, for example, a council tax exemption and discount form is now available online.

## **ST1620\_12 Continue to develop the Council's Property Portfolio to enhance the Council's financial position and deliver community outcomes**

Great progress has been made with this task: Civic Centre has been sold, the Arena is completed and operational, Bridgford Hall refurbishment is nearing completion.

### **3. Risk Management**

The Council's Risk Management Strategy was refreshed and updated to ensure that it reflects the current operational structure, given staffing changes during the year. The Council's Risk Management Strategy was reviewed in May 2017 and continues to provide the framework for managing risk. The Corporate Governance Group (CGG) is provided with updates on the risk management arrangements, and the Group's responsibility is "to oversee and scrutinise the effective management of risk by officers".

Throughout the year the Executive Management Team has met as the Council's Risk Management Group in order to oversee the management of risk across the organisation and review, where necessary, strategic and operational risk. The number of risks within the registers will fluctuate throughout the year as active risk management is undertaken. Changing pressures facing local government and the proactive work of managers to identify risks as they emerge will continue to influence new risks added to the register and demonstrates the Council's aim to be proactive to mitigate risk as soon as possible after identification. There are currently 31 corporate risks (as reported to CGG on 11 May 2017). There has also been an increase in the number of operational risks to 32. Therefore the total number of risks has increased to 63.

Examples of risks that have been changed following the review process are:

#### **Risks removed:**

- CRR\_TR19 Potential delay for exchange or completion of contracts for the sale of the Civic Centre – the Civic Centre has been sold and is no longer a risk to the Council.
- The risk 'Potential delay of handover of new building at the Arena', included in the last report as 'in development' has been removed now that occupation was completed on time.

#### **Risks added or proposed by Risk Management Group:**

- Failure to successfully complete the Rushcliffe Arena snagging list
- Challenge to ensure sufficient car parking spaces at Rushcliffe Arena
- Failure to successfully review the day to day operation of the Rushcliffe Arena

The Council's Medium Term Financial Strategy highlights key financial risks; the higher rated risks are as follows:



Risk	Likelihood	Impact	Action
Fluctuation in business rates linked to appeals and in particular the power station	High	High	Growth plans and accurate monitoring; lobbying central government
Central Government policy changes e.g. changes to NHB and 100% Business Rates to local government	High	High	Engagement in consultation in policy creation
Reductions in Government Funding	High	High	Lobbying and service transformation and budget planning
Pensions triennial revaluation and the potential increase to pension contributions.	High	High	To be aware of actuary's report and implications. Risks affected by local demographics and the impact on interest rates and share prices of international economic conditions. Also the ability to influence central government policy on the Local Government scheme.

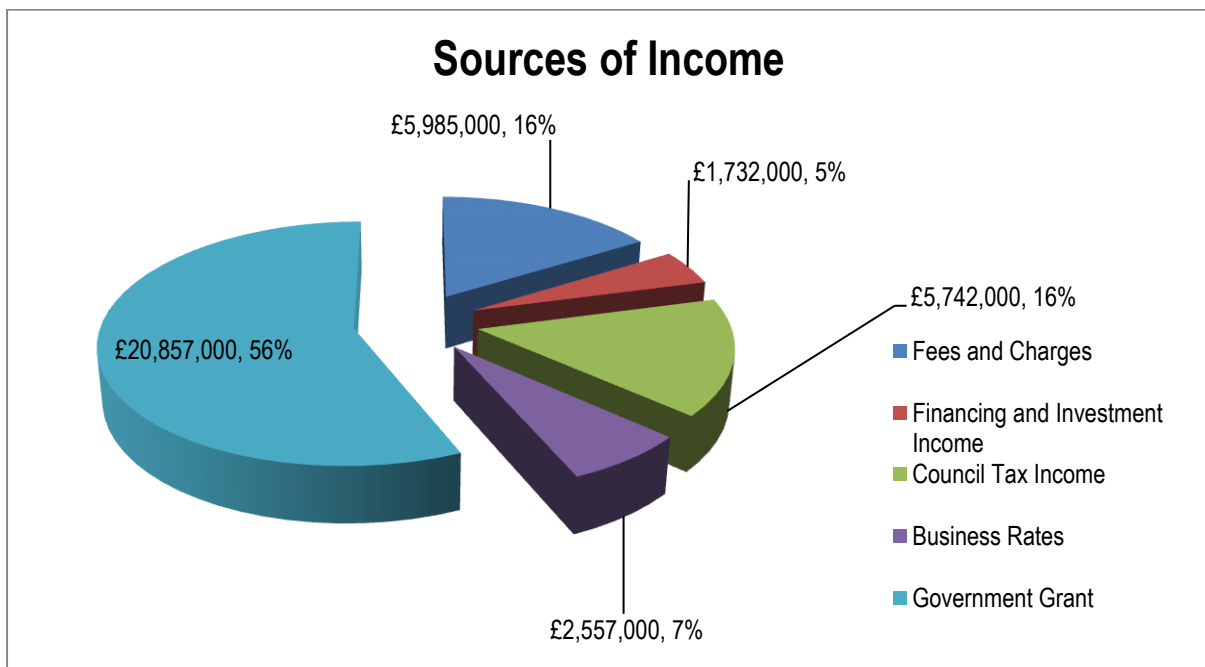
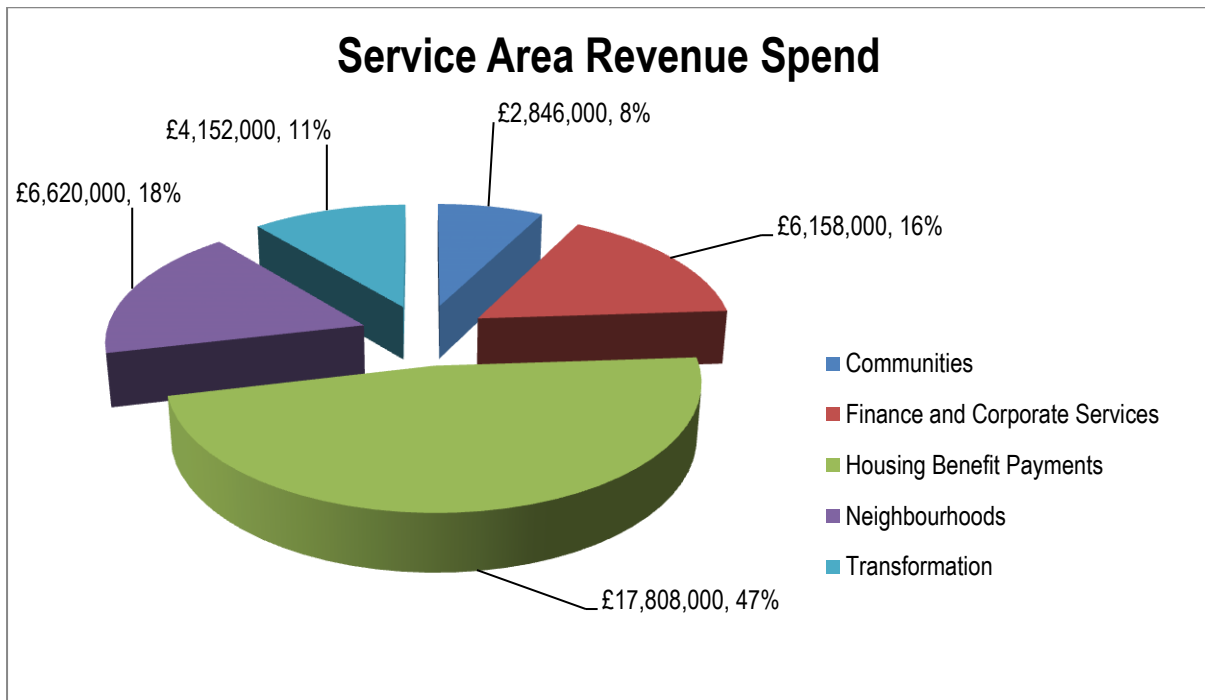
#### 4. Revenue Expenditure and Income

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 with Reserves increasing by a net £0.675m. Of the £2.823m transferred to reserves, £2.073m was New Homes Bonus (NHB), the remainder was largely due to the year-end underspend. Much of the £2.148m use of Reserves was in relation to the Leisure Strategy capital project. Reserves are available to meet future cost pressures, thus:

- Enabling delivery of the transformation programme by which the Council will balance future budgets and continue to deliver high quality services;
- Smoothing saving requirements between financial years;
- Enabling the Council to deal with the volatility from changes to central government funding methodology (such as fall in business rate values);
- Funding capital expenditure including enhancement of 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 4) 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 2015/16 at £2.6m. Earmarked reserves have increased by £0.675m from £9.540m to £10.215m (see Note 9). The level of reserves puts the Council in a strong position to both withstand future financial pressures and look at opportunities to develop the Borough.

The following charts demonstrate where money was spent in 2016/17 and how this expenditure was funded):



## 5. 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. It can be seen from the chart on page IX that just under 40% of the capital expenditure in the year on *Operational Land and Buildings* was £7.039m. Works were completed on the Arena Redevelopment to provide fully enhanced leisure facilities and new Civic office accommodation and a piece of land was acquired north of Bingham for regeneration purposes.

Expenditure on *Vehicle, Plant and Equipment* is the next largest category of spend at just over 25% (£4.854m). The main element of this is the mechanical, electrical, and IT infrastructure installations as part of the Arena Redevelopment. The Council also invested £0.326m on the vehicle replacement programme.

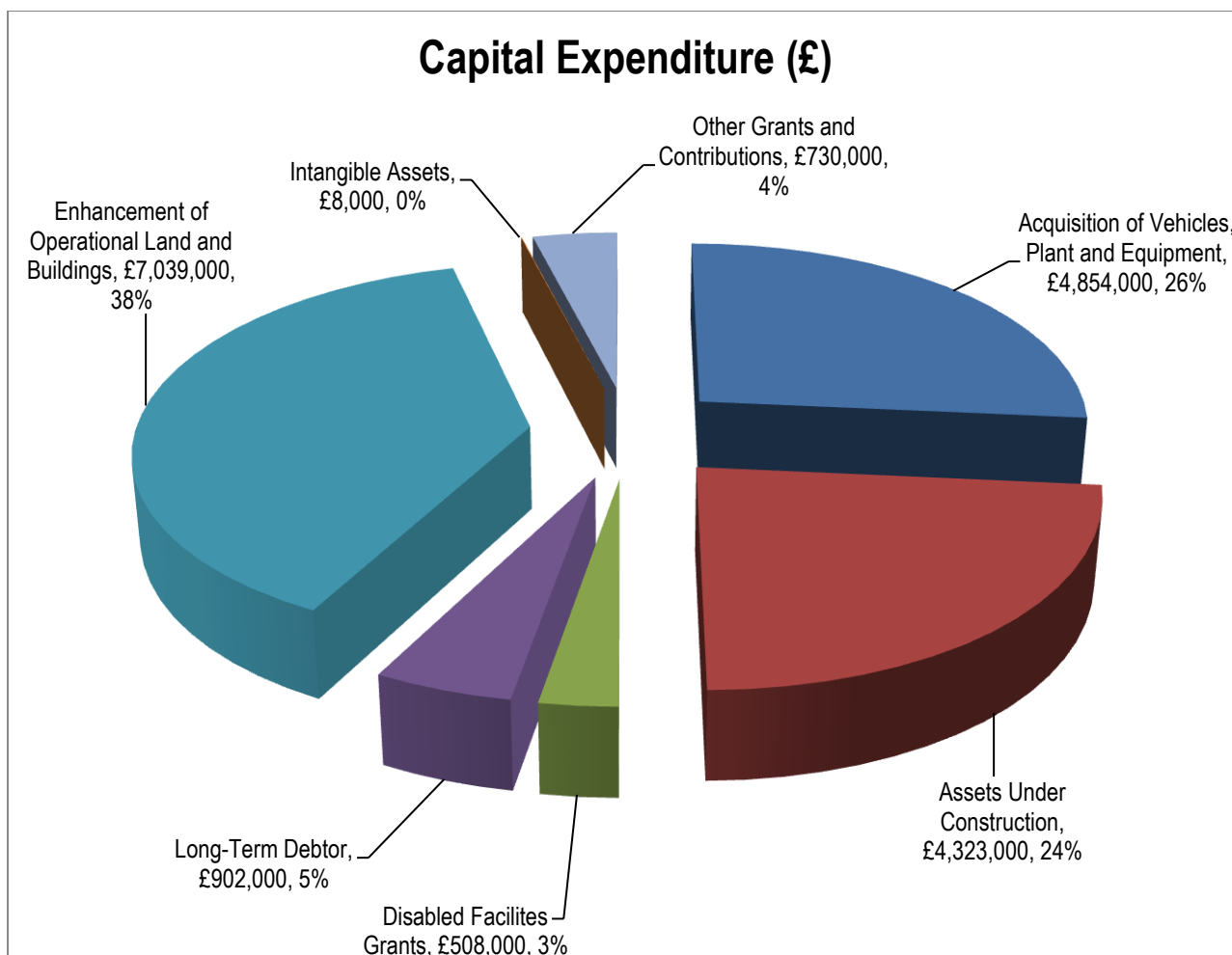
*Assets under Construction* account for just under 25% of capital expenditure in the year at £4.323m. £2.058m was on renovation and conservation works at Bridgford Hall. The scheme was very near completion in 2016/17 with formal opening due to take place early in June 2017. The regeneration of Cotgrave continues with the development of new employment units and further land acquisitions for site assembly.

The other significant form of capital expenditure comprises capital grants and contributions released to finance capital assets owned by third parties. Of the £1.238m released, £0.508m was in the form of mandatory and top-up Disabled Facilities Grants (partially offset by a grant from Central Government totalling £0.411m). The balance of £0.730m arises from partnership grants and includes £0.205m contribution to replacement of the All-Terrain Pitch at Bingham Leisure Centre, a £0.126m contribution made to Metropolitan Housing Trust for strategic properties in Cotgrave, and £0.083m to facilitate the rollout of Broadband across the Borough.

A new long-term debtor has been created with the commencement of the draw-down of a further loan to Nottinghamshire County Cricket Club (£0.902m).

The Council has to ensure its Capital Programme is not only prudent, but also affordable and sustainable. In 2016/17 the Council spent £18.364m compared to an overall Capital Programme of £26.650m giving rise to a variance of £8.286m, which is mainly due to programme slippage. Carry forward commitments total £8.223m the most significant of which are £3.173m for Cotgrave Regeneration and £2.587m for development of land north of Bingham. £0.5m has also been included in the carry forward requirement to support business opportunities assessed under the Asset Investment Strategy as has £0.398m to meet the commitment for the Nottinghamshire County Cricket Club loan. Savings of £0.380m have been identified, half of which arises from unused contingency and no requirement to use the provision included in the programme for essential health and safety expenditure at the old Civic Centre prior to disposal. The sum of £0.317m was required to be accelerated from the 2017/18 capital programme due to historic profiling of the provision made for the Arena Redevelopment.

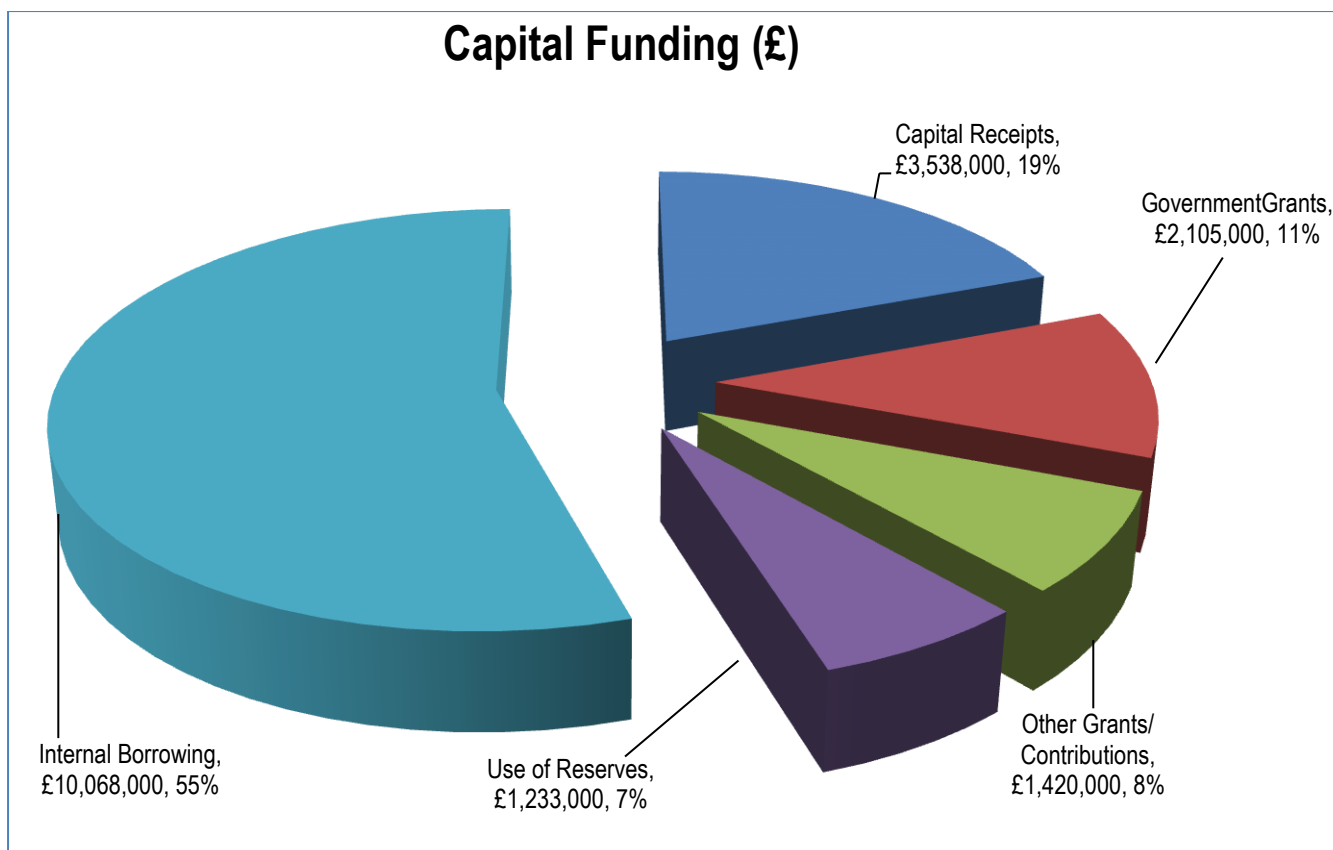
The following chart shows the Capital expenditure for 2016/17:



Source: Capital Expenditure and Capital Financing – Note 33

The Council has no external borrowing and has been debt free since May 2003. This position has shifted as at March 2017 with the Council opting to invoke 'internal borrowing' to temporarily finance the Arena Redevelopment capital scheme. The Council had an opening negative Capital Financing Requirement (CFR) of £0.505m which means that the Capital Programme was 'over financed' in previous years. This now stands at £9.563m showing a movement of £10.068m which agrees with the 'internal borrowing' required to balance the funding of the 2016/17 Capital Programme. This will give rise to the need to make a Minimum Revenue Provision (MRP) payment of £1m in 2017/18 and future years until the CFR is cleared to zero again. The intention is for this payment to be offset by either the receipt of New Homes Bonus (NHB) in year or by a release from the NHB Reserve. The remainder of the 2016/17 Capital Programme has been funded from Use of Capital Receipts, Government Grants, other Grants and Contributions, and Use of Reserves.

The following chart shows the funding for the capital expenditure incurred in 2016/17:



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

In 2016/17 use of 'internal borrowing' represented the largest funding source at £10.068m. Rather than take external loans, the Council has opted to actively use its reserves to temporarily finance the Arena Redevelopment capital scheme. The 'internal borrowing' will be paid back over the next 10 years at approximately £1m per annum. Just under 20% of capital expenditure has been met by the use of Capital Receipts £3.538m which roughly equates to half of the new capital receipt generated from the sale of the Civic Centre in 2016/17 (£6.950m). Government Grants of £2.105m have been applied and the main element of this is £1.662m of Growth Deal Funding to support regeneration in Cotgrave. A further £0.437m Better Care Funding has been utilised to support the delivery of Disabled Facilities Grants, the Handyperson Scheme and Assistive Technology. Use of other grants and contributions accounts for £1.420m of the funding required. The significant element of this is £1.249m Heritage Lottery Funding towards the redevelopment of Bridgford Hall. The Council released £1.233m from Reserves to balance the funding of the capital programme most of which was applied to the Arena Redevelopment Capital Scheme as the Council continues to actively use its resources to support capital investment.

At 31 March 2017, the balance in the Usable Capital Receipts Reserve stood at £13.929m (2015/16 £9.773m). The Council continues to generate its own resources through the disposal of assets deemed surplus. During 2016/17 £7.656m of capital receipts were received, primarily from the disposal of the Civic Centre (£6.950m), repayment of capital loans and clawback income from the Right to Buy Agreement. (Receipts of £0.368m in 2015/16 arose from loan repayments and Right to Buy clawback income). Capital Receipts have been applied to support expenditure on Cotgrave Regeneration, acquisition of Land North of Bingham, Bridgford Hall, the Vehicle Replacement programme and to facilitate the commencement of the loan to Nottinghamshire County Cricket Club. Government Grants

of £2.105m were raised from Growth Deal and Better Care Funding to support Cotgrave Regeneration and delivery of the Disabled Facilities Grants programme. Other Grants and Contributions amounted to £1.420m and includes £1.249m Heritage Lottery Funding to support the conservation works undertaken on Bridgford Hall.

Looking ahead, the Council has approved an ambitious Capital Programme for 2017/18 onwards and intends to support this expenditure through the continued application of Capital Receipts, Use of Reserves, Government and Other Grants and Contributions. As the available capital resources are depleted, there will be a need to undertake some further 'internal borrowing' which will require MRP transactions to be offset by the application of NHB. The level of 'internal borrowing' and the potential need to undertake external borrowing will be dependent upon future capital income streams and receipt of monies that can be set aside into reserves, particularly NHB.

## 6. Major Service Developments and Future Challenges

During 2016/17 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 our external auditors, KPMG in their 2017 Annual Audit Letter, the delivery of transformational activity such as the completion of enhanced leisure and office facilities, and looking forward, the regeneration of Cotgrave Town Centre and development of Employment Units and the maintenance of a balanced revenue budget without reductions in service quality. It also reflects the continued work in the Transformation Strategy to identify efficiency savings of £2.90m until 2021/22 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, for example, Streetwise (as a company) and savings arising from the Leisure and Office Accommodation projects. Further commentary on Streetwise is covered in the Group Accounts on page XIV. Against the backdrop of austerity, the Council continues to invest in local priorities and frontline services such as Waste Collection, Economic Development, Housing and Leisure which creates opportunities for new jobs in, and improves the quality of life for, local communities.
- *Changes to Local Government funding*  
Revenue Support Grant (RSG) is being reduced to zero by 2019/20 with more punitive reductions in earlier years (from 2013/14 this amounts to £3.0m or 96%). Furthermore due to the Council's ability to raise more than most councils in Council Tax, in 2019/20 there is an expectation that the Council will pay £0.25m as a 'tariff' to the Government, which effectively amounts to negative RSG. The result of the Government redirecting resources into areas such as Adult Social Care, means that NHB will reduce from £2.1m (2017/18) to £1.3m (2018/19). We also anticipate little growth in Business Rates due to the potential de-commissioning of Ratcliffe-on-Soar Power Station and other potential business rate appeals.

We will continue to campaign to ensure that Rushcliffe does benefit from the proposed repatriation of 100% of business rates from central to local government, which will be subject to



future consultation. The Council continues to be a member of the Nottinghamshire Business Rates Pool to help mitigate business rates risk and maximise funding opportunities.

- *Pension Contributions*

The Pension Fund liabilities have risen as a result of an increase 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.

- *Commitment to Growth*

Whilst overall funding is reducing, it is important that the Borough continues to grow. Business rates, council tax and NHB income streams will increase as we grow, whilst at the same time we have to meet the cost pressures that arise from growth. For example with more houses more refuse collections are required. The Council is well placed to take advantage of such opportunities and remains committed to attracting businesses to the Borough and enabling housing growth, encouraging both inward and outward investment. The Council has previously been successful in leveraging external funding for Bridgford Hall and Growth Deal funding for employment and housing sites alongside the A46 allied to significant Council investment for Cotgrave. This is indicative of the Council's commitment to support housing and business growth. The Council has now created a Strategic Growth Board supplemented by 3 other Growth Boards to facilitate growth in Cotgrave, Radcliffe and Bingham, and West Bridgford. The Council has set aside £10.5m within its Capital Programme for the Asset Investment Strategy, with a view to improving socio-economic development within the Borough and resultant income streams to help support the budget. £2.7m has been committed as a loan to Nottinghamshire County Cricket Club (e.g. towards the Radcliffe Road Stand redevelopment) and £2.5m to Cotgrave for both employment sites and town centre regeneration. £5.3m remains to be allocated to projects that demonstrate a positive return through a robust appraisal process.

## 7. 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.

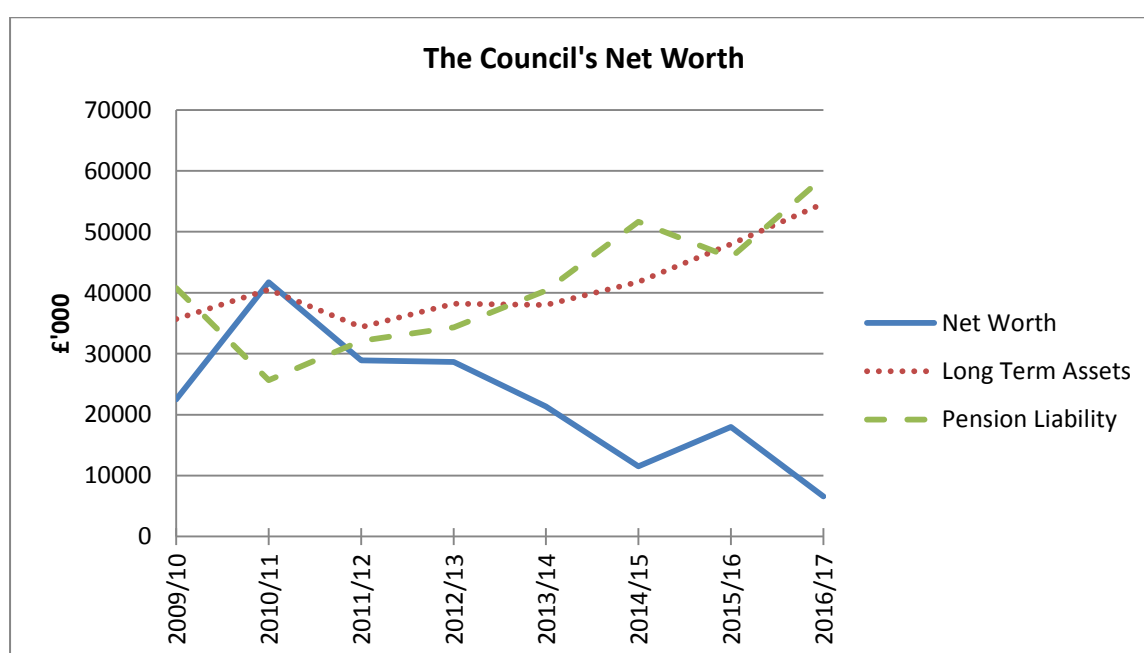
The Council's accounts consist of:

- **Expenditure and Funding Analysis (page 2)** - this statement was introduced in 2016/17 to show which service areas the statutory adjustments (for capital and pension and collection fund purposes) have originally been charged against, and reconciles the Surplus/Deficit on the Provision of Services position between the funding position charges levied on the General Fund and the accounting position.
- **Comprehensive Income and Expenditure Statement (Page 3)** - this shows the accounting cost in the year of providing services in accordance with IFRS rather than the amount to be funded from taxation. The Net Cost of Service has increased from £12.9m to £14.0m which is mainly due to the impact of the revaluation exercise for the Rushcliffe Arena following completion which has been charged to Finance and Corporate Services. There has also been

a reduction in the amount of income received in Finance and Corporate Services which primarily relates to a reduction in the amount of Housing Benefit Subsidy received but this is offset by the amount of Housing Benefit expenditure incurred. Other Operating Expenditure has decreased by £0.342m and is mainly due to the £0.561m gain on the disposal of non-current assets in 2016/17 including the operational element of the Civic Centre. This arises due to a change in the mix of assets disposed of and primarily relates to the sale of the Civic Centre. The movement in Financing and Investment Income and Expenditure is technical in nature. The change of £0.733m between years is largely due to the profit on disposal of investment properties in 2016/17, such as Civic Building Landlord and Coach Gap Lane Industrial Units. The combination of the aforementioned variances means there is now a surplus of £1.563m compared to a £1.204m deficit the previous year on the 'Provision of Services'.

- **Movement in Reserves Statement (Page 4)** – this shows the movement in the year of the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and 'unusable reserves' (those that an authority is not able to utilise to provide services).
- **Balance Sheet (Page 6)** –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 IFRS 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 i.e. as pension liabilities increase the Council's net worth reduces and vice versa. The net worth has decreased by £11.4m largely due to the increase in Pensions' Liability as a result of bond yields decreasing resulting in an actuarial loss of £24m offset by an increase in the Fair Value of Plan Assets of £10m (see Note 36, page 56).

The following graph shows the change in the Council's net worth over the past eight years:



Source: Balance Sheet

Further key points to note are that the value of Property, Plant and Equipment has increased by £9.0m arising from investment in the Arena redevelopment project, the regeneration of Cotgrave, Bridgford Hall renovation work and acquisition of vehicles.

- **Cash-flow Statement (Page 7)** – this shows the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- **Notes (pages 8-63)** – these provide supporting context to the above Statements.
- **Accounting Policies (Pages 8-22)** – these explain the bases of the figures presented in the accounts.

## 8. Supplementary Financial Statements

- **Collection Fund (pages 64-68)** – 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 altered in 2013/14 with the introduction of the Business Rates Retention Scheme. It is noted that there is now a surplus of £0.589m on the Business Rates section of the Collection Fund. There are a number of variables that affect this including valuation appeals by businesses to the Valuation Office and collection rates.
- **Group Accounts (pages 69-76)** – according to statutory requirements the Council is required to produce Group Accounts where it has subsidiaries, joint ventures or associates. Streetwise Environmental Ltd commenced trading on 1 September 2014 with its financial year ending on 31 March. The company accounts have been consolidated with the Council's. Some of the key points to note are as follows:
  - (a) The company made a surplus of £45,000 which after taking into account pension adjustments is a loss of £250,000 which is reflected in the Group Movement in Reserves Statement;
  - (b) Profit before tax for Streetwise is £35,000 and this is reflected in the increase in the surplus to £1.598million in the Group Comprehensive Income and Expenditure Statement; and
  - (c) The Balance Sheet changes largely reflect an increase in Creditors and decrease in Debtors in relation to transactions for amounts owed or due to Streetwise. Fixed assets have also increased taking into account the vehicles which Streetwise hold.

## 9. 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 Council's management team. There is a commitment to the significant task of transforming the services that are delivered to the people of Rushcliffe. Initiatives such as the creation of Streetwise Environmental Ltd are indicative of the innovative way the Council continues to progress and provide better value for money for taxpayers. The challenges that face Rushcliffe are ones which both members and officers of the Borough Council are determined to meet.

## 10. Further Information

Further information about the Statement of Accounts is available from the Financial Services section at the Rushcliffe Arena, Rugby Road West Bridgford, Nottinghamshire NG2 7YG, telephone 0115 9819911 or by e-mail: [finance@rushcliffe.gov.uk](mailto: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 on our website at [www.rushcliffe.gov.uk](http://www.rushcliffe.gov.uk).

Peter Linfield  
Executive Manager (Finance and Corporate Services)  
30<sup>th</sup> September 2017

## **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, 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 (2016)*. The seven principles (A-G) are highlighted at various points within the statement. 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, 2011 and 2015, 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, 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 2017 and up to the date of approval of the statement of accounts.

## 2 THE GOVERNANCE FRAMEWORK

**Principles C & D** – *Defining outcomes in terms of sustainable benefits (economic, social and environmental) and determining interventions to achieve them*

### 2.1 Vision and priorities

Long term strategic planning has enabled Rushcliffe to address its immediate financial pressures, develop a medium term financial strategy to 2021/22 and introduce its sixth Corporate Strategy covering the period 2016 to 2020. The three key themes for this strategy are:

- Delivering 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 2016/17 and 2017/18, and the financial strategy to 2021/22.

During 2016/17 the Council reviewed its approach to the financial pressures facing all public bodies through the continued development of its Transformation Strategy. This outlines how the Council will meet its financial challenges until 2021/22. 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 Strategy and the Transformation Strategy. As part of the service re-design process the Council is continuously reviewing the services it provides to identify improved or alternative 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. The Council's net budget has reduced since 2011/12 from £13.5m to £9.8m (2017/18) – a 27% reduction. A combination of Member and management challenge has limited the projected budget savings required from 2017/18 to 2020/21 to approximately £1m. There remains the need to continue to identify savings via the Transformation Strategy in order to meet financial pressures in the medium term, the Transformation Strategy fulfilling the role of the Council's Efficiency Statement, a requirement in accepting the four year settlement from the



Government. 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 budget reviews – challenging base budgets each year;
- (c) Transformational Projects - projects such as building control and garage partnerships;
- (d) ‘Thinking big’ reviews – for example the Leisure Strategy and office accommodation projects.

## 2.3 The Constitution

**Principle A** - *Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law*

A comprehensive document detailing 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

The constitution also provides detailed guidance on standing orders, financial regulations and the conduct of meetings. In addition, it 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. The registers for councillors and officers are maintained by the Council’s Monitoring Officer 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 review was undertaken in 2016/17 to reflect organisational and legislative changes. A further, more significant, review is being undertaken by a Member working group during 2017.

## 2.4 Policies, Procedures, Laws and Regulations

The Council has three statutory officer roles: the Chief Executive, the Section 151 Officer and the Monitoring Officer. The Chief Executive has overall corporate management and operational responsibility (as such is the Head of Paid Service) including overall management responsibility for all officers. The Monitoring Officer ensures lawfulness and fairness in decision making and ensures the Constitution is up-to-date.

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 Finance Officer in Local Government (2010). During 2016/17, the Council's financial management arrangements complied in all respects with the governance requirements of the aforementioned statement, in particular:

- During 2016/17 the Executive Manager (Finance and Corporate Services) held the post of Chief Finance Officer. The post holder is a professionally qualified accountant with direct access to the Chief Executive, Leader of the Council and other Cabinet Members. The post holder also has direct access to the Corporate Governance Group and the Council's external auditors.
- The Chief Finance 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 RSM. 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 (Operations and Transformation).

## 2.5 Risk Management

**Principle F** – *Managing risks and performance through robust internal control and strong public financial management*

The Council's risk management arrangements are regularly reviewed. The effectiveness of the overall risk management arrangements is monitored by the Corporate Governance Group (CGG) throughout the year. As part of the annual review of Risk Management (1 December 2016) the CGG considered actions taken to review risk management arrangements, including

acknowledging that the previous year's recommendations had been implemented. The report for 2016/17 identified 4 low "priority" management actions such as the Risk Management Strategy including a date of expected review. The 2016/17 Annual Report by Internal Audit acknowledges that once again the Council can take substantial assurance that an adequate and effective framework for risk management, governance and internal control is operating effectively (the highest level of the four opinion options).

## 2.6 Development and training needs

**Principle E** – *Developing the council's capacity including the capability of council leadership and staff*

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 has been developed for delivery after the local elections. The delivery of this is overseen by the cross party Member Development Group (MDG) who evaluates its effectiveness upon its completion based on Councillor feedback. A revised programme of training was agreed by the MDG in 2016/17.

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. The Council recognises the importance of training to its workforce this includes, for example, the offer of the Masters in Public Administration Programme, working as a triumvirate with Gedling and Newark and Sherwood District Councils.

## 2.7 Communication

**Principle B** - *Ensuring openness and comprehensive stakeholder engagement*

Three editions of Rushcliffe Reports – the Council's newsletter for residents – are printed and circulated to all 48,000 households and these set out details of a number of key service changes, and ask for customer feedback.

The Council also undertakes consultation to inform decisions relating to policy changes. Over the course of this year, various additional consultation was undertaken, for example on Local Plan 2, car park charging, West Bridgford Commissioners survey. We use social media (Facebook, Twitter and LinkedIn) and the Council's website to promote these consultations in a timely fashion, linking through to online consultation to encourage responses.

The Council's bi-annual resident satisfaction survey was last completed in October 2015 when over 700 residents completed the survey which was available online and through Rushcliffe Reports. 90% of residents responding to the survey are happy with the borough as a place to live, 76% are satisfied with the way the Council runs things, and 65% believe the Council provides value-for-money. On-going customer satisfaction surveys were undertaken by several key customer facing services such as planning, revenues and benefits and customer services. The 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. In December 2016, two thirds of the Council's staff completed a survey after moving to the Rushcliffe Arena focussing on the move and new ways of working. 93% of staff agreed that the move from the Civic Centre to the new office was managed effectively, 71% felt that the Council's Executive Management Team are more visible in the new building and 72% said they are enjoying new ways of working.

## 2.8 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, garage services, Streetwise Environmental Ltd and car parking contracts. The Cabinet Portfolio Holder also chairs quarterly strategic board meetings with the two main leisure providers, Parkwood and Carillion. There are also quarterly meetings of the Streetwise Board chaired by the Leader of the Council. Whilst Streetwise brings opportunity there is also risk in terms of how the Company develops so it continues to make a financial surplus. The impact of pension accounting on its financial statements is a continuing example of some of the risks it faces.

## 2.9 Transparency

**Principle G** – *Implementing good practice in transparency, reporting and audit to deliver effective accountability*

All reports to meetings of Council, Cabinet, Scrutiny Groups and other committees are publicly available on the Council's website. Minutes are also published providing a record of the meeting and any decisions taken. Other forms of public accountability reporting include the Annual Statement of Accounts, the Council's Annual Report and in-year financial and performance monitoring reports. Reports from the Council's internal (RSM) and external (KPMG) auditors are published online, including their annual reports.

The Corporate Governance Group and Performance Management Board monitor performance against targets on a quarterly basis. Internal Audit comply with the requirements of the Public Sector Internal Audit Standards and has direct access to councillors and all staff in order to discharge their duties.

The Council publishes information in accordance with the Local Authorities (Data Transparency) Code.

The Council welcomes peer challenge reviews and inspections from regulatory bodies and will act on any recommendations arising as appropriate.

### **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 Scrutiny groups- 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 **Other Scrutiny Groups**

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, the contract with Streetwise Environmental Ltd and the leisure services contracts with Parkwood Leisure, Glendale Golf and Carillion.

In addition to the Performance Management Board the Council has two other scrutiny groups which were formed during 2007. The first, Community Development looks at areas that affect the community such as reputational management and the Leisure Strategy. The other group is Partnership Delivery which is tasked with looking at the effectiveness of current and future potential partnerships across all areas of the Council in achieving the Corporate Plan.

### 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. In December 2015 the Council re-structured the Executive Management team with there now being four Executive Managers and temporarily sharing Nottingham City Council's Monitoring Officer for that particular function.

### 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. Following a joint procurement process with Broxtowe and Gedling Councils in 2015/16 this contract was awarded to RSM until 2019/20. 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 from 2016/17 to 2018/19.

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.



The Head of Internal Audit is required to provide an annual opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control, together with reasons if the opinion is unfavourable.

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 2.5 the Council maintains an adequate and effective framework for risk management, governance and internal control, as recognised by the Head of Internal Audit.

### **3.8 External Audit**

The external auditors, KPMG, 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. In the annual report for 2016/17 KPMG concluded that Rushcliffe Borough Council has good processes in place for the production of the accounts and provided a strong draft for audit. This was supported by good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. In terms of value for money, KPMG concluded that the Authority has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

## **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.

In recent years the Council's external auditors have recognised the quality in the production of the Statement of Accounts. In terms of delivering value for money it is recognised that delivering on-going savings remains a challenge given anticipated future funding reductions. Mitigation regarding this is covered in Section 2.2 and the delivery of the Transformation Strategy. The Council in July 2016 also introduced the Asset Investment Strategy which focuses on both encouraging growth and delivering a financial return.

The Authority has a £10.5m Investment Fund. In 2015/16 the Authority awarded a Loan of £2.7m to Nottinghamshire County Cricket Club (NCCC). As part of our Value for Money work in 2015/16, KPMG raised a recommendation regarding the governance arrangements through which this loan was awarded, including consideration of risks of default, and the specific risks faced by the Cricket Club. In terms of remedial action the Section 151 Officer will continue to review the position of the NCCC projects, and their progress against budget; as well as the success or otherwise of the bidding process for future test matches; and thereafter agreeing the drawdown on the loans over time.

The Leisure Facilities Strategy Member Group has been meeting throughout 2016/17 and the refresh of the Leisure Facilities Strategy for 2017-2027 is substantively complete and will be considered by Cabinet following completion of the associated Playing Pitch Strategy in summer 2017.

Similarly the Strategic Asset Review of Edwalton Golf Courses Member Group met on 6 occasions and is due to report its findings to Cabinet in June 2017.

In 2016/17 the one governance issue that has arisen is in relation to payment diversion which RSM separately investigated with an action plan reported to CGG. The recommended actions are now being implemented.

During 2017/18 the Council will need to manage a number of challenges arising from the on-going financial pressures as a result of reduction in central government revenue support grant and the movement to funding via business rates and in the future 100% of business rates income being devolved to local government (currently the Council receives 40%). One of the biggest financial risks to the Council remains power station appeals given the relatively large proportion of the business rates tax base the Radcliffe on Soar power station constitutes and the history of appeals against its business rates valuation.

Challenges arising from welfare reform and the continued phased introduction of Universal Credit are further significant financial risks. The Council also has to address the issue of ensuring there is sufficient housing supply to meet its housing targets within its local plan. Whilst the Core Strategy was approved in 2014, the work is on-going to identify preferred options for Local Plan part 2 and to complete the Green Belt review. This includes assessing the suitability of potential additional housing sites, some of which are likely to be required in order to address the shortfall in housing delivery arising from delays in bringing forward the Core Strategy's (Local Plan Part 1) strategic allocations.

The Cotgrave Masterplan is a significant project which demonstrates the Council's commitment to developing the community and provides affordable housing. The Council has been successful in leveraging external funding for both Bridgford Hall; and the 'Growth Deal' for employment and housing sites alongside the A46. This is indicative of the Council's commitment to support housing and business growth. As already mentioned the Council is committed to utilising the Asset Investment Strategy as the catalyst to release up to £10.5m to grow the local economy.

The Council continues to be involved in various collaboration activities including payroll, green bins, tree advice, ICT provision and Building Control, with further opportunities being

considered, such as extending the green bin service to other Councils and consideration of how other services can be delivered in the future. In addition, where opportunities arise, consideration is given to the appropriate delivery model and how to involve partners to maximise objectives.

The external auditors have noted a number of risks in reviewing the Council's accounts, namely:

- Significant changes in the pension liability due to Local Government Pension Scheme Triennial Valuation. The risk that the data is inaccurate and the impact of these inaccuracies on the financial accounts;
- The valuation of the new Arena. As the building is now in use, the associated capital costs will move from "Assets under construction" into "Land and Buildings". This will require a valuation, which will most likely result in a difference in terms of the cost compared to the valuation and how this is accounted for;
- Financial resilience – the continued delivery of future savings to secure long term financial and operational sustainability remains challenging and therefore poses a risk to financial resilience; and
- Governance over the Asset Investment Strategy Fund.

Other challenges and risks for 2017/18 include: the finalisation of the leisure and accommodation project, and as the Council becomes increasingly innovative the management of alternative service delivery vehicles such as the implementation of a new company structure for Streetwise Environmental Ltd and the potential development of a company to manage and invest in property.

It is recognised that ICT threats and opportunities continue to evolve, it is imperative that the Borough Council has a clear understanding of how these impact on their day to day operations, particularly in the light of recent global cyber security threats. A review of Data Protection requirements is also planned for 2017/18 to ensure, following the 2016 Major Overhaul of EU Data Protection Laws, that the controls and processes in place to meet future data protection obligations.

The Council is also mindful of significant political risks in terms of both the result of the General Election and the impact of BREXIT, which are both likely to impact on Government policy with regards to local government going forward.

Finally, there has been, for the first time in 12 years, a change in the Leader of the Council also resulting in a new Cabinet. This may lead to a change in the emphasis in delivering corporate priorities.

## **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 S Robinson (Leader)

Date 18 September 2017

Signed.....

A Graham (Chief Executive)

Date 6 September 2017

## **C. Independent Auditor's 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 2017 on pages 2 to 76. 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 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. 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 Corporate Services and auditor**

As explained more fully in the Statement of the Executive Manager Finance and Corporate Services' Responsibilities, the Executive Manager Finance and Corporate Services 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 the financial statements 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 and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Manager Finance and Corporate Services; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Statement 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 and the Group as at 31 March 2017 and of the Authority's and the Group's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

### **Matters on which we are required to report by exception**

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement set out on pages *d* to *e* does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' (CIPFA/SOLACE 2016 Edition); or
- the information given in the Narrative Statement 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 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

### **Conclusion on Rushcliffe Borough Council's arrangements for securing economy, efficiency and effectiveness in its 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 20(1) (c) of the Local Audit and Accountability Act 2014 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 Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

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 review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2016, as to whether Rushcliffe Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Rushcliffe Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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, Rushcliffe Borough Council 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 issued by the C&AG in November 2016, 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 ended 31 March 2017.

### **Certificate**

We certify that we have completed the audit of the financial statements of Rushcliffe Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

**Andrew Bush**

**For and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

St Nicholas House

31 Park Row

Nottingham

NG1 6FQ

30 September 2017

# **STATEMENT OF ACCOUNTS**

**2016/17**

# **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

## **THE COUNCIL'S RESPONSIBILITIES**

The Council 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 Council, that officer is the Executive Manager (Finance and Corporate Services).
- 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 CORPORATE) RESPONSIBILITIES**

The Executive Manager (Finance and Corporate Services) is responsible for the preparation of the Council'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 Corporate Services) 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 Corporate Services) 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 Corporate Services) should sign and date the Statement of Accounts, stating that it gives a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2017.

## **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 2017 and its income and expenditure for the financial year ended 31 March 2017.

Peter Linfield  
Executive Manager (Finance and Corporate Services)  
30 June 2017

## **FORMAL APPROVAL**

Full Council approved the audited Statement of Accounts on 21 September 2017

On behalf of the Council  
Councillor Cooper  
Mayor of the Council

## D. THE FINANCIAL STATEMENTS

### EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2015/16				2016/17		
Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis (Note 7) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis (Note 7) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
790	394	1,184	Communities	975	354	1,329
3,830	380	4,210	Finance and Corporate Services	3,411	1,778	5,189
3,278	731	4,009	Neighbourhoods	3,111	690	3,801
2,639	879	3,518	Transformation	2,905	760	3,665
<b>10,537</b>	<b>2,384</b>	<b>12,921</b>	<b>Net Cost of Service</b>	<b>10,402</b>	<b>3,582</b>	<b>13,984</b>
(8,620)	(3,097)	(11,717)	Other Income and Expenditure	(11,077)	(4,470)	(15,547)
<b>1,917</b>	<b>(713)</b>	<b>1,204</b>	<b>(Surplus) or Deficit</b>	<b>(675)</b>	<b>(888)</b>	<b>(1,563)</b>
		14,061	Opening General Fund Balance	12,144		
		(1,917)	Less/Plus Surplus or (Deficit) on General Fund Balance in Year	675		
		12,144	Closing General Fund Balance at 31 March	12,819		

## D. THE FINANCIAL STATEMENTS

### COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with IFRS, 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.

*Restated 2015/2016				2016/2017		
Gross Exp £000	Gross Inc £000	Net Exp £000		Gross Exp £000	Gross Inc £000	Net Exp £000
2,673	(1,489)	1,184	Communities	2,846	(1,517)	1,329
24,235	(20,025)	4,210	Finance and Corporate	23,966	(18,777)	5,189
6,521	(2,512)	4,009	Neighbourhoods	6,620	(2,819)	3,801
3,871	(353)	3,518	Transformation	4,152	(487)	3,665
<b>37,300</b>	<b>(24,379)</b>	<b>12,921</b>	<b>Cost of Services</b>	<b>37,584</b>	<b>(23,600)</b>	<b>13,984</b>
1,996	(90)	1,906	Other Operating Exp. (Note 10)	2,125	(561)	1,564
1,915	(1,860)	55	Financing & Investment Inc. & Exp. (Note 11)	1,881	(2,559)	(678)
0	(13,678)	(13,678)	Taxation & Non-Specific Grant Income (Note 12)	0	(16,433)	(16,433)
<b>41,211</b>	<b>(40,007)</b>	<b>1,204</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>41,590</b>	<b>(43,153)</b>	<b>(1,563)</b>
		186	(Surplus) or deficit on revaluation of non-current assets			1,403
		(75)	Available For Sale Financial Instruments			31
		(7,763)	Remeasurement of the net defined benefit liability/(asset)			11,535
		<b>(7,652)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>			<b>12,969</b>
		<b>(6,448)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>11,406</b>

\*It has been restated as 2016/17 CIPFA regulations require the Council's income and expenditure to be reported by the organisational structure under which the council operates

## D. THE FINANCIAL STATEMENTS

### MOVEMENT IN RESERVES STATEMENT (MIRS)

This statement shows the movement in the year on the different reserves held by the Council, 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 Council'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.

2016/2017	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
<b>Balance 31 March 2016</b>	<b>(2,604)</b>	<b>(9,540)</b>	<b>(9,773)</b>	<b>(42)</b>	<b>(21,959)</b>	<b>3,979</b>	<b>(17,980)</b>
<b>Movement in Reserves during 2016/2017</b>							
(Surplus) or deficit on the provision of services	(1,563)	0	0	0	(1,563)	0	(1,563)
Other Comprehensive Income and Expenditure	0	0	0	0	0	12,969	12,969
<b>Total Comprehensive Income and Expenditure</b>	<b>(1,563)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,563)</b>	<b>12,969</b>	<b>11,406</b>
Adjustments between accounting basis and funding basis under regulations (Note 8)	888	0	(4,156)	(12)	(3,280)	3,280	0
<b>(Net Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(675)</b>	<b>0</b>	<b>(4,156)</b>	<b>(12)</b>	<b>(4,843)</b>	<b>16,249</b>	<b>11,406</b>
Transfers to/(from) Earmarked Reserves (Note 9)	675	(675)	0	0	0	0	0
<b>(Increase)/Decrease in 2016/2017</b>	<b>0</b>	<b>(675)</b>	<b>(4,156)</b>	<b>(12)</b>	<b>(4,843)</b>	<b>16,249</b>	<b>11,406</b>
<b>Balance at 31 March 2017 Carried Forward</b>	<b>(2,604)</b>	<b>(10,215)</b>	<b>(13,929)</b>	<b>(54)</b>	<b>(26,802)</b>	<b>20,228</b>	<b>(6,574)</b>

## D. THE FINANCIAL STATEMENTS

### MOVEMENT IN RESERVES STATEMENT (MIRS)

2015/2016	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves* £000	Total Council Reserves £000
<b>Balance 31 March 2015</b>	(2,604)	(11,457)	(11,797)	(273)	(26,131)	14,599	(11,532)
<b>Movement in Reserves during 2015/2016</b>							
(Surplus) or deficit on the provision of services	1,204	0	0	0	1,204	0	1,204
Other Comprehensive Income and Expenditure	0	0	0	0	0	(7,652)	(7,652)
<b>Total Comprehensive Income and Expenditure</b>	<b>1,204</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,204</b>	<b>(7,652)</b>	<b>(6,448)</b>
Adjustments between accounting basis and funding basis under regulations (Note 8)	713	0	2,024	231	2,968	(2,968)	0
<b>(Net Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>1,917</b>	<b>0</b>	<b>2,024</b>	<b>231</b>	<b>4,172</b>	<b>(10,620)</b>	<b>(6,448)</b>
Transfers to/(from) Earmarked Reserves (Note 8)	(1,917)	1,917	0	0	0	0	0
<b>(Increase)/Decrease in 2015/2016</b>	<b>0</b>	<b>1,917</b>	<b>2,024</b>	<b>231</b>	<b>4,172</b>	<b>(10,620)</b>	<b>(6,448)</b>
<b>Balance at 31 March 2016 Carried Forward</b>	<b>(2,604)</b>	<b>(9,540)</b>	<b>(9,773)</b>	<b>(42)</b>	<b>(21,959)</b>	<b>3,979</b>	<b>(17,980)</b>

## 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 Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council 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 Council 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 2016 £000		Note Ref	31 March 2017 £000
30,595	Property, Plant and Equipment	13	39,476
72	Heritage Assets		68
9,965	Investment Property	14	7,120
6,093	Long Term Investments	17	6,027
131	Intangible Assets	15	78
1,099	Long Term Debtors	17,18	1,857
<b>47,955</b>	<b>Long Term Assets</b>		<b>54,626</b>
5,101	Short Term Investments	17	2,050
26	Inventories		19
2,101	Short Term Debtors	18	2,744
23,771	Cash and Cash Equivalents	17,19	25,779
<b>30,999</b>	<b>Current Assets</b>		<b>30,592</b>
(54)	Short Term Borrowing	17	0
(31)	Short Term Provisions		0
(5,594)	Short Term Creditors	20	(7,511)
<b>(5,679)</b>	<b>Current Liabilities</b>		<b>(7,511)</b>
(1,632)	Long Term Provisions	21	(2,127)
(7,879)	Capital Grants Receipts in Advance	17,31	(10,035)
(45,784)	Pension Liability	36	(58,971)
<b>(55,295)</b>	<b>Long Term Liabilities</b>		<b>(71,133)</b>
<b>17,980</b>	<b>NET ASSETS</b>		<b>6,574</b>
9,773	Usable Capital Receipts Reserve		13,929
2,604	General Fund Balance		2,604
9,540	Earmarked Reserves	9	10,215
42	Capital Grants Unapplied		54
<b>21,959</b>	<b>Usable Reserves</b>		<b>26,802</b>
(3,979)	<b>Unusable Reserves</b>	23	(20,228)
<b>17,980</b>	<b>TOTAL RESERVES</b>		<b>6,574</b>



## D. THE FINANCIAL STATEMENTS

### CASH FLOW STATEMENT (INDIRECT METHOD)

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council.

2015/2016 £000		2016/2017 £000
1,204	Net (surplus) or deficit on the provision of services	(1,563)
(3,414)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 24)	(11,350)
768	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 24)	11,003
(1,442)	Net cash flows from Operating Activities (Note 24)	(1,910)
(8,335)	Investing Activities (Note 25)	806
(1,075)	Financing Activities (Note 26)	(904)
(10,852)	Net increase or decrease in cash and cash equivalents (Note 19)	(2,008)
(12,919)	Cash and cash equivalents at the beginning of the reporting period (Note 19)	(23,771)
<b>(23,771)</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 19)</b>	<b>(25,779)</b>

## E. NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

#### i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. It has been prepared in accordance with the Accounts and Audit Regulations 2015 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 2016/17 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. **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.

#### v. **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 Minimum Revenue Provision (MRP). Guidance was issued by the Secretary of State under section 21 (1A) of the Local Government Act 2003 for the calculation of this provision.

#### vi. **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 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 the appropriate service segment or, where applicable to a corporate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

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** – professional estimate
- **Unlisted Securities** - current bid price
- **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)** i.e. net interest expense for the Council– 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.

#### **vii. 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.

## viii. Financial Instruments

### General

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 Council 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 effective 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 Council's 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 a loan to the Nottinghamshire Cricket Club in 2007 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, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. The Council has also made a soft loan to Streetwise Environmental Ltd but as they are a subsidiary of the Council this loss is treated as an additional investment in the company.

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 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. Short-term flexibility is achieved by overdraft facilities.

### **ix. 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 and contributions including Section 106s 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.

#### **x. 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. The art collection is reported in the Balance Sheet at insurance valuation which was informed by a market revaluation exercise carried out by Mellors and Kirk (Art Auctioneers). The Council took the decision in 2015/16 to sell off the Art Collection. Not all of it was sold and the resultant value of heritage assets held at 31 March 2017 was £68,000 (£72,000 2015/16).

The carrying amounts of Heritage Assets are also 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.

##### Art collection

The remaining Council's art collection consists of 2 exhibits of oils and a clock. The highest value item is an oil painting valued at £50,000. The assets within the art collection are deemed to have indeterminate lives; 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).

#### **xi. 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 when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.



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.

#### **xii. 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.

#### **xiii. Interests in Companies and Other Entities**

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

#### **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. 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 (for any sale proceeds greater than £10,000).

#### **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 31<sup>st</sup> 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 Council 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 Council 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 benefiting from the leases asset.

## **The Council 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 Council 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 Council 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 service areas in accordance with the Council's arrangements for accountability and financial performance.

### **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:

<b>Property, Plant and Equipment</b>	
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 Surplus and Deficit on the Provision of Services line of 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:

<b>Property, Plant and Equipment</b>	
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

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 Council 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 Council – 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 business 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, Council Tax 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 business rates 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 NNDR collected.

## **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 2016/17 (the Code) requires the disclosure of information relating to the expected impact on the accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. This applies to the adoption of the following new or amended standards within the 2016/17 code: Amendment to the reporting of pension fund scheme transaction costs and an amendment to the reporting of investment concentration. Neither of these updates to accounting standards are deemed to have any impact on the Council's financial statements.

## **3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in Note 1, the Council 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 Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council 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 Council, 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 no more than £50,000 on service costs.



c. The Council has a 'Group Relationship' with a subsidiary, namely Streetwise Environmental Ltd. The boundaries have been assessed using the criteria outlined in the Code of Practice. The interest is considered to be material in terms of the importance of Streetwise to the Council and consequently Group Accounts have been produced.

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 Council 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 2017, the Council had sundry debtor balances of £0.874m and Housing Benefit (HB) debtors of £0.982m. 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 £0.113m and £0.120m, respectively for sundry debtors and HB. If recoverability of the debt falls by 10% across all ages of debt an estimated further £0.044m 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 £1.48m, with a further £2.22 million in relation to other precepting authorities and the Government. This has been calculated 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 2016/17 there are no material items of income and expense.

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

None currently expected to be reported.

## 7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

<b>2016/17 Adjustments between Funding and Accounting Basis</b>				
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>	<b>Adjustments for Capital Purposes (Note 1)</b>	<b>Net change for the Pensions Adjustments (Note 2)</b>	<b>Other Differences (Note 3)</b>	<b>Total Adjustments</b>
Communities	350	(1)	5	<b>354</b>
Finance and Corporate Services	1,760	33	(15)	<b>1,778</b>
Neighbourhoods	697	(2)	(5)	<b>690</b>
Transformation	754	0	6	<b>760</b>
<b>Net Cost of Service</b>	<b>3,561</b>	<b>30</b>	<b>(9)</b>	<b>3,582</b>
Other income and expenditure from the Expenditure and Funding Analysis	(5,658)	1,622	(434)	<b>(4,470)</b>
<b>General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(2,097)</b>	<b>1,652</b>	<b>(443)</b>	<b>(888)</b>

<b>2015/16 Adjustments between Funding and Accounting Basis</b>				
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>	<b>Adjustments for Capital Purposes (Note 1)</b>	<b>Net change for the Pensions Adjustments (Note 2)</b>	<b>Other Differences (Note 3)</b>	<b>Total Adjustments</b>
Communities	320	66	8	<b>394</b>
Finance and Corporate Services	327	52	1	<b>380</b>
Neighbourhoods	594	122	15	<b>731</b>
Transformation	884	1	(6)	<b>879</b>
<b>Net Cost of Service</b>	<b>2,125</b>	<b>241</b>	<b>18</b>	<b>2,384</b>
Other income and expenditure from the Expenditure and Funding Analysis	(4,185)	1,681	(593)	<b>(3,097)</b>
<b>General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(2,060)</b>	<b>1,922</b>	<b>(575)</b>	<b>(713)</b>

## 7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS CONTINUED

### Note 1 Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

### Note 2 Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

### Note 3 Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

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

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

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

## **8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS CONTINUED**

### **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 statute from being used other than to 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.

## 8. ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2016/2017	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
<b>Adjustments primarily involving the Capital Adjustment Account (CAA)</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>					
Charges for depreciation and impairment of non-current assets	(1,453)	0	0	(1,453)	1,453
Revaluation gain/(loss) on Property Plant and Equipment	(1,315)	0	0	(1,315)	1,315
Movement in the market value of investment properties	303	0	0	303	(303)
Amortisation of Intangible Assets	(61)	0	0	(61)	61
Capital grants and contributions applied	483	0	0	483	(483)
Revenue expenditure funded from capital under statute	(1,238)	0	0	(1,238)	1,238
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(6,315)	0	0	(6,315)	6,315
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>					
Capital expenditure charged against the General Fund Balance	1,233	0	0	1,233	(1,233)
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	3,074	(20)	(3,054)	0	0
Application of grants to capital financing transferred to the CAA	0	0	3,042	3,042	(3,042)
<b>Adjustments primarily involving the Capital Receipts Reserve</b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	7,386	(7,636)	0	(250)	250

## 8. ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2016/2017	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
	£000	£000	£000	£000	£000
Use of the Capital Receipts Reserve to finance new capital expenditure	0	3,538	0	3,538	(3,538)
Transfer (from)/to the Deferred Capital Receipts Reserve upon receipt of cash	0	(38)	0	(38)	38
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>					
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	8	0	0	8	(8)
<b>Adjustments primarily involving the Pensions Reserve</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,117)	0	0	(3,117)	3,117
Employers' pensions contributions and direct payments to pensions payable in the year	1,465	0	0	1,465	(1,465)
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>					
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	426	0	0	426	(426)
<b>Adjustments primarily involving the Accumulated Absences Adjustments Account</b>					
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	9	0	0	9	(9)
<b>Total Adjustments</b>	<b>888</b>	<b>(4,156)</b>	<b>(12)</b>	<b>(3,280)</b>	<b>3,280</b>

## 8. ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2015/2016	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
<b>Adjustments primarily involving the Capital Adjustment Account</b>	£000	£000	£000	£000	£000
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>					
Charges for depreciation and impairment of non-current assets	(1,352)	0	0	(1,352)	1,352
Revaluation gain/(loss) on Property Plant and Equipment	(110)	0	0	(110)	110
Movement in the market value of investment properties	57	0	0	57	(57)
Amortisation of Intangible Assets	(36)	0	0	(36)	36
Capital grants and contributions applied	292	0	0	292	(292)
Revenue expenditure funded from capital under statute	(944)	0	0	(944)	944
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(101)	0	0	(101)	101
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>					
Capital expenditure charged against the General Fund Balance	3,919	0	0	3,919	(3,919)
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	178	0	(178)	0	0
Application of grants to capital financing transferred to the CAA	0	0	409	409	(409)
<b>Adjustments primarily involving the Capital Receipts Reserve</b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	156	(368)	0	(212)	212

## 8. ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2015/2016	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
	£000	£000	£000	£000	£000
Use of the Capital Receipts Reserve to finance new capital expenditure	0	2,430	0	2,430	(2,430)
Transfer (from)/to the Deferred Capital Receipts Reserve upon receipt of cash	0	(38)	0	(38)	38
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>					
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	11	0	0	11	(11)
<b>Adjustments primarily involving the Pensions Reserve</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,376)	0	0	(3,376)	3,376
Employers' pensions contributions and direct payments to pensions payable in the year	1,454	0	0	1,454	(1,454)
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>					
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	582	0	0	582	(582)
<b>Adjustments primarily involving the Accumulated Absences Adjustments Account</b>					
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	(17)	0	0	(17)	17
<b>Total Adjustments</b>	<b>713</b>	<b>2,024</b>	<b>231</b>	<b>2,968</b>	<b>(2,968)</b>



## 9. 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.

	Balance at 1 <sup>st</sup> April 2016 £000	Transfers In £000	Transfers Out £000	Balance at 31 <sup>st</sup> March 2017 £000
<b>Investment Reserves</b>				
Regeneration and Community Projects	1,297	188	0	1,485
Cotgrave Regeneration Project	300	139	(139)	300
Council Assets and Service Delivery	693	0	(419)	274
Local Area Agreement	142	0	(20)	122
New Homes Bonus	3,426	2,073	(20)	5,479
Invest to Save	150	0	0	150
<b>Corporate Reserves</b>				
Organisational Stabilisation Reserve	2,449	396	(1,445)	1,400
Risk and Insurance	100	0	0	100
Planning Appeals	349	0	0	349
Elections	153	0	0	153
<b>Operating Reserves</b>				
Planning	187	0	0	187
Leisure Centre Maintenance	139	27	(50)	116
Lottery	55	0	(55)	0
Planned Maintenance	100	0	0	100
<b>Total</b>	<b>9,540</b>	<b>2,823</b>	<b>(2,148)</b>	<b>10,215</b>

### 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.

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

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

## 9. TRANSFERS TO/FROM EARMARKED RESERVES CONTINUED

**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.

**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 where maintenance is not covered as part of the contract.

**Lottery** – a sum left in reserve from a discontinued lottery scheme from which interest was used to fund small sports grants. The balance on this reserve has now been reduced to zero.

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

## 10. OTHER OPERATING EXPENDITURE

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

	2015/2016 £000	2016/2017 £000
Parish Council Precepts	1,747	1,891
Newton and Shelford (Special Expense)	20	0
Internal Drainage Board Levies	229	234
(Gains)/losses on the disposal of non-current assets	(90)	(561)
<b>Total</b>	<b>1,906</b>	<b>1,564</b>

## 11. 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:

	<b>Restated 2015/2016 £000</b>	<b>2016/2017 £000</b>
Net interest on the net defined benefit liability (asset)	1,681	1,622
Interest receivable and similar income	(368)	(306)
Income and Expenditure in relation to Investment Properties and changes in their fair value	(1,258)	(1,994)
<b>Total</b>	<b>55</b>	<b>(678)</b>

## 12. 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:

	<b>2015/2016 £000</b>	<b>2016/2017 £000</b>
Council Tax Income	(7,260)	(7,633)
Non Domestic Rates	(2,482)	(2,557)
Council Tax Freeze Grant	(58)	0
Revenue Support Grant	(1,679)	(1,034)
Capital Grants (Note 31)	(178)	(3,001)
New Homes Bonus	(1,870)	(2,072)
Other Non Ring-fenced Grants	(151)	(136)
<b>Total</b>	<b>(13,678)</b>	<b>(16,433)</b>

### 13. PROPERTY, PLANT AND EQUIPMENT

#### Movements on Balances 2016/2017

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
<b>Cost or Valuation</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 April 2016</b>	<b>17,496</b>	<b>8,883</b>	<b>3,240</b>	<b>329</b>	<b>0</b>	<b>7,551</b>	<b>37,499</b>
Additions	7,039	4,854	0	0	0	4,323	16,216
Transfers	6,576	0	0	0	0	(6,576)	0
Revaluation (+/-) recognised in the Revaluation Reserve	(1,585)	0	0	0	0	0	(1,585)
Revaluation (+/-) recognised in the Surplus/Deficit on Provision of Services	(1,315)	0	0	0	0	0	(1,315)
De-recognition – Disposals	(3,045)	(1,792)	(252)	0	0	0	(5,089)
<b>At 31 March 2017</b>	<b>25,166</b>	<b>11,945</b>	<b>2,988</b>	<b>329</b>	<b>0</b>	<b>5,298</b>	<b>45,726</b>
<b>Accumulated Depreciation or Impairment</b>							
<b>At 1 April 2016</b>	<b>(422)</b>	<b>(5,169)</b>	<b>(1,293)</b>	<b>0</b>	<b>0</b>	<b>(20)</b>	<b>(6,904)</b>
Depreciation charge	(491)	(817)	(143)	0	0	0	(1,451)
Depreciation transfer	(20)	0	0	0	0	20	0
Depreciation written out to the Revaluation Reserve	182	0	0	0	0	0	182
Depreciation written out to the Surplus/Deficit on Provision of Service	0	0	0	0	0	0	0
De-recognition – Disposals	165	1,603	155	0	0	0	1,923
<b>At 31 March 2017</b>	<b>(586)</b>	<b>(4,383)</b>	<b>(1,281)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(6,250)</b>
<b>Net Book Value at 31 March 2017</b>	<b>24,580</b>	<b>7,562</b>	<b>1,707</b>	<b>329</b>	<b>0</b>	<b>5,298</b>	<b>39,476</b>
<b>Net Book Value at 31 March 2016</b>	<b>17,074</b>	<b>3,714</b>	<b>1,947</b>	<b>329</b>	<b>0</b>	<b>7,531</b>	<b>30,595</b>

### 13. PROPERTY, PLANT AND EQUIPMENT

#### Movements on Balances 2015/2016

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
<b>Cost or Valuation</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 April 2015</b>	<b>20,442</b>	<b>8,634</b>	<b>3,164</b>	<b>329</b>	<b>0</b>	<b>512</b>	<b>33,081</b>
Additions	106	1,797	76	0	0	3,972	5,951
Transfers	(2,310)	0	0	0	0	3,067	757
Revaluation (+/-) recognised in the Revaluation Reserve	(632)	0	0	0	0	0	(632)
Revaluation (+/-) recognised in the Surplus/Deficit on Provision of Services	(110)	0	0	0	0	0	(110)
De-recognition – Disposals	0	(1,548)	0	0	0	0	(1,548)
<b>At 31 March 2016</b>	<b>17,496</b>	<b>8,883</b>	<b>3,240</b>	<b>329</b>	<b>0</b>	<b>7,551</b>	<b>37,499</b>
<b>Accumulated Depreciation or Impairment</b>							
<b>At 1 April 2015</b>	<b>(407)</b>	<b>(5,935)</b>	<b>(1,140)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(7,482)</b>
Depreciation charge	(481)	(718)	(153)	0	0	0	(1,352)
Depreciation transfer	20	0	0	0	0	(20)	0
Depreciation written out to the Revaluation Reserve	446	0	0	0	0	0	446
Depreciation written out to the Surplus/Deficit on Provision of Service	0	0	0	0	0	0	0
De-recognition – Disposals	0	1,484	0	0	0	0	1,484
<b>At 31 March 2016</b>	<b>(422)</b>	<b>(5,169)</b>	<b>(1,293)</b>	<b>0</b>	<b>0</b>	<b>(20)</b>	<b>(6,904)</b>
<b>Net Book Value at 31 March 2016</b>	<b>17,074</b>	<b>3,714</b>	<b>1,947</b>	<b>329</b>	<b>0</b>	<b>7,531</b>	<b>30,595</b>
<b>Net Book Value at 31 March 2015</b>	<b>20,035</b>	<b>2,699</b>	<b>2,024</b>	<b>329</b>	<b>0</b>	<b>512</b>	<b>25,599</b>

### 13. 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 2017 the Council was committed to works totalling £6.56m for the acquisition, construction, and enhancement of Property, Plant and Equipment in 2017/18. The main element of this, £4.6m, relates to contract and other costs associated with the Cotgrave Masterplan and Multi Service Centre. £1.5m relates to the Employment Land at Cotgrave and the bulk of the remaining £0.46m relates to the final elements of the major redevelopment of Bridgford Hall and vehicle commitments.

#### Revaluations

In accordance with the Code of Practice, the Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value are re-valued at least every three years. The Council, as a consequence, will be revaluing a third of its Land and Buildings portfolio every year. Assets with a value greater than £1 million are revalued annually.

Valuations of land and buildings were carried out in accordance with the Royal Institution of Chartered Surveyors Valuation Standards (Red Book) 9<sup>th</sup> 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. Mrs Leanne Ashmore 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
	£000	£000	£000	£000	£000	£000	£000
<b>Carried at Historical Cost</b>	<b>1,004</b>	<b>8,050</b>	<b>2,988</b>	<b>329</b>	<b>0</b>	<b>4,691</b>	<b>17,062</b>
Valued at fair value as at:							
31 March 2015	3,688	0	0	0	0	607	<b>4,295</b>
31 March 2016	1,742	0	0	0	0	0	<b>1,742</b>
31 March 2017	18,732	3,895	0	0	0	0	<b>22,627</b>
<b>Total Cost or Valuation</b>	<b>25,166</b>	<b>11,945</b>	<b>2,988</b>	<b>329</b>	<b>0</b>	<b>5,298</b>	<b>45,726</b>

#### 14. 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.

	2015/2016 £000	2016/2017 £000
Rental income from investment property	1,236	1,247
Direct operating expenses arising from investment property	(234)	(269)
<b>Net gain/(loss)</b>	<b>1,002</b>	<b>978</b>

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 The Pithead site in Cotgrave. A rental income claw back arrangement was in place, this expired in July 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 2016/17 and 2015/16.

	2015/2016 £000	2016/2017 £000
<b>Balance at start of the year</b>	<b>10,585</b>	<b>9,965</b>
Additions	0	0
Enhancements	80	0
Disposals	0	(3,148)
Net gains/(losses) from fair value adjustments	57	303
Transfers	(757)	0
<b>Total</b>	<b>9,965</b>	<b>7,120</b>

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) 9<sup>th</sup> Edition. Every Fair Value valuation was carried out using the assumptions as set out in the Red Book. A Market Valuation technique has been used for all Investment Properties and they are all based on the level 2 input hierarchy. This means that values have been arrived at using evidence (other than quoted prices) in an active market and that this evidence is directly or indirectly observable. The inputs used include the following market analyses: rents, yields, lease terms, research on farmland values, and other market evidence and comparables. Where assumptions additional to those which are set out in the Red Book have been made these are stated on the relevant valuation certificates. Mrs Leanne Ashmore MRICS is responsible for revaluation of property assets. An impairment review is carried out annually on the Investment Property portfolio. The disposals figure of £3.1m primarily relates to the disposal of the Civic Centre (landlord element).

## 15. 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 £0.061m in 2016/17 (£0.036m 2015/16) 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

	2015/2016 £000	2016/2017 £000
<b>Balances at start of the year</b>		
Gross Carrying Amounts	1,054	1,068
Accumulated Amortisation	(962)	(937)
<b>Net carrying amount at the start of the year</b>	<b>92</b>	<b>131</b>
<b>Additions</b>		
Purchases	75	8
Transfers into the group	0	0
	<b>75</b>	<b>8</b>
<b>Disposal</b>	<b>(61)</b>	<b>(815)</b>
<b>Amortisation</b>		
Amortisations of the period	(36)	(61)
Amortisations on disposals	61	815
Amortisations on transfers into the group	0	0
	<b>25</b>	<b>754</b>
<b>Net carrying amount at the end of the year</b>	<b>131</b>	<b>78</b>
<b>Comprising</b>		
Gross Carrying Amounts	1,068	261
Accumulated Amortisation	(937)	(183)
<b>Net Book Value</b>	<b>131</b>	<b>78</b>

## 16. ASSETS HELD FOR SALE

The Council had no Property, Plant and Equipment assets held for sale at the Balance Sheet date.



## 17. FINANCIAL INSTRUMENTS

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

	Long-term		Current	
	2015/2016 £000	2016/2017 £000	2015/2016 £000	2016/2017 £000
<b>Investments</b>				
Loans and Receivables	6,093	6,027	28,872	27,829
<b>Total Investments</b>	<b>6,093</b>	<b>6,027</b>	<b>28,872</b>	<b>27,829</b>
<b>Debtors</b>				
Loans and Receivables	1,099	1,857	1,924	2,642
<b>Total Debtors</b>	<b>1,099</b>	<b>1,857</b>	<b>1,924</b>	<b>2,642</b>
<b>Borrowings</b>				
Financial Liabilities at Amortised Cost	0	0	(54)	0
<b>Total Borrowing</b>	<b>0</b>	<b>0</b>	<b>(54)</b>	<b>0</b>
<b>Creditors</b>				
Financial Liabilities at Amortised Cost	(7,879)	(10,035)	(2,862)	(3,641)
<b>Total Creditors</b>	<b>(7,879)</b>	<b>(10,035)</b>	<b>(2,862)</b>	<b>(3,641)</b>

### Valuation Assumptions

Investments held at 31 March 2017 amounted to £33.93m, consisting of £6.0m of fixed term investments where the instrument carries the same interest rate for the whole term, £24.90m of deposits in Money Market Funds and Call Accounts where, in general, the rate only alters with movements in the Bank rate and £3.03m in a fund which is valued at the bid price for the shares which the Council holds. 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.

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.

## 18. DEBTORS

	2015/16		2016/17	
	Short Term £000	Long Term £000	Short Term £000	Long Term £000
Central Government Bodies	301	0	486	0
Other Local Authorities	93	0	132	0
Public Corporations and Trading Funds	10	0	0	0
Other Bodies	1,697	1,099	2,126	1,857
	<b>2,101</b>	<b>1,099</b>	<b>2,744</b>	<b>1,857</b>

## 19. CASH AND CASH EQUIVALENTS

	2015/2016 £000	2016/2017 £000
Cash held by the Council	1	1
Bank Current Accounts	(145)	(125)
Short-term Deposits	23,915	25,903
	<b>23,771</b>	<b>25,779</b>

## 20. CREDITORS

	2015/2016 £000	2016/2017 £000
Central Government Bodies	1,140	2,657
Other Local Authorities	1,799	1,324
NHS Bodies	3	0
Public Corporations and Trading Funds	4	0
Other Bodies	2,648	3,530
	<b>5,594</b>	<b>7,511</b>

## 21. PROVISIONS

	Long Term			
	Leaseholder	NNDR	Streetwise	Total
	Deposits	Appeals	Pension	
	£000	£000	£000	£000
<b>Balance at 1<sup>st</sup> April 2016</b>	<b>62</b>	<b>987</b>	<b>583</b>	<b>1,632</b>
Additional Provisions made in 2016/17	1	1,683	0	<b>1,684</b>
Amount used in 2016/17	(1)	(178)	0	<b>(179)</b>
Amount transferred in 2016/17 to major preceptors (Central Government, Notts CC and Fire Service)	0	(1,010)	0	<b>(1,010)</b>
<b>Balance at 31 March 2017</b>	<b>62</b>	<b>1,482</b>	<b>583</b>	<b>2,127</b>

### **NNDR Appeals**

This provision sets aside sums for the Council's element of anticipated appeals that may arise in respect of Business Rates. The full liability is expected to be approximately £3.71 million, but the difference is to be met by the Central Government (50%), Notts County Council (9%) and Fire Authority (1%).

## 22. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement (MIRS).

## 23. UNUSABLE RESERVES

	2015/2016 £000	2016/2017 £000
Revaluation Reserve	7,551	5,398
Available for Sale Financial Instrument Reserve	56	25
Capital Adjustment Account	34,897	33,613
Financial Instruments Adjustment Account	(44)	(36)
Pension Reserve	(46,367)	(59,554)
Deferred Capital Receipts	120	83
Collection Fund Adjustment Account	(131)	295
Accumulated Absences Adjustment Account	(61)	(52)
	<b>(3,979)</b>	<b>(20,228)</b>

### 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.

	2015/2016 £000	2016/2017 £000
<b>Balance at 1 April</b>	<b>7,833</b>	<b>7,551</b>
Upward Revaluation of Assets	600	87
Downward Revaluation of Assets and Impairment losses not charged to the surplus/deficit on Provision of Services	(786)	(1,490)
<b>Surplus/deficit on revaluation of non-current assets not posted to the surplus/deficit on Provision of Services</b>	<b>(186)</b>	<b>(1,403)</b>
Difference between fair value depreciation and historical cost depreciation	(96)	(100)
Accumulated gains on assets sold or scrapped	0	(650)
<b>Amounts written off to the Capital Adjustment Account</b>	<b>(96)</b>	<b>(750)</b>
<b>Balance at 31 March</b>	<b>7,551</b>	<b>5,398</b>

## 23. UNUSABLE RESERVES CONTINUED

### Available for Sale Financial Instruments

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its instruments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

	2015/2016 £000	2016/2017 £000
<b>Balance at 1 April</b>	(19)	56
Upward/(Downward) revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	75	(31)
<b>Balance at 31 March</b>	<b>56</b>	<b>25</b>

### 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.

Note 8 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

## 23. UNUSABLE RESERVES CONTINUED

	2015/2016 £000	2016/2017 £000
<b>Balance at 1 April</b>	<b>30,449</b>	<b>34,897</b>
<b>Reverse of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>		
Charges for depreciation and impairment of non-current assets	(1,462)	(2,768)
Amortisation of Intangible Assets	(36)	(61)
Revenue Expenditure Funded from Capital Under Statute	(944)	(1,238)
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.	(101)	(6,315)
	<b>(2,543)</b>	<b>(10,382)</b>
Adjusting amounts written out of the Revaluation Reserve	96	750
Write down long-term debtors	(212)	(250)
<b>Net amount written out of the cost of non-current assets consumed in the year</b>	<b>(2,659)</b>	<b>(9,882)</b>
<b>Capital Financing Applied in the year</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	2,430	3,538
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	292	483
Application of grants to capital financing from the Capital Grants Unapplied Account	409	3,042
Capital Expenditure charged against the General Fund Balance	3,919	1,232
	<b>7,050</b>	<b>8,295</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	57	303
<b>Balance at 31 March</b>	<b>34,897</b>	<b>33,613</b>

### 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.

	2015/2016 £000	2016/2017 £000
<b>Balance at 1 April</b>	<b>(55)</b>	<b>(44)</b>
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	11	8
<b>Balance at 31 March</b>	<b>(44)</b>	<b>(36)</b>

## 23. UNUSABLE RESERVES CONTINUED

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The 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.

	2015/2016 £000	2016/2017 £000
<b>Balance at 1 April</b>	<b>(52,208)</b>	<b>(46,367)</b>
Remeasurement of the net defined benefit liability/(asset)	7,763	(11,535)
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	(3,376)	(3,117)
Employer's pensions contributions and direct payments to the pensioners payable in the year	1,454	1,465
<b>Balance at 31 March</b>	<b>(46,367)</b>	<b>(59,554)</b>

### 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.

	2015/2016 £000	2016/2017 £000
<b>Balance at 1 April</b>	<b>158</b>	<b>120</b>
Transfer to the Capital Receipts Reserve on receipt of cash	(38)	(37)
<b>Balance at 31 March</b>	<b>120</b>	<b>83</b>

## 23. UNUSABLE RESERVES CONTINUED

### 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.

	2015/2016 £000	2016/2017 £000
<b>Balance at 1 April</b>	<b>(713)</b>	<b>(131)</b>
Council Tax	1	(91)
Non Domestic Rates	581	517
<b>Balance at 31 March</b>	<b>(131)</b>	<b>295</b>

### 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.

	2015/2016 £000	2016/2017 £000
<b>Balance at 1 April</b>	<b>(44)</b>	<b>(61)</b>
Settlement or cancellation of accrual made at the end of the preceding year	44	61
Amounts accrued at the end of the current year	(61)	(52)
<b>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</b>	<b>(17)</b>	<b>9</b>
<b>Balance at 31 March</b>	<b>(61)</b>	<b>(52)</b>

## 24. CASHFLOW STATEMENT – OPERATING ACTIVITIES

	2015/2016 £000	2016/2017 £000
<b>Net (Surplus) or Deficit on the Provision of Services</b>	<b>1,204</b>	<b>(1,563)</b>
<b>Adjust net surplus or deficit on the provision of services for non-cash movements</b>		
Depreciation	(1,352)	(1,453)
Impairment and downward valuations	(110)	(1,315)
Amortisation	(36)	(61)
Increase/(Decrease) in impairment for bad debts	197	36
Increase/(Decrease) in Creditors	496	(702)
Increase/(Decrease) in Debtors	(351)	365
Increase/(Decrease) in Inventories	(2)	(7)
Pension Liability	(1,922)	(1,652)
Movement in Provisions	(83)	(6,225)
Carrying amount of non-current assets sold	(133)	(463)
Other non-cash items charged to the net surplus or deficit on the provision of services	(118)	127
	<b>(3,414)</b>	<b>(11,350)</b>
<b>Adjust for items in the net surplus or deficit on the provision of services that are investing or financing activities</b>		
Proceeds from short-term and long-term investments	141	60
Capital Grants credited to surplus or deficit on the provision of services	470	3,537
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	157	7,406
	<b>768</b>	<b>11,003</b>
<b>Net Cash Flows from Operating Activities</b>	<b>(1,442)</b>	<b>(1,910)</b>

The cash flows for operating activities include the following items:

	2015/2016 £000	2016/2017 £000
Interest received	(351)	(213)
Dividends received	(79)	(103)
<b>Total</b>	<b>(430)</b>	<b>(316)</b>



## 25. CASHFLOW STATEMENT – INVESTING ACTIVITIES

	2015/2016 £000	2016/2017 £000
Purchase of property, plant and equipment, investment property and intangible assets	5,380	15,966
Purchase of Short-term and Long-term Investments	6,570	2,000
Other payments for investing activities	1,367	1,630
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(157)	(7,406)
Proceeds from Short-term and Long-term Investments	(17,143)	(5,131)
Other receipts from investing activities	(4,352)	(6,253)
<b>Total Cash Flows from Investing Activities</b>	<b>(8,335)</b>	<b>806</b>

## 26. CASHFLOW STATEMENT – FINANCING ACTIVITIES

	2015/2016 £000	2016/2017 £000
Repayments of short- and long-term borrowing	0	54
Other payments for financing activities	(1,075)	(958)
<b>Total Cash Flows from Financing Activities</b>	<b>(1,075)</b>	<b>(904)</b>

## 27. MEMBERS ALLOWANCES

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

	2015/2016 £000	2016/2017 £000
<b>Expenditure</b>		
Allowances	305	305
Other Expenses	12	9
<b>Total Expenditure</b>	<b>317</b>	<b>314</b>

## 28. OFFICERS REMUNERATION

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

Post Title	Year	Salary, Fees & Allowances	Pension Contribution	Total
		£	£	£
Chief Executive	2016/17	120,784	15,340	136,124
	2015/16	120,809	15,340	136,149
Executive Manager – Finance & Corporate Services (post changed from Finance and Commercial on 4/3/16)	2016/17	82,118	10,640	92,758
	2015/16	84,012	10,818	94,830
Executive Manager – Neighbourhoods	2016/17	79,765	10,303	90,068
	2015/16	79,087	10,200	89,287
Executive Manager – Communities	2016/17	79,743	10,303	90,046
	2015/16	79,014	10,200	89,214
Executive Manager – Transformation (incorporates Operations from 1/10/15)	2016/17	85,812	11,146	96,958
	2015/16	81,678	10,618	92,296
Chief Information Officer*	2016/17	84,252	10,887	95,139
	2015/16	71,798	9,180	80,978

\*this post is part funded by Broxtowe Borough Council and Newark and Sherwood District Council

The Council's other employees receiving more than £50,000 remuneration for the year (Excluding Pension Costs)

Remuneration Band	Number of Employees 2015/16	Number of Employees 2016/17
£50,000 - £54,999	1	0
£55,000 - £59,999	4	4
£60,000 - £84,999	0	0

## 29. EXIT PACKAGES AND 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.

2016/2017				
Exit Package Cost Band	Number of Compulsory Redundancies	Number of other departures agreed	Total Exit Packages	
			Number	£
£0 – £20,000	1	0	1	7,348
£20,001 – £40,000	1	1	2	56,436
<b>Total</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>63,784</b>

In 2015/16 no payments above £40,000 were made.

The Council terminated the contracts of a number of people in 2016/17, incurring liabilities of £63,784 (£109,794 in 2015/16). This relates to two officers who were made compulsorily redundant and one officer whose contracts were terminated under other agreed terms.

2015/2016				
Exit Package Cost Band	Number of Compulsory Redundancies	Number of other departures agreed	Total Exit Packages	
			Number	£
£0 – £20,000	3	1	4	71,795
£20,001 – £40,000	0	1	1	37,999
<b>Total</b>	<b>3</b>	<b>2</b>	<b>5</b>	<b>109,794</b>

## 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, statutory inspections and for non-audit services provided by the Council's external auditors.

	2015/2016 £000	2016/2017 £000
Fees payable with regard to external audit services carried out by the appointed auditor	41	41
Fees payable for the certification of grant claims and returns	7	7
<b>Total</b>	<b>48</b>	<b>48</b>

### 31. GRANT INCOME

The Council credited the following capital grants and contributions to the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement in 2015/16 and 2016/17.

Grant	2015/2016 £000	2016/2017 £000
Heritage Lottery Fund Bridgford Hall	178	1,249
Cotgrave Employment Land	0	1,165
S106 Belway Arena New Build	0	89
Cotgrave Town Centre	0	498
<b>Total</b>	<b>178</b>	<b>3,001</b>

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

Grant	2015/2016 £000	2016/2017 £000
DCLG – NNDR Cost of Collection	109	112
Nottinghamshire County Council – Leisure Centres	215	221
DWP – Housing Benefit Subsidy and Council Tax Rebates	18,499	17,263
DWP – Housing Benefit Administration	262	210
DWP - Council Tax Administration	75	84
DCLG – Disabled Facilities Grant (REFCUS)	292	491
<b>Total</b>	<b>19,452</b>	<b>18,381</b>

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 year end are as follows:

Grant	2015/2016 £000	2016/2017 £000
<b>S106 Planning Agreements:</b>		
Health Contributions	780	796
Transport Contributions	1,340	2,019
Education Contributions	1,802	2,258
Open Space Contributions	21	159
Leisure	229	186
Affordable Housing	166	469
Nature Conservation	102	102
Community Facilities	2,202	2,209
Miscellaneous S106s	1,231	1,202
<b>Other Grants:</b>		
LAA Grant – LSP Initiatives	6	0
GDF – Cotgrave Employment Land	0	635
<b>Total</b>	<b>7,879</b>	<b>10,035</b>

## **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.

### **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). Grant receipts above £50,000 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 2016/17 are shown in Note 27. The Members could potentially have a material related party transaction with the Council. During 2016/17 the Council, 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 2016/17 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 of £1.891 million and Internal Drainage Board levies of £0.234m are disclosed in the Comprehensive Income and Expenditure Statement (Note 10).

Other local authorities, central government, the Nottinghamshire Police Authority and Nottinghamshire Fire Authority – disclosed in Note 3 and Note 5 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 detailed that the Chief Executive and Service Manager – Finance and Commercial are Directors of Streetwise Environmental Limited (see Group Accounts section). They fulfil this role on behalf of the Council but hold no shares and received no payments either directly or indirectly for their Director roles.

### 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, a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

	2015/2016 £000	2016/2017 £000
<b>Opening Capital Financing Requirement</b>	(505)	(505)
<b>Capital Investment</b>		
Property, Plant and Equipment	5,951	16,216
Investment Properties	80	0
Intangible Assets	75	8
Loans to Other Organisation	0	902
Revenue Expenditure Funded from Capital Under Statute	944	1,238
<b>Sources of Finance</b>		
Capital Receipts	(2,430)	(3,538)
Government Grants and Other Contributions	(701)	(3,525)
Direct Revenue Contributions	(3,919)	(1,233)
<b>Closing Capital Financing Requirement</b>	<b>(505)</b>	<b>9,563</b>
<b>Explanations of movements in year</b>		
Increase in the underlying need to borrow (unsupported by government financial assistance)	0	10,068
Assets acquired under finance leases	0	0
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>0</b>	<b>10,068</b>

### 34. LEASES

#### Council as a Lessor

##### Finance Leases

The Council leases out land for investment purposes generating income of £0.03m 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 xvi) the Council continues to charge the income to the Comprehensive Income and Expenditure Statement.

##### Operating Leases

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

### 34. LEASES CONTINUED

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

	2015/2016 £000	2016/2017 £000
Not later than one year	1,029	907
Later than one year and not later than five years	1,297	1,777
Later than five years	3,201	3,459
<b>Total</b>	<b>5,527</b>	<b>6,143</b>

### 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 13 reconciling the movement over the year in the Property, Plant and Equipment balances. There is also movement on Heritage asset balances but these are not shown in a separate note as they are immaterial.

The revaluation and impairment exercise for 2016/17 gave rise to a net revaluation loss of £1.315m comprising of a downward revaluation on the Arena £1.301m and Hound Lodge of £17k and a reversal of a previously recognised revaluation loss on Gamston Community Hall - £3k (in 2015/16 the comparative figure was £0.110m arising from 4 assets). This net revaluation loss figure is recognised in the Surplus/Deficit on Provision of Services figure shown in note 13.

### 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 are based on career average re-valued salary, and length of service on retirement, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The arrangement 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 Council 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.
- 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 1vii.

### 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:-

- The liabilities of the fund are valued using a discount rate based on corporate bond yields that match the duration of the employer's liabilities and the Merrill Lynch AA-rated corporate bond yield curve. Corporate bond yields fell sharply mid-year and although partially recovered is still lower than the start of the year. There is a substantial increase in the value of the defined benefit obligations a result of a change in assumptions over the year, as both the discount rate has decreased and future expected inflation has increased.
- This is partially offset by asset performance as overall, asset returns have been strong over the year, particularly equities. Gilts and bonds have had a volatile year, primarily driven by political events. The assumptions made on salary increases is lower than inflation which will also offset some of the increase.



### 36. DEFINED BENEFIT PENSION SCHEMES CONTINUED

Local Government Pension Scheme	2015/2016 £000	2016/2017 £000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services</b>		
Current Service Cost	1,616	1,456
Administration Expenses	1	17
Past Service Gain	0	0
Settlements and Curtailments	78	22
<b>Financing and Investment Income and Expenditure</b>		
Net Interest Expense	1,681	1,622
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>3,376</b>	<b>3,117</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
<b>Re-measurement of the net defined benefit liability comprising:</b>		
Return on plan assets (excluding the amount included in the net interest expense)	2,049	(9,330)
Actuarial (Gains)/Losses arising on changes in demographic assumptions	0	256
Actuarial (Gains)/Losses arising on changes in financial assumptions	(9,815)	23,991
Other Experience	0	(3,382)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(4,390)</b>	<b>14,652</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit	(3,376)	(3,117)
<b>Actual amount charged against the General Fund for Pensions in the year</b>		
Employers contributions payable to scheme	0	0
	1,360	1,371

Discretionary Benefits	2015/2016 £000	2016/2017 £000
Retirement benefits payable to pensioners	94	94

### 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 Council's obligation in respect of its defined benefit plan is as follows:

Local Government Pension Scheme	2015/2016 £000	2016/2017 £000
Present value of the defined benefit obligation	94,618	117,240
Fair Value of Plan Assets (bid value)	(48,834)	(58,269)
	<b>45,784</b>	<b>58,971</b>

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

Local Government Pension Scheme	2015/2016 £000	2016/2017 £000
<b>Opening Fair Value of Scheme Assets</b>	<b>51,193</b>	<b>48,834</b>
Expected Return on Scheme Assets	0	0
Interest Income	1,657	1,733
Re -measurement (gain)/loss:		
The return on plan assets, excluding the amount included in the net interest expense	(2,049)	9,330
Other		(213)
Contributions from employer	1,454	1,465
Contributions from employees into the scheme	374	375
Benefits Paid	(3,794)	(3,238)
Other	(1)	0
Settlements	(0)	(17)
<b>Closing Fair Value of Scheme Assets</b>	<b>48,834</b>	<b>58,269</b>

### 36. DEFINED BENEFIT PENSION SCHEMES CONTINUED

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

Local Government Pension Scheme	2015/2016 £000	2016/2017 £000
<b>Opening Balance 1 April</b>	<b>102,818</b>	<b>94,618</b>
Current Service Costs	1,616	1,456
Interest Cost	3,338	3,355
Contributions by scheme participants	374	375
Re – measurement gains/(loss)		
Actuarial (Gains)/Losses arising from changes in demographic assumptions	0	256
Actuarial (Gains)/Losses arising changes in financial assumptions	(9,815)	23,778
Experience loss on defined benefit obligation	3	(3,382)
(Gains)/Losses on Settlements / Curtailments	78	22
Benefits Paid	(3,700)	(3,144)
Unfunded Pension Payments	(94)	(94)
<b>Closing Balance 31 March</b>	<b>94,618</b>	<b>117,240</b>

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

	2015/16 £000	2016/17 £000
Equities	33,998	40,753
Gilts	1,520	1,781
Other Bonds	3,340	3,515
Property	6,168	6,479
Others	3,808	5,741
<b>Total Assets</b>	<b>48,834</b>	<b>58,269</b>

From the information we have received from the administering Authority, we understand that of the Equities allocation above, 44% are UK investments, 56% are overseas investments. All of the above are listed in a market.

Of the Gilts allocation above, 100% are UK fixed interest Gilts. Of the Other Bonds allocation above, 95% are UK corporates, 5% are overseas corporates.

Of the Property and Cash allocation 100% are unquoted

Other allocations include Private Equity, Infrastructure, Inflation Linked and Cash/Temporary Investments.

### 36. DEFINED BENEFIT PENSION SCHEMES CONTINUED

#### Basis for Estimating Assets & Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years 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 2016.

The principal assumptions used by the actuary have been:

LGPS & Disc. Benefits	2015/16	2016/2017
<b>Mortality Assumptions</b>		
<b>Longevity at 65 for current pensioners (years)</b>		
Men	22.1	22.5
Women	25.3	25.5
<b>Longevity at 65 for future pensioners (years)</b>		
Men	24.4	24.7
Women	27.7	27.8
<b>Rates of Inflation</b>		
RPI (Per Annum)	3.2%	3.6%
CPI (Per Annum)	2.3%	2.7%
CPI (Real)	-0.9%	-0.9%
<b>Rates of Increase in Salaries</b>		
(Per Annum)	4.1%	4.2%
<b>Rates of Increase in Pensions</b>		
(Per Annum)	2.3%	2.7%
<b>Rates for Discounting Scheme Liabilities</b>		
(Per Annum)	3.6%	2.7%

#### 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.
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same

### 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 has 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)	4,511	(4,338)
Rate of increase in salaries (increase or decrease by 0.1%)	245	(242)
Rate of increase in pensions (increase or decrease by 0.1%)	1,886	(1,851)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(2,092)	2,133

#### Impact on the Council'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 2017/18 is 14.6% (2016/17 13%) and the Council anticipates paying £2.014m in expected contributions to the scheme. The deficit recovery contribution is now expressed as monetary amounts. The anticipated contribution for the three year period 2017/18 to 2019/20 is £3.492m (£1.164m per annum) (£0.638m in 2016/17). This has increased significantly due to the results of the triennial valuation on 31 March 2016. Funding levels are monitored on an annual basis. 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 re-valued earnings schemes to pay pensions and other benefits to certain public servants. The estimated duration of the defined benefit obligation for scheme members is 19 years.

### 36. DEFINED BENEFIT PENSION SCHEMES CONTINUED

#### Projected Pension Expense for the Year to 31 March 2018

<b>Projected Pension Expense</b>	<b>2017/18 £000</b>
Service cost	2,208
Net Interest on the defined liability (asset)	1,564
Administration Expenses	21
<b>Total</b>	<b>3,793</b>
Employer contributions	2,014

Note: These figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2017.

These projections are based on the assumptions as at 31 March 2017, as described in the Barnett Waddingham actuary report.

### 37. CONTINGENT LIABILITIES

At the 31st March 2017 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 15 years until 2018 and the latter for 32 years to 2035. The value of the liability is unknown and to date there have not been any issues identified.

### 38. CONTINGENT ASSETS

At the 31 March 2017 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 £0.109m in respect of 2016/17 disposals (2015/16 £0.045m). 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 Sharpill, 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 Council.
- **Liquidity Risk** – the possibility that the Council might not have funds available to meet its commitments to make payments.
- **Market Risk** – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

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

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 2017 that this was likely to happen.

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

The Council 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

	2015/2016 £000	2016/2017 £000
Less than three months	460	752
Three to nine months	130	236
Nine months to one year	69	52
More than one year	677	738

#### Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council 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 Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council 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 Council 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 Council. 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 Council 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 2017, if interest rates had been 1% higher or lower with all variables held constant, the effect would be:

	2015/2016 £000	2016/2017 £000
Increase in Interest Receivable on Variable Rate Investments	207	258
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>207</b>	<b>258</b>
Decrease in Fair Value of Fixed Rate Investments	0	0
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>

#### Price Risk

The Council's investment in the CCLA Property Fund is subject to the risk of falling commercial property prices. The risk is limited by the Council's maximum exposure to property investments of £2.0 million. A 5% fall in commercial property prices would result in a £0.10m charge to Other Comprehensive Income and Expenditure – this would have no impact on the General Fund until the investment was sold. A 5% increase would similarly result in a return of £0.10m.

#### Foreign Exchange Risk

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

## F. COLLECTION FUND

### Income and Expenditure Account

2015/2016 Council Tax £000	2015/2016 NNDR £000	2015/2016 Total £000		Note Ref	2016/2017 Council Tax £000	2016/2017 NNDR £000	2016/2017 Total £000
67,503	0	<b>67,503</b>	<b>INCOME</b>				
0	27,524	<b>27,524</b>	Council Tax		70,947	0	<b>70,947</b>
			Income from business ratepayers		0	28,805	<b>28,805</b>
<b>67,503</b>	<b>27,524</b>	<b>95,027</b>			<b>70,947</b>	<b>28,805</b>	<b>99,752</b>
			<b>EXPENDITURE</b>				
			Precepts and Demands				
49,550	0	<b>49,550</b>	• Nottinghamshire County Council		52,865	0	52,865
7,043	0	<b>7,043</b>	• Nottinghamshire Police Authority		7,370	0	7,370
2,892	0	<b>2,892</b>	• Nottinghamshire Fire Authority		3,025	0	3,025
7,175	0	<b>7,175</b>	• Rushcliffe Borough Council		7,644	0	7,644
			Business Rate				
0	13,320	<b>13,320</b>	• Payments to Government		0	13,390	13,390
0	11,253	<b>11,253</b>	• Payments to Nottinghamshire County Council*		0	11,339	11,339
0	266	<b>266</b>	• Payments to Nottinghamshire Fire Authority		0	268	268
0	1,906	<b>1,906</b>	• Payments to Rushcliffe Borough Council		0	1,862	1,862
0	109	<b>109</b>	• Costs of Collection		0	112	112
			Impairment of Debts/Appeals				
70	23	<b>93</b>	• Write offs and uncollectable amounts		104	250	354

## F. COLLECTION FUND CONTINUED

2015/2016 Council Tax £000	2015/2016 NNDR £000	2015/2016 Total £000		Note Ref	2016/2017 Council Tax £000	2016/2017 NNDR £000	2016/2017 Total £000
(19)	8	(11)	<ul style="list-style-type: none"> <li>• Allowance for Impairment</li> <li>• Provision for appeals</li> </ul> Contributions		47	(190)	(143)
0	367	367			0	1,238	1,238
754	(1,244)	(490)		• Distribution of previous year's Collection Fund surplus/(deficit)	734	(655)	79
<b>67,465</b>	<b>26,008</b>	<b>93,473</b>			<b>71,789</b>	<b>27,614</b>	<b>99,403</b>
<b>38</b>	<b>1,516</b>	<b>1,554</b>	<b>Movement on Fund Balance</b>		<b>(842)</b>	<b>1,191</b>	<b>349</b>
<b>963</b>	<b>(2,118)</b>	<b>(1,155)</b>	<b>Opening Fund Balance</b>		<b>1,001</b>	<b>(602)</b>	<b>399</b>
<b>1,001</b>	<b>(602)</b>	<b>399</b>	<b>Closing Fund Balance</b>		<b>159</b>	<b>589</b>	<b>748</b>

\*This includes £8,928,770 (2015/16 £8,854,979) 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 2015/16	Band	Chargeable properties after discounts	Ratio	Band D Equivalents 2016/17
2,512	A	3,974	6/9	2,649
5,555	B	7,395	7/9	5,752
7,881	C	9,043	8/9	8,038
8,076	D	8,275	9/9	8,275
7,186	E	5,996	11/9	7,329
5,292	F	3,747	13/9	5,412
3,618	G	2,222	15/9	3,703
206	H	108	18/9	215
<b>40,326</b>				41,373
(403)	Non-Collection Impairment was 1.00% for 2016/17 (2015/16 1.00%)			(413)
<b>39,923</b>	<b>Council Tax Base</b>			<b>40,960</b>

### 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 2016/17 a Collection Fund Council Tax surplus of £0.734m was redistributed between the major precepting authorities. Of this £0.525m reflected the estimated outturn at 15 January 2016 and £0.209m surplus arose from the difference between the estimated and actual outturn positions for 2014/15.

## F. NOTES TO THE COLLECTION FUND CONTINUED

At 15 January 2017 the Collection Fund Council Tax surplus for 2016/17 was estimated at £0.167m comprising an in-year deficit of £0.10m and £0.267m surplus arising from the difference between the actual and estimated outturns for 2015/16. These funds will be redistributed to the major precepting authorities in 2017/18.

2015/16 £000		2016/17 £000	2017/18 £000
558	Nottinghamshire County Council	545	125
80	Nottinghamshire Police Authority	78	17
32	Nottinghamshire Fire Authority	32	7
84	Rushcliffe Borough Council	79	18
<b>754</b>		<b>734</b>	<b>167</b>

At 31 March 2017 the actual outturn for the Collection Fund Council Tax was £0.159m, a decrease of £8,000 for the estimated outturn. This will be adjusted for as part of the calculations for the redistribution of Collection Fund balances in 2018/19.

### 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 21 provides further details on the provision made in 2016/17.

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

### 4. NON-DOMESTIC RATES CONTINUED

2015/2016		2016/2017
£69.83m	Local Rateable Values	£70.05m
49.3p	National non-domestic rate multiplier	49.7p

### 5. NON-DOMESTIC RATES DEFICIT

At 31 March 2017 the actual outturn for the Collection Fund NNDR was a surplus of £0.589m (2015/16 £0.602m deficit) which is then distributed to the preceptors as detailed in the following table.

	2015/16 £000	2016/17
Central Government (50%)	(303)	260
Rushcliffe Borough Council (40%)*	(238)	277
Nottinghamshire County Council (9%)	(55)	47
Nottinghamshire Fire Authority (1%)	(6)	5
	<b>(602)</b>	<b>589</b>

\*this includes £69,846 of renewable energy relief (2015/16 £3,650) which is retained by the Council

# **RUSHCLIFFE BOROUGH COUNCIL GROUP CONSOLIDATED ACCOUNTS**

## **INTRODUCTION**

The Council is required under the Local Government Act 2003 to produce a set of Group accounts where it has subsidiaries, joint ventures or associates. The criteria for deciding if the Council has such relationships is laid down by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (referred to within these accounts as “the Code”). The Code has been developed to bring authority accounts in line with the International Financial Reporting Standards (IFRS) which other reporting bodies have to comply with and to assist users of the accounts to understand better the Council’s overall financial position.

The Council has undertaken a review of all of its relationships with other bodies and is required to consolidate its accounts with Streetwise Environmental Ltd, which is a wholly owned subsidiary of the Council, using the acquisition method.

Streetwise Environmental Ltd started trading on 1 September 2014.

Streetwise Environmental Ltd produce a set of company accounts with a year end of 31 March. The accounts which have been consolidated here, have been audited by KPMG and have been given an unqualified audit opinion.

## **ACCOUNTING POLICIES**

The accounting policies of the two organisations have been examined and the accounting policies of Streetwise Environmental Ltd do not differ materially from those used by Rushcliffe Borough Council so have no impact on the Group Accounts produced above. However, Streetwise Environmental Ltd depreciates vehicles on a reducing balance basis whereas the Council depreciate vehicles on a straight line basis. This has been reviewed and there is no material difference. The consolidation has been done on an acquisition basis as Streetwise Environmental Ltd is 100% owned by Rushcliffe Borough Council.

## G. GROUP ACCOUNTS

### GROUP MOVEMENT IN RESERVES STATEMENT (MIRS)

2015/2016	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's Share of Reserves of Subsidiaries	Total Reserves
<b>Balance 31 March 2016</b>	£000 (2,604)	£000 (9,540)	£000 (9,773)	£000 (42)	£000 (21,959)	£000 3,979	£000 (17,980)	£000 (308)	£000 (18,288)
<b>Movement in Reserves during 2016/2017</b>									
(Surplus) or deficit on the provision of services	(1,563)	0	0	0	(1,563)	0	(1,563)	(45)	(1,608)
Other Comprehensive Income and Expenditure	0	0	0	0	0	12,969	12,969	295	13,264
<b>Total Comprehensive Income and Expenditure</b>	<b>(1,563)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,563)</b>	<b>12,969</b>	<b>11,406</b>	<b>250</b>	<b>11,656</b>
Adjustments between group accounts and authority accounts	0	0	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations	888	0	(4,156)	(12)	(3,280)	3,280	0	0	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(675)</b>	<b>0</b>	<b>(4,156)</b>	<b>(12)</b>	<b>(4,843)</b>	<b>16,249</b>	<b>11,406</b>	<b>250</b>	<b>11,656</b>
Transfers to/(from) Earmarked Reserves	675	(675)	0	0	0	0	0	0	0
<b>(Increase)/Decrease in 2016/2017</b>	<b>0</b>	<b>(675)</b>	<b>(4,156)</b>	<b>(12)</b>	<b>(4,843)</b>	<b>16,249</b>	<b>11,406</b>	<b>250</b>	<b>11,656</b>
<b>Balance at 31 March 2017 Carried Forward</b>	<b>(2,604)</b>	<b>(10,215)</b>	<b>(13,929)</b>	<b>(54)</b>	<b>(26,802)</b>	<b>20,228</b>	<b>(6,574)</b>	<b>(58)</b>	<b>(6,632)</b>



## G. GROUP MOVEMENT IN RESERVES STATEMENT (MIRS)

2015/2016	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's Share of Reserves of Subsidiaries	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance 31 March 2015</b>	<b>(2,604)</b>	<b>(11,457)</b>	<b>(11,797)</b>	<b>(273)</b>	<b>(26,131)</b>	<b>14,599</b>	<b>(11,532)</b>	<b>(51)</b>	<b>(11,583)</b>
<b>Movement in Reserves during 2015/2016</b>									
(Surplus) or deficit on the provision of services	1,204	0	0	0	1,204	0	1,204	(9)	1,195
Other Comprehensive Income and Expenditure	0	0	0	0	0	(7,652)	(7,652)	(248)	(7,900)
<b>Total Comprehensive Income and Expenditure</b>	<b>1,204</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,204</b>	<b>(7,652)</b>	<b>(6,448)</b>	<b>(257)</b>	<b>(6,705)</b>
Adjustments between group accounts and authority accounts	0	0	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations	713	0	2,024	231	2,968	(2,968)	0	0	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>1,917</b>	<b>0</b>	<b>2,024</b>	<b>231</b>	<b>4,172</b>	<b>(10,620)</b>	<b>(6,448)</b>	<b>(257)</b>	<b>(6,705)</b>
Transfers to/(from) Earmarked Reserves	(1,917)	1,917	0	0	0	0	0	0	0
<b>(Increase)/Decrease in 2015/2016</b>	<b>0</b>	<b>1,917</b>	<b>2,024</b>	<b>231</b>	<b>4,172</b>	<b>(10,620)</b>	<b>(6,448)</b>	<b>(257)</b>	<b>(6,705)</b>
<b>Balance at 31 March 2016 Carried Forward</b>	<b>(2,604)</b>	<b>(9,540)</b>	<b>(9,773)</b>	<b>(42)</b>	<b>(21,959)</b>	<b>3,979</b>	<b>(17,980)</b>	<b>(314)</b>	<b>(18,288)</b>

## GROUP ACCOUNTS

### GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

Restated 2015/2016				2016/2017		
Gross Exp £000	Gross Inc £000	Net Exp £000		Gross Exp £000	Gross Inc £000	Net Exp £000
2,661	(1,489)	1,172	Communities	2,817	(1,518)	1,299
24,230	(20,021)	4,209	Finance and Corporate	23,958	(18,774)	5,184
7,012	(3,146)	3,866	Neighbourhoods	7,234	(3,557)	3,677
3,867	(318)	3,549	Transformation	4,112	(445)	3,667
<b>37,770</b>	<b>(24,974)</b>	<b>12,796</b>	<b>Cost of Services (Note 1)</b>	<b>38,121</b>	<b>(24,294)</b>	<b>13,827</b>
1,996	(88)	1,908	Other Operating Expenditure	2,125	(558)	1,567
1,910	(1,757)	153	Financing & Investment Inc. & Expenditure.	1,898	(2,457)	(559)
0	(13,678)	(13,678)	Taxation & Non-Specific Grant Income		(16,433)	(16,433)
<b>41,676</b>	<b>(40,497)</b>	<b>1,179</b>	<b>(Surplus)/Deficit on Provision of Services (Note 1)</b>	<b>42,144</b>	<b>(43,742)</b>	<b>(1,598)</b>
		16	Tax expenses of subsidiaries			(10)
		<b>1,195</b>	<b>Group (Surplus)/Deficit on Provision of Services</b>			<b>(1,608)</b>
		186	Surplus or deficit on revaluation of non-current assets			1,403
		(75)	Available for Sale Financial Instruments			31
		(8,011)	Actuarial gains/losses on pension assets/liabilities			11,830
		<b>(7,900)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>			<b>13,264</b>
		<b>(6,705)</b>	<b>Total Comprehensive Income &amp; Expenditure (Note 2)</b>			<b>11,656</b>

## G. GROUP ACCOUNTS

### GROUP BALANCE SHEET

31 March 2016 £000		Note Ref	31 March 2017 £000
31,059	Property, Plant and Equipment		39,865
72	Heritage Assets		68
9,965	Investment Property		7,120
6,087	Long Term Investments	3	6,025
131	Intangible Assets		78
872	Long Term Debtors	3	1,719
<b>48,186</b>	<b>Long Term Assets</b>		<b>54,875</b>
5,096	Short Term Investments	3	2,046
26	Inventories		29
2,046	Short Term Debtors	3	2,633
24,120	Cash and Cash Equivalents		26,180
<b>31,288</b>	<b>Current Assets</b>		<b>30,888</b>
(54)	Short Term Borrowing		0
(31)	Short Term Provisions		0
(5,828)	Short Term Creditors	3	(7,675)
<b>(5,913)</b>	<b>Current Liabilities</b>		<b>(7,675)</b>
(1,049)	Long Term Provisions	3	(1,544)
(7,879)	Capital Grants Receipts in Advance		(10,035)
(46,247)	Pension Liability		(59,863)
(98)	Deferred Tax Liability		(14)
<b>(55,273)</b>	<b>Long Term Liabilities</b>		<b>(71,456)</b>
<b>18,288</b>	<b>NET ASSETS</b>		<b>6,632</b>
9,773	Usable Capital Receipts Reserve		13,929
2,604	General Fund Balance		2,604
9,540	Earmarked Reserves		10,215
42	Capital Grants Unapplied		54
308	Profit and Loss Reserve		58
<b>22,267</b>	<b>Usable Reserves</b>		<b>26,860</b>
(3,979)	<b>Unusable Reserves</b>		<b>(20,228)</b>
<b>18,288</b>	<b>TOTAL RESERVES</b>		<b>6,632</b>

## G. GROUP ACCOUNTS

### CASHFLOW STATEMENT (INDIRECT METHOD)

2015/2016 £000		2016/2017 £000
1,189	Net (surplus) or deficit on the provision of services	1,608
(3,511)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	11,461
775	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(11,003)
(1,547)	Net cash flows from Operating Activities	2,066
(7,981)	Investing Activities	(910)
(1,075)	Financing Activities	904
(10,603)	Net increase or decrease in cash and cash equivalents	2,060
(13,517)	Cash and cash equivalents at the beginning of the reporting period	24,120
<b>(24,120)</b>	<b>Cash and cash equivalents at the end of the reporting</b>	<b>26,180</b>

## G. GROUP ACCOUNTS

### INTER COMPANY TRANSACTIONS

The Group Accounts exclude transactions between the two organisations as this ensures that expenditure and income is only recorded once within the accounts. The elements of the accounts that have been adjusted for inter-company transactions are detailed below:

#### 1. Group Cost of Services and Group Position on Provision of Services

2016/17 Comprehensive Income and Expenditure Statement	RBC Adjusted £000	Streetwise Environmental Ltd Adjusted £000	Group £000
(Surplus)/Deficit on Continuing Operations	12,595	1,232	13,827
Other Operating Expenditure	1,567	0	1,567
Financing and Investment Income and Expenditure	(576)	17	(559)
Taxation and Non-specific Grant Income	(16,433)	0	(16,433)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>(2,847)</b>	<b>1,249</b>	<b>(1,598)</b>

2015/16 Comprehensive Income and Expenditure Statement	RBC Adjusted £000	Streetwise Environmental Ltd Adjusted £000	Group £000
(Surplus)/Deficit on Continuing Operations	11,501	1,295	12,796
Other Operating Expenditure	1,908	0	1,908
Financing and Investment Income and Expenditure	130	23	153
Taxation and Non-specific Grant Income	(13,678)	0	(13,678)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>(139)</b>	<b>1,318</b>	<b>1,179</b>

#### 2. Reconciliation of the Single Entity (Surplus)/Deficit to the Group (Surplus)/Deficit

	2015/2016 £000	2016/2017 £000
(Surplus)/Deficit on the Council's Comprehensive Income and Expenditure Statement	(6,448)	11,406
Adjustments for transactions with other Group entities	(1,355)	(1,284)
<b>(Surplus)/Deficit in the Group Comprehensive Income and Expenditure Statement attributable to the Council</b>	<b>(7,803)</b>	<b>10,122</b>
(Surplus)/Deficit in the Group Comprehensive Income and Expenditure Statement attributable to the Group subsidiaries (adjusted for inter group transactions)	1,098	1,534
<b>(Surplus)/Deficit for the year on the Group Comprehensive Income and Expenditure Statement</b>	<b>(6,705)</b>	<b>11,656</b>

## G. GROUP ACCOUNTS

### 3. Group Transactions in relation to Debtors, Creditors, Provisions and Investments.

<b>2016/2017 Balance Sheet</b>	<b>RBC £000</b>	<b>Streetwise Environmental Ltd £000</b>	<b>Adjustment £000</b>	<b>Group £000</b>
Long Term debtors	1,857	583	(721)	1719
Short Term Debtors	2,744	142	(253)	2633
Long Term Investments	6,027	0	(2)	6025
Short Term Investments	2,050	0	(4)	2046
Short Term Creditors	(7,511)	(421)	257	(7,675)
Long Term Creditors	0	(140)	140	0
Long Term Provisions	(2,127)	0	583	(1,544)

<b>2015/2016 Balance Sheet</b>	<b>RBC £000</b>	<b>Streetwise Environmental Ltd £000</b>	<b>Adjustment £000</b>	<b>Group £000</b>
Long Term debtors	1,099	583	(810)	872
Short Term Debtors	2,101	55	(110)	2,046
Long Term Investments	6,093	0	(6)	6,087
Short Term Investments	5,101	0	(5)	5,096
Short Term Creditors	(5,594)	(349)	115	(5,828)
Long Term Creditors	0	(233)	233	0
Long Term Provisions	(1,632)	0	583	(1,049)

## **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 1 April and ending on 31 March.

### **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 at the last actuarial valuation
- 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 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, where the conditions of the grant have been satisfied, that have yet to be used to finance capital expenditure.

## **CAPITAL PROGRAMME**

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

## **CAPITAL RECEIPTS**

Proceeds arising from the sale of fixed assets (such as land and buildings) and repayments of the principle elements of capital loans. The Council can use the proceeds from capital receipts 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.

## **CIPFA - CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY**

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.

## **COMBINED AUTHORITY**

Collaborative working on infrastructure projects involving Nottinghamshire Local Authorities.

## **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.

## **DCLG**

Department for Communities and Local Government



**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.

**DWP**

Department for Work and Pensions.

**EXPENDITURE AND FUNDING ANALYSIS**

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

**FINANCE LEASE**

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

**FINANCIAL INSTRUMENT**

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).

**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.

**GROUP ACCOUNTS**

Group Accounts consolidate the financial results of the Council and Streetwise Environmental Limited.

**HCA**

Homes and Communities Agency

**HISTORICAL COST ADJUSTMENT**

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

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

Defined accounting standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of other entities. The Accounting Standards emanate from the International Financial Reporting Interpretations Committee (IFRIC).

**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.

**LAA**

Local Area Agreement

**LIABILITY**

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

**LSP**

Local Strategic Partnership

**MINIMUM REVENUE PROVISION (MRP)**

The minimum amount which must be charged to a Council's 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)**

The Council collects Non domestic rates for its area based on local rateable values multiplied by a national uniform rate. With the introduction of the Business Rates Retention Scheme on 1 April 2013, billing authorities act as agents and collect Non domestic rates on behalf of major preceptors and central government.

**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.

### **REFCUS**

Revenue Expenditure Funded by Capital Under Statute.

### **RENEWABLE ENERGY RELIEF**

The amount of non-domestic rates to be retained by the Council in respect of designated renewable energy projects.

### **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.

### **S106**

Developer contributions lodged under Section 106 of the Town and Country Planning Act 1990 (as amended).

### **SOLACE**

Society of Local Authority Chief Executives

### **TRANSFER PAYMENTS**

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