Rushcliffe
Borough Council

Statement of Accounts

2018 - 2019

RUSHCLIFFE - GREAT PLACE ▪ GREAT LIFESTYLE ▪ GREAT SPORT

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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 2019/20 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 reports on the accounts by summarising key events and their financial impact as well as 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 2019/20.

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

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

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

Peter 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 2019/20 (known as the Statement of Responsibilities for the Statement of Accounts) 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 47 to 62 of the Statement of Accounts.

2. Delivery of the Corporate Strategy

The delivery of the Corporate Strategy 2016-20 is reported quarterly to the Council's Performance Management Board (PMB).

We had ambitions to deliver major projects that would the three corporate themes:

- 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 delivery of efficient high quality services

Here are some examples of what we achieved:

Built a state of the art leisure centre and new civic offices in 2017, saving the Council over £450k a year

Restored historic Bridgford Hall thanks to investment from the Council and the Heritage Lottery Fund

Given over 850 trees to Residents, Town and Parishes.
Banned single-use plastics at all RBC venues

Won the LGC Entrepreneurial Council of the Year and the MJ Commercial Council of the Year Awards 2018

Received Silver Award as part of the Armed Forces Employee Recognition Scheme

Collected 30 tonnes of food and clothes over the last three years for local homeless charity the Friary

Established Growth Boards in Bingham, Radcliffe on Trent, East Leake and West Bridgford, to to help support and develop the towns

Supported over 250 local businesses to access grants and training, as well as promotion on our social media channels

Delivered 2,682 new homes, as part of our target from Government of 13,150 new homes by 2028

Regenerated Cotgrave Town Centre. including a new Multi-Service Centre, Improvements to shop units and public realm and new business units

As well as achieving all of this, did you know that in the last year, Rushcliffe... ?

Emptied **3.3 million** bins and only 'missed' 1000. This means we got it right **99.97%** of the time.

Processed one of the 4 largest residential planning applications in the country last year. Fairham Pastures will be a **£750m** development, providing **3000** new homes and **2500** new jobs.

Prevented or relieved **180** cases of homelessness and collected over **30 tonnes** of food and clothing for a local homelessness charity in the last three years.

Answered over **100,000** calls from our residents

Spoke with **17,000** residents in person at our Contact Centres, with **100%** satisfaction from users.

Helped over **250** local business to access training, grants and advice

Supported over **1000** home alarm customers, with a **100%** satisfaction rating

Conducted over **300** food hygiene inspections

Successfully kept our Council Tax rates lower than **75%** of all local authorities in the Country

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 November 2018 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 32 corporate risks (to be reported to the Governance Group on 23 July 2019). The number of operational risks has decreased from 29 to 26. Therefore the total number of risks has reduced from 63 to 58 within the year.

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

Risks removed:
- CRR_TR15 Significant reduction in staff morale – the latest staff survey shows high satisfaction levels
- CRR_TR23 Grenfell Tower post incident risk to commercial buildings in Rushcliffe – no evidence of material associated with the Grenfell Tower fire have been found in the borough
- OR_TR16 Failure to secure vacant possession of Cotgrave precinct and associated risks to town centre regeneration – no longer a risk as possession has been secured.

Risks added or proposed by Risk Management Group:
- CRR_NS09 Unforeseen incidents happening at public events.

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, potential alternative use of the site

Central Government policy changes e.g. Fairer funding, changes to NHB and 75% Business Rates transfer to local government leading to reduced revenue. Environmental policy changes with regards to waste will create future financial pressures	High	High	Engagement in consultation in policy creation and communicating to senior management and members the financial impact of changes via the MTFS. Budget at safety net position.
Pensions triennial revaluation and the potential increase to pension contributions	High	High	To be aware of actuaries 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 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 £1.310m. Of the £3.192m transferred to reserves, £1.364m was New Homes Bonus (NHB). The remainder was largely due to surplus on collection fund the year-end underspend. Much of the £1.906m use of Reserves was in relation to the use of New Homes Bonus to offset Minimum Revenue Provision (MRP) charges in relation to the capital cost of the Arena. 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 changes to the business rates system);
- 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.

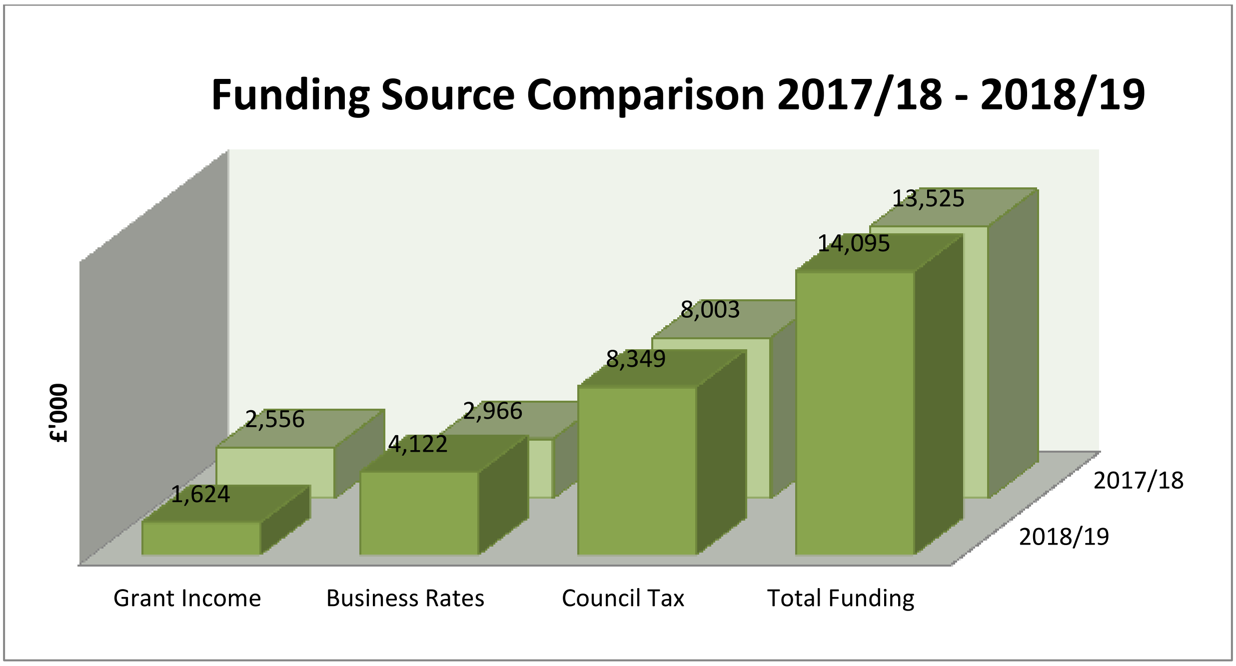
The Movement in Reserves Statement (page 4) demonstrates prudent financial management throughout the year, with the Council having had few reasons to call on its reserves. As a result the General Fund Reserve Balance remains unchanged from 2017/18 at £2.604m. Earmarked reserves have increased by £1.286m from £10.532m to £11.818m (see Note 4). 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 table demonstrates where money was spent in 2018/19, showing an overall underspend on direct costs of £548k against budget (reported to Cabinet on 11 June 2019):

	Original Budget £'000	Revised Budget £'000	Actual £'000	Variance to Revised Budget £'000
Communities	1,103	1,301	1,216	(85)
Finance & Corporate	3,471	3,391	3,216	(175)
Neighbourhoods	4,608	4,665	4,507	(158)
Transformation	2,498	2,965	2,835	(130)
Net Cost of Services	**11,680**	**12,322**	**11,774**	**(548)**

The table above excludes technical items which do not impact on the bottom line financial position such as capital accounting charges.

The main sources of funding are detailed below showing increasingly the reliance on Council Tax to fund net council expenditure amounting to 59% and Business Rates to 29% with a reduction in grant income now making up just 12% of which £1.364m is New Homes Bonus largely used to finance capital expenditure.

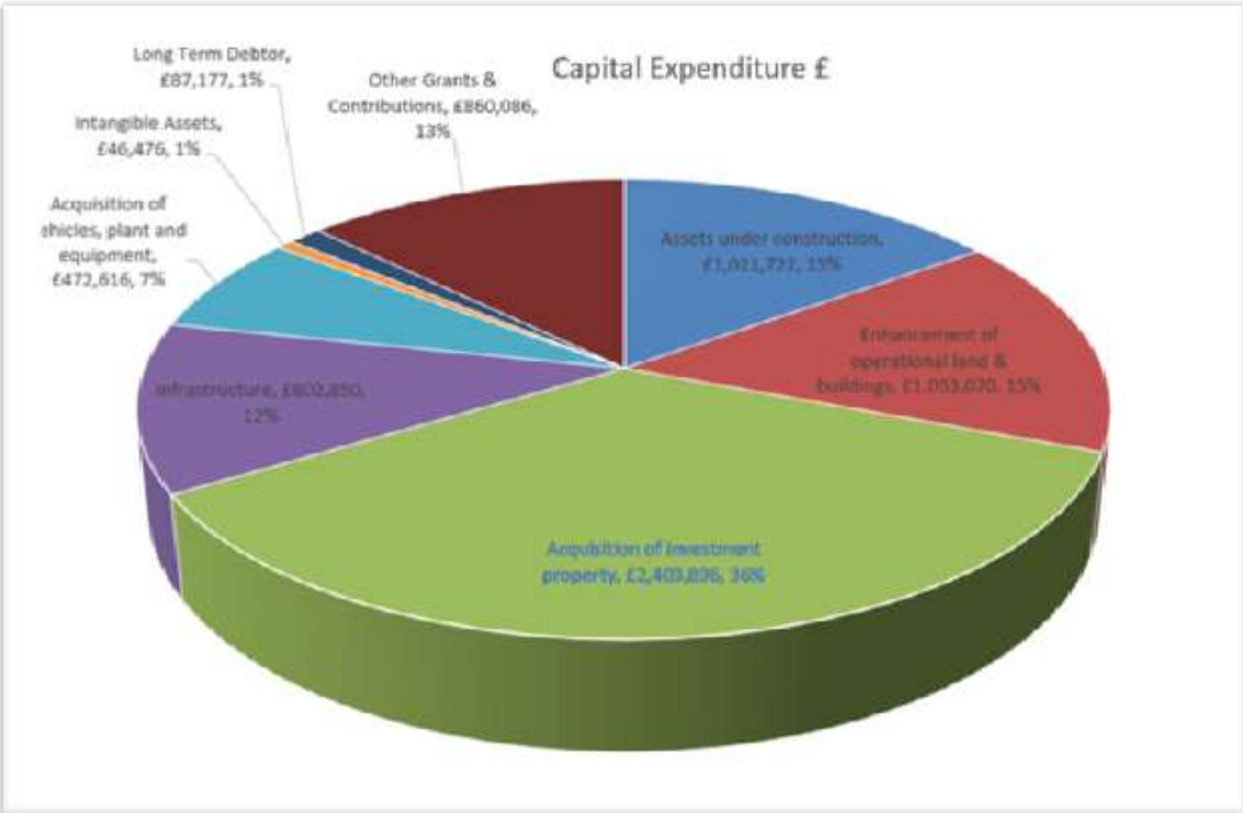


Source: Taxation and Non Specific Grant Income - Note 7

5. Capital Expenditure and Income

Source: Capital Expenditure and Capital Financing – Note 33

The following chart shows the breakdown of Capital Expenditure in 2018/19:



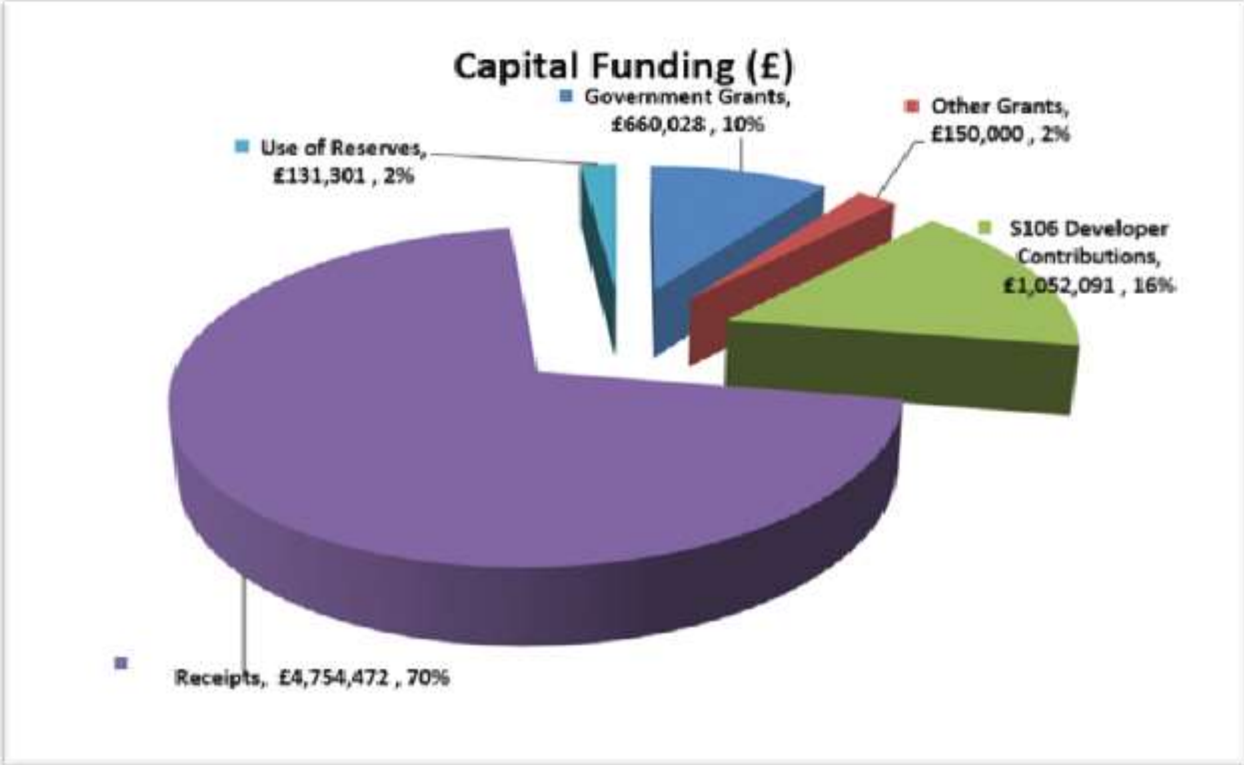
As well as delivering day to day services, the Council also spends money on capital works, creating or enhancing assets which are shown on the balance sheet primarily as Property, Plant and Equipment, or as Investment Property. Key areas of capital expenditure in 2018/19 comprise:

- *Non Operational Investment Property* - £2.404m. Acquisitions were made under the Council's Asset Investment Strategy. Investments include the purchase of the Co-op Retail Unit in Lady Bay, West Bridgford and quality office accommodation units at Boundary Court, Castle Donington.
- *Enhancement of Operational Land and Buildings* - £1.053m. The Multiservice Centre at Cotgrave was completed together with heating upgrades to leisure buildings and Hound Road Hostel.
- *Assets Under Construction* - £1.022m. Further work is underway to upgrade Phase II of the Cotgrave Masterplan including works to improve the Public Realm.
- *Other Grants and Contributions* - £0.860m. Monies released to finance capital assets owned by third parties. Primarily Disabled Facilities and Better Care Funding Grants £0.660m, new grant awards of £.0160m were given from the Skateboard Park Improvements fund, minor sums were spent on Joint Use Leisure Centre Sites.
- *Long Term Debtor* – expenditure continues with a further tranche of loan released to Nottinghamshire County Cricket Club.


Multiservice Centre at Cotgrave

The Council has to ensure its Capital Programme is not only prudent, but also affordable and sustainable. In 2018/19 the Council spent £6.748m compared to an overall Capital Programme of £24.771m giving rise to a variance of £18.023m, which is mainly due to programme slippage, and the slow-down in committing balances on the Asset Investment Strategy. Carry forward commitments total £13.118m the most significant of which are £4.761m Asset Investment Strategy, £2.285m for redevelopment of the Depot Site, £1.646m for continued improvement works in Cotgrave, and £1.146m to continue support for affordable housing in the Borough.

The chart below shows the breakdown how Capital Expenditure was funded in the year:



Capital resources available in 2018/19 allowed for all capital expenditure to be met. The key elements of funding comprise:

- *Capital* Receipts - £4.754m. 70% of capital expenditure was covered by capital receipts. Significant sums have started to be received from the overage agreement in place at Sharphill Wood. These sums, together with historical capital receipts, were used to fund investment acquisitions, improvement works in Cotgrave and Skateboard Park Grants.

- *Section 106 Developer Contributions* - £1.052m. The main element of this was used to fund improvement works in Cotgrave.

- *Government Grants* - £660k. Sums awarded to the Council under the 'Better Care Funding' arrangements. Specifically used to fund 'Disabled Facilities Grants', 'Warmer Homes on Prescription', and 'Assistive Technology'.

In 2017/18, the Council used internal resources (internal borrowing) to temporarily finance the completion of the Arena development and Cotgrave employment units. Where this happens, Central Government legislation requires the Council to make a charge to its revenue budget over time, to reinstate the Council's resources. The Council has chosen to make a payment of £1m a year until the £9.3m is recovered (See the Capital Financing Requirement note 28). The charge (MRP) to the revenue budget has been covered by the release of New Homes Bonus reserves and exceeds the amount we would have to pay if it was based upon the asset life.

At 31 March 2019, the balance in the Usable Capital Receipts Reserve stood at £7.036m (2017/18 £8.168m). The Council continues to generate resources through the disposal of assets deemed surplus, preserved rights to proceeds from sales of ex-Council House Stock, and the overage agreement in place for Sharphill Wood. During 2018/19 £3.568m of capital receipts were received, primarily from Sharphill Wood (£2.760m), disposal of land at Moorbridge and from repayment of capital loans and clawback income from the Right to Buy Agreement of house sales.

Looking ahead, the Council has approved an ambitious Capital Programme for 2019/20 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 an increase in the Minimum Revenue Provision (MRP), 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 2018/19 the Council continued to respond positively to challenges presented by the funding restrictions facing local government. The success of the Council in addressing this difficult financial context can be seen in the positive Value for Money conclusion given by the Council's former external auditors, KPMG in their 2017/18 Annual Audit Letter. Financial constraints (and delivering a sound revenue budget) are balanced against the delivery of transformational activity such as the completion of Bridgford Hall and Cotgrave Employment Units, and looking forward, the regeneration of Cotgrave Town Centre without reductions in service quality. It also reflects the continued work in the Transformation Strategy to identify efficiency savings Taking into account resource predictions, spending plans and savings already identified there is a Transformation Plan efficiency requirement of around £0.254m in 2019/20 rising to £1.34m by 2023/24 Initiatives are based upon the three core principles of business cost reduction, income generation and service redesign.

Looking ahead the Council aims to publish its Corporate Strategy 2019 to 2023 that contains ambitious plans to continue the growth within the borough whilst also maintaining sound environmental principles and the need to provide efficient services.

There are a number of opportunities to improve residents' **quality of life,** such as developing the Chapel Lane site at Bingham to improve leisure facilities and create further employment within the Borough; and the national Resources and Waste Strategy will shape the future direction of the Council's waste strategy.

As an organisation it is always our intention to deliver **efficient services** for our residents. This includes the relocation of the R2Go service and Streetwise and implementing 'digital by design', utilising technology to improve services. Further commentary on both Streetwise Enterprises Ltd (SEL) and Rushcliffe Enterprises Ltd (REL), (the holding company for the Council incorporating SEL) are covered within the Group Accounts Section of the Financial Statements. There are a number of risks which impact upon delivering the Council's Medium Term Financial Strategy (MTFS) and these are highlighted in Section 3 above. Additionally the Council is committed to making appropriate commercial investments. The position on such investments and the relative risks are reported in the Annual Asset and Investment Report (to The Governance Group, 23 July 2019). As part of the MTFS there is a commitment to have a 'pause' on such investments as the Council re-aligns its Asset Investment Strategy priorities into Rushcliffe assets and areas such as a potential Crematorium.

Rushcliffe is determined to play its part in shaping the future of the Borough ensuring the needs and aspirations of Rushcliffe residents are met in all future developments and the Council continues to deliver **sustainable growth.** This includes supporting the delivery of both 13,150 homes (including affordable housing) and employment land mainly through sites allocated through the Local Plan.

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:

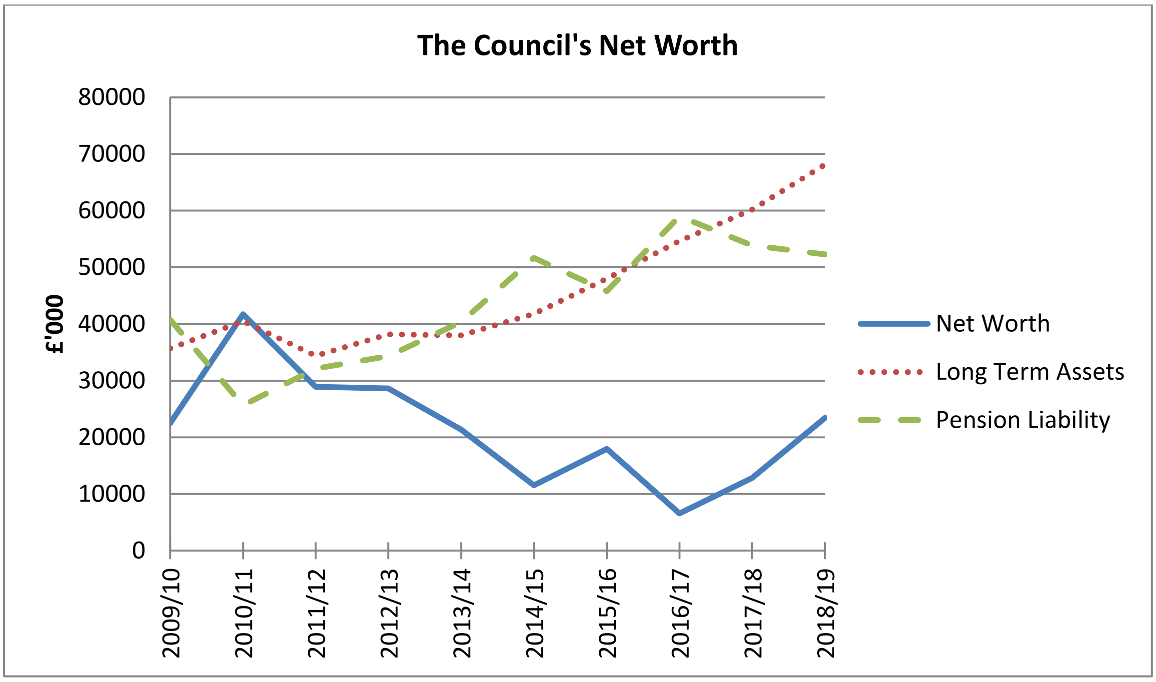
- **Comprehensive Income and Expenditure Statement - CIES (Page 3) -** this shows the accounting cost in the year of providing services in accordance with IFRS rather than the amount to be funded from taxation. There is an overall underspend on direct cost of service provision of £0.548m shown in section 4 above which is largely due to additional planning income, Money Market investment income, and increased receipts on car parks. The movement in Other Operating Expenditure (£2.562m) includes a gain on the disposal of non-current assets (£3.164m) for the overage of Sharphill and disposal of Moorbridge. The movement in Financing and Investment Income and Expenditure (£3.573m) is technical in nature and is mainly due to large downward valuations in 2017/18 of Colliers Business Park £1.294m and Bridgford Hall £1.908m. In comparison, movements in Fair Value in 2018/19 total £0.046m. The majority of the surplus in 2018/19 relates to additional income generated from Investment property rent and service charges from acquisitions. The variances above have resulted in an overall surplus on the Provision of Services of £2.349m compared to an overall deficit of £1.995m in 2017/18. Other movements in the CIES comprises upward revaluations of the Arena and Cotgrave assets partially offset by downward valuation of West Bridgford Car Park (£3.363m) and changes in actuarial assumptions (surplus of £4.902m) regarding the discount rates, expected return on assets and mortality rates.

- **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) –** This is a snapshot of the Councils Assets, Liabilities and Reserves at the year-end date (31st March). The Council's overall net worth has increased by £10.6m mainly due to upward revaluations in PPE and investment properties of £7m and a net increase in current assets of £4m relating to an increase in short term investments as a result of increased developer contributions for S106 agreements.

  As part of the actuarial calculations the recent McCloud judgement (age discrimination case affecting changes made to government pension schemes) has been taken into account. The application of the judgement increased the pension liability for Rushcliffe by £1.488m.

The following graph shows the change in the Council's net worth over the past nine years and the positive trend in 2018/19 (continuing from 2017/18) of the increasing net worth:



Source: Balance Sheet

- **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 8-46) –** these provide supporting context to the above Statements.

- **Accounting Policies (Pages 47-64) –** these explain the bases of the figures presented in the accounts.

8. Supplementary Financial Statements

- **Collection Fund (pages 65-68) –** 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 central government. It is noted that there is now a deficit of £0.714m on the Business Rates section of the Collection Fund, as a result of not achieving the level of 2017/18 estimated surplus. 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. The Council has two subsidiaries (Rushcliffe Enterprises Ltd and Streetwise Environmental Ltd) whose accounts require consolidation. However the transactions relating to Rushcliffe Enterprises Ltd are not material and therefore only the company accounts of Streetwise Environmental Ltd have been consolidated with the Council's. Some of the key points to note are as follows:

  (a) The company made a surplus of £13k which after taking into account pension adjustments is a total comprehensive income of £122k which is reflected in the Group Movement in

Reserves Statement. There was a post audit adjustment to the Streetwise Accounts of £26k which has reduced the overall movement of the group reserves to £96k;

(b) Profit before tax for Streetwise is £19.5k and this is reflected in the increase in the surplus on provision of services to £2.368 million in the Group Comprehensive Income and Expenditure Statement; and

(c) The Balance Sheet changes largely reflect an increase in Creditors and in Debtors in relation to transactions for amounts owed or due to Streetwise; and an increase in Streetwise's fixed asset values.

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. This has been nationally recognised with the Local Government Chronicle awarding Rushcliffe Entrepreneurial Council of the year 2018 and the Municipal Journal award of Commercial Council of the Year (2018) and in 2019 being shortlisted for Council of the Year. The Council's general management and performance drew much praise from the Corporate Peer Challenge (accepting the Council can always improve and will deliver on the action plan arising from the review).

The Council is committed to delivering the services our residents' value, economic growth and change for the Borough through the delivery of its key strategies, including the Asset Investment Strategy and Transformation Strategy. Initiatives such as the Asset Investment Strategy and the establishment of council owned companies 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. 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.

Peter Linfield
Executive Manager (Finance and Corporate Services)

23rd July 2019

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, 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 2019 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 2023/24 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 2018/19 and 2019/20, and the financial strategy to 2023/24.

During 2018/19, 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 2023/24. The Transformation Strategy focuses upon three key elements – income generation, transformation and business cost reduction. As part of the transformation 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.

All key tasks within the current service delivery plans have been linked directly to the Council's strategic objectives.

2.2 Improvement and Efficiency

As with other public bodies, the Council faces unprecedented financial pressures. The impact of the reductions in Revenue Support Grant of around £3.25m (from 2013/14 to 2019/20) has meant the Council has to find significant efficiencies, maximise its income streams and be increasingly innovative and commercial. The Transformation Programme plans for the minimum delivery of £4.8m in efficiencies and the Council's commitment to utilising its own resources to fund commercial property investments, along with other cost constraints and income generation, means the Council has a balanced budget for 2019/20 from what was a projected £0.690m deficit last year. The Council is self-sufficient and not reliant upon Revenue Support Grant. This is subject to the Council continuing to deliver both its Asset Investment Strategy commitment and other areas of the Transformation Programme. There are areas of significant uncertainty going forward; for example, the impact of the 2019 Spending Review, and thereafter changes to government funding mechanisms in relation to Fair Funding and Business Rates reviews (with outcomes expected late in the Autumn of 2019), and any impact on New Homes Bonus. 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. 2019/20 is the last year of this settlement. The following thematic areas summarise how the budget will be balanced in future years:

(a) Service Efficiencies – focusing on both the customer and streamlining services;

(b) Management budget control – challenging base budgets each year;

(c) Transformational Projects – projects such as moving to the Arena, and commercial asset investment activity ; and

(d) 'Thinking big' reviews – for example the continued activation of the Leisure Strategy, Depot relocation (including the future use of the site) and crematorium projects.

To secure a medium term financial position, the Council will maintain progress and focus on managing budget reductions where appropriate, managing inflationary pressures on its operational costs, whilst increasing income to deliver balanced budgets annually.

Critical to this is the Council's approach to commercialism, covered in the Transformation Strategy. A combination of capital demands and opportunities within the Borough led the Council to take the strategic decision to realign its financial commitments resulting in a reduction in its spend on the Asset Investment Strategy as significant resources are required for investment in the Bingham Leisure Hub, a potential crematorium, and housing and employment at Fairham Pastures. The Council's Capital and Investment Strategy incorporates reporting on commercial investments (complying with professional recommended practice), governing the risk of such investments individually; and collectively in relation to the Council's other income streams. Over the term of the MTFS, the income generated from such investments is estimated to rise from £1.2m (2019/20) to £2.2m (2023/24).

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 clearly sets out the 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 take executive decisions and approve policies not reserved for consideration by Council. Cabinet and Council works to a Forward Plan of forthcoming decisions for up to three months ahead;
- The work of Cabinet has been supported by four scrutiny groups. There has been a review of Scrutiny and this was reported to Full Council (7 March 2019). From May 2019, revised arrangements will be trialled realigning Scrutiny Groups that will consist of the Corporate Overview Group and supporting Governance, Growth and Communities scrutiny groups;
- The Corporate overview group will oversee the work programme for the review of Council policies in addition to all groups scrutinising the work of the Cabinet. Separate committees exist for Standards, Planning, Employment Appeals, Licensing, and Interviewing; and
- 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 2017/18. This was a significant review, overseen by the Corporate Governance Group (CGG) and led by a Member working group, rationalising the document and improving its accessibility and transparency. The Constitution is being updated at Full Council (in July 2019).

2.4 **Policies, Procedures, Laws and Regulations**

The Council has three statutory officer roles: the Head of Paid Service, the Section 151 Officer and the Monitoring Officer. The Chief Executive is the Head of Paid Service and has overall corporate management and operational responsibility including overall management responsibility for all officers. From 1 July 2019. The Chief Executive has the special responsibility to report if insufficient resources are available for the Council to discharge its legal duties. The Monitoring Officer ensures lawfulness and fairness in decision making and ensures the Constitution is current.

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 2018/19, the Council's financial management arrangements complied in all respects with the governance requirements of the aforementioned statement, in particular:

- During 2018/19, 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 CGG and the Council's internal and 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 CGG.
- 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 CGG throughout the year. As part of the annual review of Risk Management (November 2018), the CGG considered actions taken to review risk management arrangements, including acknowledging that the previous year's recommendations had been implemented. The 2018/19 Annual Report by Internal Audit acknowledges that the Council has an adequate and effective framework for risk management, governance and internal control with further enhancements required.

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 (MDG) to oversee development and delivery of Councillor learning and training. This Group meets on a quarterly basis to review the delivery of the annual training programme and extend it in response to councillor requests or identified needs as appropriate. The group also looks at the Councillors' Community Grant Scheme and the Councillors' paperlite initiative as appropriate.

In May 2019 there are whole Council elections for Rushcliffe. To support new and returning Councillors a comprehensive induction programme has been developed by the MDG for delivery after the elections. The delivery of this, between May and July 2019, was overseen by the cross party MDG who will now evaluate its effectiveness based on Councillor feedback and use this as a starting point for the development of a forward looking training programme which will begin in September 2019.

The identification and delivery of appropriate training for officers is overseen by the whole of the Executive management team who ensure that organisational Learning and Development Plans linking to individual annual performance development reviews (PDR) is effectively managed and delivered. The Council recognises the importance of training to its workforce.

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 has increasingly implemented the use of recognised communication techniques to keep its residents, staff and members informed, including the use of social media. The Council also undertakes consultation to inform decisions relating to policy changes. Over the course of this year, various additional consultations were undertaken, for example on Local Plan 2, Tudor Square improvements and our periodic Residents' Survey.

The Council's resident satisfaction survey was carried out over the summer of 2018. Over 500 residents completed the survey which was available online and through Rushcliffe Reports, and promoted at summer events and in village centres on busy shopping days. 83% of residents responding to the survey are happy with the borough as a place to live, 63% are satisfied with the way the Council runs things, and 47% believe the Council provides value-for-money. An action plan to address areas of concern, mainly highlighted by residents using the open comments section at the end of the survey, has been agreed and will be implemented over the coming year. 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.

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 (SEL) and car parking contracts. The Cabinet Portfolio Holder also chairs quarterly strategic board meetings with the two main leisure providers, Parkwood and Mitie (note: Carillion formerly held the East Leake Leisure Centre contract prior to going into liquidation). There are also quarterly meetings of the Streetwise Board chaired by the Non-Executive Director and Chairman of Streetwise. 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. Rushcliffe Enterprises Ltd (REL) has also been set-up as a holding company for the Council which incorporates SEL (Chaired by the Chief Executive); and any other companies that the Council creates in the future, for example the Limited Liability Partnership (LLP) created with Public Sector Partnerships Ltd.

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, and the Council has, this year, started to provide public access to audio recordings of meetings. 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 auditors (formerly KPMG now Mazars) are published online, including their annual reports.

The CGG 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 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. As a result of the Peer Review in 2018, a review of Scrutiny was undertaken by the Centre for Public Scrutiny during 2018 and the outcome reported to Full Council. The revised scrutiny structure is due to be in operation from May 2019 (as commented on in section 2.3).

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. This review is considered by the CGG.

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 CGG 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
- Overseeing the review of the Constitution
- 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, Partnership Delivery, is tasked with looking at the effectiveness of current and potential partnerships across all areas of the Council.

As stated at Section 2.3, the Council reviewed scrutiny arrangements during 2018/19 with revised arrangements due to be implemented from May 2019.

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.

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 Bassetlaw 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 2017/18 to 2019/20.

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 CGG 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 CGG. As mentioned at section 2.5, the Council maintains an adequate and effective framework for risk management, governance and internal control (with enhancements required), as recognised by the Head of Internal Audit.

3.8 **External Audit**

The external auditors, Mazars (previously KPMG until 31 March 2018), 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; and
- 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 their annual report for 2018/19, Mazars issued an unqualified audit opinion, expressing the view that the financial statements give a true and fair reflection of the financial position of the Authority, and of its expenditure and income for the year. In terms of value for money, Mazars concluded that the Authority developed a transformation strategy covering the five years up to 2022/23 which will ensure that the Authority is financially viable going forward.

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 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 within the Transformation Strategy. In July 2016, the Council also introduced the Asset Investment Strategy (AIS) which is subject to continued review (revised in 2017/18) and focuses on both encouraging growth and delivering a financial return.

Cabinet, at its meeting on 13 June 2017, adopted the Leisure Facilities Strategy 2017-2027. Within this strategy, Bingham Leisure Centre, as the largest and oldest of the sites assessed, is identified as requiring the most significant works in the short, medium and long term of the Council's leisure property portfolio. The cost of maintaining Bingham Leisure Centre continues to increase with each five-year period over the fifteen-year strategy. The Bingham Leisure Hub (also including business/industrial units) is now included in the Capital Programme with an overall budget of £20m. Returns will be expected in terms efficiencies with the leisure contractor, and income from business/industrial units to help fund the anticipated £10m in future borrowing.

The Council has included provision in the capital programme for the possibility of investing in a crematorium, the timing and delivery of this is reliant upon the opportunity being presented by external agencies.

During 2019/20, 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, the movement to funding via business rates, and, in the future, with the anticipated 75% of business rates income being devolved to local government (currently the Council receives 40%). The timing of the Comprehensive Spending Review remains uncertain and the length of time the review will cover is unclear (ie is it for 1, 2, 3 or 4 years?). This is important as it will determine the overall funding available to the local government sector and, ultimately, to

Rushcliffe. This complex economic environment is further compounded by the uncertainty that BREXIT creates as the country awaits the outcome of ongoing negotiations.

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. In addition, the likely de-commissioning of the power station, given it accounts for around one quarter of Business Rates income, potentially undermines any benefits the Council may gain in business rates from business growth. The Council is looking at options to mitigate this risk and has actively worked with the management of the site to prepare a long term re-development, which is now proposed to be included within a potential development corporation company. We have also raised concerns with MHCLG as part of the business rates consultation process. The Medium Term Financial Strategy highlights, in the short term, an improving position on business rates, but in the medium term less optimistic or prudent projections, given the systemic uncertainty (as already stated above) regarding the further devolution of business rates. There are also risks concerning the level, and success, of ongoing Business Rates appeals and currently a lack of clarity on the full impact of the 'Check, Challenge, Appeal' process which the Valuation Office is solely in control of.

Challenges arising from welfare reform and the continued introduction of Universal Credit (which occurred in October 2018 for the majority of Rushcliffe) give further financial and operational 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, which was approved by Full Council on 27 April 2018.

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. The Council's focus remains on 'growing the Borough'; examples in the Capital Programme include Fairham Pastures, a proposed crematorium and the Bingham Leisure Hub. The Council is therefore re-aligning its Asset Investment Strategy (AIS) priorities particularly with regards to investments outside of the Borough. However, commercial property investment still remains an important part of the Council's armoury in generating income returns and delivering employment and economic development across the Borough. The current direction of travel regarding asset investments could change if, for example, the Council chooses not to deliver a crematorium and income returns are, therefore, required from other sources.

The AIS currently identifies £1.2m in net income being generated from commercial investments expected to rise to £2.2m by 2023/24. The key point is that the Council has a range of such income streams and is not overly reliant on one source of income. It manages such risks proportionately and sensibly.

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; for example collaboration with Nottinghamshire County Council in areas such as Trading Standards. 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:

- Appropriate controls are in place to prevent ‘management override’;
- The completeness and accuracy regarding the Council’s valuation of property, plant and equipment;
- The Local Government Pension Scheme and the risk that the data is inaccurate and the impact of these inaccuracies on the financial accounts as well as the accounting treatment of the prepayment;
- The level of minimum revenue provision (MRP) bad debt and business rates appeal provisions are reasonable;
- 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 commercialisation activities.

Other challenges and risks for 2019/20 include: identifying the best way forward for the Depot site, and as the Council becomes increasingly innovative the management of alternative service delivery vehicles. This includes the ongoing development of Rushcliffe Enterprises Ltd and any associated companies.

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 has been undertaken during 2018/19 to ensure compliance with the General Data Protection Regulations, this work will be ongoing.

The Department for Environment, Food and Rural Affairs launched the Resources and Waste Strategy setting out how the country can minimise waste, promote resource efficiency and move towards a circular economy. This potentially could have significant adverse financial implications for the Council in terms of both revenue and capital funding. The Council will, therefore, be making representation to relevant bodies and working with peers on how to mitigate this risk.

In 2019/20, the results of the pensions’ triennial review are due and this will dictate pension costs for the next 3 years. Given the current volatility of financial markets and the uncertain international political climate, the Council will pay particular attention to the year-end pensions’ position for 2019.

Based on our review of the governance framework, the following significant issues will be addressed in 2019/20:

Issue	Reporting to	Methodology	Timescale
Monitor the delivery of the Transformation Strategy and ongoing budget position	Reports to EMT, CGG and Cabinet	On-going financial reports	Quarterly reporting
Monitor the delivery of the capital programme and significant projects such as the Bingham Leisure Hub	Report to relevant scrutiny group and Cabinet	On-going financial and performance reports	Quarterly

Monitor Business Rates and Fair Funding developments	Report to Cabinet and Full Council	Included as part of the Medium Term Financial Strategy reporting	March 2020
Monitor the potential impact of the Resources and Waste Strategy	Relevant reports to Scrutiny, Cabinet or Full Council	Included as part of the Medium Term Financial Strategy reporting	March 2020
Maximising both the financial and operational realisation of the Depot site	Relevant reports to Scrutiny, Cabinet or Full Council	Included as part of the Medium Term Financial Strategy reporting	March 2020

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 CGG. 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…………………………….

K Marriott (Chief Executive)

Date 31 July 2019

Signed………………………………..

Councillor S Robinson (Leader)

Date 31 July 2019

C. INDEPENDENT AUDITOR'S REPORT

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

Report on the financial statements

Opinion

We have audited the financial statements of Rushcliffe Borough Council ('the Council') and its subsidiary ('the Group') for the year ended 31 March 2019, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Movement in Reserves Statements, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Rushcliffe Borough Council and the Group as at 31st March 2019 and of the Council's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The Executive Manager - Finance and Corporate Services use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Manager - Finance and Corporate Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Executive Manager - Finance and Corporate Services is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Executive Manager - Finance and Corporate Services for the financial statements

As explained more fully in the Statement of the Chief Finance Officer's 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 2018/19, and for being satisfied that they give a true and fair view. The Executive Manager - Finance and Corporate Services is also responsible for such internal control as the Executive Manager - Finance and Corporate Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Executive Manager - Finance and Corporate Services is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Executive Manager - Finance and Corporate Services is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Rushcliffe Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the 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 Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

Responsibilities of the Council

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

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report

This report is made solely to the members of Rushcliffe Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council 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 Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

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

David Hoose
For and on behalf of Mazars LLP

Park View House
58 The Ropewalk
Nottingham
NG1 5DW

STATEMENT OF ACCOUNTS

2018/19

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 SERVICES) 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'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 2019.

CERTIFICATE

This statement of accounts is unaudited and may be subject to change prior to formal approval by the Governance Group.

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 2019 and its income and expenditure for the financial year ended 31 March 2019.

Peter Linfield
Executive Manager (Finance and Corporate Services)
31 July 2019

FORMAL APPROVAL

The Governance Group will consider the Final (Audited) Statement of Accounts on 23rd July 2019 for approval.

D. THE FINANCIAL STATEMENTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR 1 APRIL 2018 TO 31 MARCH 2019

This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards (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.

2017/18					2018/19		
Gross Exp	Income	Net Exp			Gross Exp	Income	Net Exp
£'000	£'000	£'000		Note	£'000	£'000	£'000
2,727	(1,503)	1,224	Communities		3,232	(1,853)	1,379
20,616	(17,249)	3,367	Finance and Corporate		21,448	(17,372)	4,076
8,062	(4,147)	3,915	Neighbourhoods		9,322	(4,365)	4,957
4,146	(254)	3,892	Transformation		4,306	(345)	3,961
35,551	**(23,153)**	**12,398**	**Cost of Services**		**38,308**	**(23,935)**	**14,373**
		1,739	Other Operating Expenditure	5			(823)
		2,971	Financing and Investment Income and Expenditure	6			(602)
		(15,113)	Taxation and Non-Specific Grant Income	7, 26			(15,297)
		1,995	**(Surplus)/Deficit on Provision of Services**				**(2,349)**
		(3,628)	(Surplus)/Deficit on Revaluation of Non-Current Assets				(3,363)
		(96)	(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets				0
		(4,532)	Actuarial (Gains)/Losses on Pension Assets / Liabilities	31			(4,902)
		0	Other Recognisable (Gains)/ Losses				0
		(8,256)	**Other Comprehensive Income and Expenditure**				**(8,265)**
		(6,261)	**Total Comprehensive Income and Expenditure**				**(10,614)**

D. THE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT (MIRS) FOR THE PERIOD 1 APRIL 2018 TO 31 MARCH 2019

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.

		Total Usable Reserves						
		General Fund Balance	**Earmarked GF Reserves (Note 9)**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Total Usable Reserves**	**Unusable Reserves (Note 23)**	**Total Reserves**
	Note	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance as at 1 April 2018		**2,604**	**10,532**	**8,168**	**108**	**21,412**	**(8,576)**	**12,836**
<u>Movement in Reserves during 2018/19</u>								
Surplus/(Deficit) on the provision of services		2,349	0	0	0	2,349	0	2,349
Other Comprehensive Income and Expenditure		0	0	0	0	0	8,265	8,265
Other Recognisable Gains/(Losses)		0	0	0	0	0	0	0
Total Comprehensive Income and Expenditure		**2,349**	**0**	**0**	**0**	**2,349**	**8,265**	**10,614**
Adjustments between accounting basis & funding basis under regulations	(3)	(1,039)	0	(1,132)	(10)	(2,181)	2,181	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**1,310**	**0**	**(1,132)**	**(10)**	**168**	**10,446**	**10,614**
Transfers to/from Earmarked Reserves	(4)	(1,310)	1,286	0	0	(24)	24	0
Increase (Decrease) in year		**0**	**1,286**	**(1,132)**	**(10)**	**144**	**10,470**	**10,614**
Balance as at 31 March 2019 c/f		**2,604**	**11,818**	**7,036**	**98**	**21,556**	**1,894**	**23,450**

D. THE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT (MIRS) FOR THE PERIOD 1 APRIL 2017 TO 31 MARCH 2018

		Total Usable Reserves						
		General Fund Balance	Earmarked GF Reserves (Note 9)	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves (Note 22)	Unusable Reserves (Note 23)	Total Reserves
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2017		**2,604**	**10,215**	**13,929**	**54**	**26,802**	**(20,228)**	**6,574**
Movement in Reserves during 2017/18								
Surplus/(Deficit) on the provision of services		(1,995)	0	0	0	(1,995)	0	(1,995)
Other Comprehensive Income and Expenditure		0	0	0	0	0	8,256	8,256
Other Recognisable Gains/(Losses)		0	0	0	0	0	0	0
Total Comprehensive Income and Expenditure		**(1,995)**	**0**	**0**	**0**	**(1,995)**	**8,256**	**6,261**
Adjustments between accounting basis & funding basis under regulations	(3)	2,312	0	(5,761)	54	(3,395)	3,395	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**317**	**0**	**(5,761)**	**54**	**(5,390)**	**11,651**	**6,261**
Transfers to/from Earmarked Reserves	(4)	(317)	317	0	0	0	0	0
Increase (Decrease) in year		**0**	**317**	**(5,761)**	**54**	**(5,390)**	**11,651**	**6,261**
Balance as at 31 March 2018 c/f		**2,604**	**10,532**	**8,168**	**108**	**21,412**	**(8,577)**	**12,835**

D. THE FINANCIAL STATEMENTS

BALANCE SHEET AS AT 31 MARCH 2019

This shows the value 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 Mar 2018 £'000		Note	31 Mar 2019 £'000
39,559	Property, Plant and Equipment	8	44,187
67	Heritage Assets		67
14,544	Investment Property	9	16,989
157	Intangible Assets	10	133
3,121	Long Term Investments	12	4,145
2,700	Long Term Debtors	12,13	2,613
60,148	**Long Term Assets**		**68,134**
3,002	Short Term Investments		14,000
213	Assets Held for Sale		0
11	Inventories		34
4,363	Short Term Debtors	13	4,250
18,115	Cash and Cash Equivalents	14	11,835
25,704	**Current Assets**		**30,119**
0	Short Term Borrowing	12	0
(6,562)	Short Term Creditors	15	(5,407)
0	Short Term Provisions	16	0
(6,562)	**Current Liabilities**		**(5,407)**
(1,914)	Long Term Provisions	16	(1,940)
(10,687)	Capital Grant Receipts in Advance	12,26	(15,178)
(53,854)	Pension Liabilities	31	(52,278)
(66,455)	**Long Term Liabilities**		**(69,396)**
12,835	**Net Assets**		**23,450**
8,168	Usable Capital Receipts Reserve	MIRS	7,036
2,604	General Fund Balance	MIRS	2,604
10,532	Earmarked Reserves	4	11,818
108	Capital Grants Unapplied	MIRS	98
21,412	**Usable Reserves**	MIRS	**21,556**
(8,577)	**Unusable Reserves**	18	**1,894**
12,835	**Total Reserves**		**23,450**

D. THE FINANCIAL STATEMENTS

CASH FLOW STATEMENT AS AT 31 MARCH 2019 (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.

31 Mar 2018 £'000		Note	31 Mar 2019 £'000
1,995	Net (surplus) or deficit on the provision of services		(2,349)
(4,190)	Adjustments to net surplus or deficit on the provision of services for non - cash movements		(5,853)
2,139	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		4,580
(56)	**Net cash flow from Operating Activities**	19	**(3,622)**
5,996	Investing Activities	20	9,379
1,724	Financing Activities	21	523
7,664	**Net (increase) or decrease in cash and cash equivalents**	14	**6,280**
(25,779)	Cash and cash equivalents as at 1 April	14	(18,115)
(18,115)	**Cash and cash equivalents as at 31 March**	14	**(11,835)**

E NOTES TO THE ACCOUNTS

1. EXPENDITURE AND FUNDING ANALYSIS AND NOTES FOR THE YEAR 1 APRIL 2018 TO 31 MARCH 2019

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by authorities compared to 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.

2017/18				2018/19		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis (Note 3)	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis (Note 3)	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
979	245	1,224	Communities	1,017	362	1,379
3,255	112	3,367	Finance and Corporate	3,351	725	4,076
3,264	651	3,915	Neighbourhoods	3,421	1,536	4,957
3,289	603	3,892	Transformation	3,338	623	3,961
10,787	**1,611**	**12,398**	**Net Cost of Services**	**11,127**	**3,246**	**14,373**
(11,104)	701	(10,403)	Other Income and Expenditure	(12,437)	(4,285)	**(16,722)**
(317)	**2,312**	**1,995**	**(Surplus) or Deficit**	**(1,310)**	**(1,039)**	**(2,349)**
		2,604	Opening General Fund Balance	2,604		
			Impairment losses on Non-Current Assets charged to Revaluation Reserve			
		317	Surplus/(Deficit) on General Fund in Year	1,310		
		(317)	Transfer (to)/from Earmarked Reserves	**(1,310)**		
		2,604	**Closing General Fund Balance at 31 March**	**2,604**		

2018/19 Adjustments between Funding & Accounting Basis				
Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	**Adjustments for Capital Purposes (Note 1)**	**Net change for the Pensions Adjustments (Note 2)**	**Other Differences (Note 3)**	**Total Adjustments**
Communities	336	26	0	362
Finance & Corporate Services	20	705	0	725
Neighbourhoods	1,494	42	0	1,536
Transformation	594	29	0	623
Net Cost of Service	**2,444**	**802**	**0**	**3,246**
Other income & expenditure from the Expenditure & Funding Analysis	(5,617)	1,360	(28)	(4,285)
General Fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on on the Provision of Services	**(3,173)**	**2,162**	**(28)**	**(1,039)**

2017/18 Adjustments between Funding & Accounting Basis				
Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	**Adjustments for Capital Purposes (Note 1)**	**Net change for the Pensions Adjustments (Note 2)**	**Other Differences (Note 3)**	**Total Adjustments**
Communities	210	42	(7)	245
Finance & Corporate Services	21	81	10	112
Neighbourhoods	564	83	4	651
Transformation	606	2	(5)	603
Net Cost of Service	**1,401**	**208**	**2**	**1,611**
Other income & expenditure from the Expenditure & Funding Analysis	(908)	1,535	74	701
General Fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on on the Provision of Services	**493**	**1,743**	**76**	**2,312**

Note 1 Adjustments for Capital Purposes

Services Line – this column adds in depreciation and impairment and revaluation gains and losses in the services line,

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

For Services Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute i.e. Accumulated Absences.

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.

2. INCOME AND EXPENDITURE ANALYSED BY NATURE

The Council's income and expenditure is analysed as follows:

2017/18 £'000		2018/19 £'000
	Expenditure	
8,408	Employee Benefit Expenses	8,837
26,030	Other Services Expenses	27,615
4,014	Depreciation, amortisation, impairment	2,153
1,535	Interest Payments (Pensions)	1,360
2,236	Precepts and Levies	2,093
(496)	Gain on the Disposal of Assets	(3,164)
	Income	
(5,673)	Fees, Charges and Other Service Income	(6,182)
(24,745)	Government Grants and Contributions	(22,311)
(8,003)	Income from Council Tax, NDR	(10,923)
0	Gain recognised from changes in fair value of properties	(46)
(1,311)	Interest and Investment Income	(1,781)
1,995	**(Surplus)/Deficit on Provision of Services**	**(2,349)**

3. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement 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:

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

This 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

This 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.

2017-18					2018-19			
Usable Reserves					Usable Reserves			
General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movements in Unusable Reserves £'000		General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movements in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:								
				Reversal of items debited or credited to the CIES:				
(2,068)	0	0	2,068	Charges for depreciation and impairment of non-current assets	(2,218)	0	0	2,218
821	0	0	(821)	Revaluation losses on Property Plant and Equipment	135	0	0	(135)
0	0	0	0	Revaluation losses on Heritage Assets	0	0	0	0
(2,718)	0	0	2,718	Movements in the market value of Investment Properties	46	0	0	(46)
(48)	0	0	48	Amortisation of intangible assets	(70)	0	0	70
531	0	0	(531)	Capital grants and contributions applied	650	0	0	(650)
0	0	0	0	Income in relation of Donated Assets	0	0	0	0
(652)	0	0	652	Revenue expenditure funded from capital under statute (net of Grants and Contributions)	(860)	0	0	860
(4)	0	0	4	Amounts of Non Current Assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(221)	0	0	221
				Insertion of items not debited or credited to the CIES:				
1,000	0	0	(1,000)	Statutory provision for the financing of capital investment	1,000	0	0	(1,000)
505	0	0	(505)	Capital expenditure charged against the General Fund	131	0	0	(131)
Adjustments primarily involving the Capital Grants Unapplied Account:								
1,642	0	(1,642)	0	Capital grants and contributions unapplied credited to the CI&ES	1,202	0	(1,202)	0
0	0	1,588	(1,588)	Application of grants to capital financing transferred to the CAA	0	0	1,212	(1,212)
Adjustments primarily involving the Capital Receipts Reserve:								
497	(689)	0	192	Transfer of cash sale proceeds credited as part of gain/loss on disposal to the CIES	3,378	(3,568)	0	190
0	6,455	0	(6,455)	Capital Receipts applied	0	4,754	0	(4,754)
0	(5)	0	5	Transfer (from)/to the Deferred Capital Receipts Reserve upon receipt of cash	0	(54)	0	54
Adjustments primarily involving the Financial Instruments Adjustment Account:								
6	0	0	(6)	Amount by which finance costs charged to the CI&ES are different from statutory requirements	30	0	0	(30)
Adjustments primarily involving the Pensions Reserve:								
(3,843)	0	0	3,843	Reversal of items relating to retirement benefits debited or credited to the CI&ES (Note 45)	(4,338)	0	0	4,338
2,100	0	0	(2,100)	Employer's pensions contributions and direct payments to pensioners payable in the year	2,176	0	0	(2,176)
Adjustments primarily involving the Collection Fund Adjustment Account:								
(79)	0	0	79	Amount by which council tax & business rate income credited to the CI&ES is different from statutory requirements	(2)	0	0	2
Adjustment primarily involving the Accumulated Absences Account:								
(2)	0	0	2	Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from statutory requirements	0	0	0	0
(2,312)	**5,761**	**(54)**	**(3,395)**	**Total Adjustments**	**1,039**	**1,132**	**10**	**2,181**

4. 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 1st April 2018 £'000	Additions in Year £'000	Used in Year £'000	Balance at 31 March 2019 £'000
Investment Reserves				
Regeneration and Community Projects	1,561	190	(61)	1,690
Council Assets and Service Delivery	274	0	0	274
Local Area Agreement	122	0	0	122
Investment Properties	84	50	(11)	123
New Homes Bonus	6,268	1,364	(1,045)	6,587
Invest to Save	150	0	0	150
Corporate Reserves				
Organisational Stabilisation Reserve	1,074	1,440	(730)	1,784
Risk and Insurance	100	0	0	100
Planning Appeals	350	0	0	350
Elections	152	50	0	202
Operating Reserves				
Planning	181	98	(59)	220
Leisure Centre Maintenance	116	0	0	116
Planned Maintenance	100	0	0	100
Total	**10,532**	**3,192**	**(1,906)**	**11,818**

INVESTMENT RESERVES

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

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.

The Point – to fund improvements in relation to this asset

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

Invest to Save – to fund projects 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 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 centres to Lex Leisure where maintenance is not covered as part of the contract.

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

5. OTHER OPERATING EXPENDITURE

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

2017/18 £'000		2018/19 £'000
1,992	Parish Council Precepts	2,093
243	Internal Drainage Board Levies	248
(496)	(Gain) or Loss on the disposal of non-current assets	(3,164)
1,739	**TOTAL**	**(823)**

6. 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:

2017/18 £'000		2018/19 £'000
0	Interest payable and similar charges	0
1,535	Net Interest on the net defined benefit liability (asset)	1,360
(265)	Interest receivable and similar income	(403)
1,701	Income, expenditure and changes in the fair values of investment properties	(1,559)
2,971	**TOTAL**	**(602)**

7. 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:

2017/18 £'000		2018/19 £'000
(8,003)	Council tax income	(8,349)
(2,966)	Business Rates	(4,122)
	Non-ring-fenced government grants:	
(473)	Revenue Support Grant	(130)
(1,835)	New Homes Bonus	(1,364)
(248)	Other Non Specific Grant	(130)
(1,588)	Capital grants and contributions (Note 31)	(1,202)
(15,113)	**TOTAL**	**(15,297)**

8. PROPERTY, PLANT AND EQUIPMENT

Movements on Balances 2018/2019

	Other Land & Buildings	Vehciles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	TOTAL
Cost or Valuation						
At 1 April 2018	**28,650**	**12,018**	**2,916**	**329**	**2,760**	**46,673**
Additions	1,053	472	803	0	1,022	3,350
Revaluation (+/-) recognised in the Revaluation Reserve	2,114	24	(35)	0	0	2,103
Revaluation (+/-) recognised in the Surplus/Deficit on Provision of Services	123	0	12	0	0	135
Derecognition - Disposals	0	(295)	1	0	0	(294)
Transfers	2,377	0	123	0	(2,495)	5
At 31 March 2019	**34,317**	**12,219**	**3,820**	**329**	**1,287**	**51,972**
Accumulated Depreciation or Impairment						
At 1 April 2018	**(585)**	**(5,191)**	**(1,337)**	**0**	**0**	**(7,113)**
Depreciation charge	(919)	(1,164)	(135)	0	0	(2,218)
Depreciation written out to the Revaluation Reserve	952	219	88	0	0	1,259
Depreciation written out to the Surplus/Deficit on Provision of Services	0	0	0	0	0	0
Derecognition - Disposals	0	287	0	0	0	287
Depreciation transfer	0	0	0	0	0	0
At 31 March 2019	**(552)**	**(5,849)**	**(1,384)**	**0**	**0**	**(7,785)**
Net Book Value at 31 March 2019	**33,765**	**6,370**	**2,436**	**329**	**1,287**	**44,187**
Net Book Value at 31 March 2018	**28,065**	**6,827**	**1,579**	**329**	**2,760**	**39,560**

Movements on Balances 2017/2018

	Other Land & Buildings	Vehciles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	TOTAL
Cost or Valuation						
At 1 April 2017	**25,166**	**11,945**	**2,988**	**329**	**5,298**	**45,726**
Additions	50	397	0	0	1,670	2,117
Revaluation (+/-) recognised in the Revaluation Reserve	2,826	(219)	(72)	0	0	2,535
Revaluation (+/-) recognised in the Surplus/Deficit on Provision of Services	821	0	0	0	0	821
Derecognition - Disposals	0	(115)	0	0	0	(115)
Transfers	(213)	10	0	0	(4,208)	(4,411)
At 31 March 2018	**28,650**	**12,018**	**2,916**	**329**	**2,760**	**46,673**
Accumulated Depreciation or Impairment						
At 1 April 2017	**(586)**	**(4,383)**	**(1,281)**	**0**	**0**	**(6,250)**
Depreciation charge	(795)	(1,139)	(134)	0	0	(2,068)
Depreciation written out to the Revaluation Reserve	795	219	78	0	0	1,092
Depreciation written out to the Surplus/Deficit on Provision of Services	0	0	0	0	0	0
Derecognition - Disposals	0	112	0	0	0	112
Depreciation transfer	0	0	0	0	0	0
At 31 March 2018	**(586)**	**(5,191)**	**(1,337)**	**0**	**0**	**(7,114)**
Net Book Value at 31 March 2018	**28,064**	**6,827**	**1,579**	**329**	**2,760**	**39,559**
Net Book Value at 31 March 2017	**24,580**	**7,562**	**1,707**	**329**	**5,298**	**39,476**

8. 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 2019 the Council was committed to works totalling £3.676m for the acquisition, construction, and enhancement of Property, Plant and Equipment in 2019/20. This relates to contract and other costs associated with the Cotgrave Masterplan and Cotgrave Phase 2. In addition £0.75m is committed in relation to the Nottingham County Cricket Club Loan carried forward from 2018-19.

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) 9th 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 £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastrucutre Asset £'000	Community Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Carried at Historical Cost	760	8,519	3,660	329	1,286	14,554
Valued at fair value as at:						
31 March 2017	1,150	0	0	0	0	1,150
31 March 2018	2,205	0	0	0	0	2,205
31 March 2019	30,202	3,700	160			34,062
Total Cost of Valuation	**34,317**	**12,219**	**3,820**	**329**	**1,286**	**51,971**

9. 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.

2017/18 £'000		2018/19 £'000
1,031	Rental Income from Investment Property	1,366
(160)	Direct Operating Expenses arising from Investment Property	(129)
871	**Net Gain/(Loss)**	**1,237**

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.

The following table summarises the movement in the fair value of investment properties during 2018/19 and 2017/18 (re-analysed for enhancements).

2017/18 £'000		2018/19 £'000
7,120	Balance at 1 April 2017	14,544
5,763	Additions - Acquisitions (Purchase and Construction)	2,337
181	Enhancements	67
0	Disposals	0
(2,718)	Net Gains/(Losses) from fair value adjustments	46
4,198	Transfers to/from Property, Plant and Equipment	(5)
14,544		**16,989**

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) 9th 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 comparative data. 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.

10. 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.

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 £0.07m in 2018/19 (£0.048m 2017/18) was charged to the IT cost centre within Transformation Service Area.

Movements on Intangible Fixed Assets

2017/18 £'000		2018/19 £'000
	Balance at start of year	
261	Gross carrying amount	279
(183)	Accumulated amortisation	(122)
78	**Net carrying amount at start of year**	157
127	**Purchases**	46
(108)	**Disposals**	0
	Amortisation	
(48)	Amortisation for the period	(70)
108	Amortisation on disposals	0
157	**Net carrying amount at end of year**	133
	Comprising:	
279	Gross carrying amounts	325
(122)	Accumulated amortisation	(192)
157	**Balance Sheet amount at 31 March 2018**	133

11. ASSETS HELD FOR SALE

In accordance with IFRS 5 assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. The Council had no assets classified as held for sale at the Balance Sheet date.

12. FINANCIAL INSTRUMENTS

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

	Long-Term		Current	
	1 April 2017 to 31 March 2018	1 April 2018 to 31 March 2019	1 April 2017 to 31 March 2018	1 April 2018 to 31 March 2019
	£'000	£'000	£'000	£'000
Investments				
Loans and Receivables			21,117	25,835
CCLA	2,114	2,147		
CCLA Diversified	1,005	995		
Enhanced Cash Plus	0	1,003		
Other	2	0		
Total Investments	**3,121**	**4,145**	**21,117**	**25,835**
Debtors				
Loans and Receivables	2,700	2,613	4,265	3,471
Total Debtors	**2,700**	**2,613**	**4,265**	**3,471**
Borrowings	**0**	**0**	**0**	**0**
Creditors & Other Long Term Liabilities				
Cost	(10,687)	(15,178)	(3,598)	(2,987)
Total Creditors	**(10,687)**	**(15,178)**	**(3,598)**	**(2,987)**

Valuation Assumptions

Investments held at 31 March 2019 amounted to £29.98m, consisting of £14m of fixed term investments where the instrument carries the same interest rate for the whole term, £12.12m of deposits in Money Market Funds and Call Accounts where, in general, the rate only alters with movements in the Bank rate and £4.15m 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.

13. DEBTORS

2017/18			2018/19	
Short Term	Long Term		Short Term	Long Term
£'000	£'000		£'000	£'000
1,752	0	Central government bodies	1,593	0
620	0	Other local authorities	1,138	0
0	0	Public Corporations and Trading Funds	0	0
1,991	2,700	Other Bodies (includes loss allowance)	1,519	2,613
4,363	**2,700**	**TOTAL DEBTORS**	**4,250**	**2,613**

14. CASH AND CASH EQUIVALENTS

2017/18 £'000		2018/19 £'000
1	Cash Held by the Council	1
253	Bank Current Accounts	(282)
17,861	Short Term Deposits	12,116
18,115	**TOTAL CASH & CASH EQUIVALENTS**	**11,835**

15. CREDITORS

2017/18 £'000		2018/19 £'000
2,291	Central Government Bodies	1,341
766	Other Local Authorities	1,394
3,505	Other Bodies	2,672
6,562		**5,407**

16. PROVISIONS

	Leaseholder Deposits £'000	NDR Appeals £'000	Streetwise pension £'000	TOTAL £'000
Balance at 1 April 2018	**88**	**1,243**	**583**	**1,914**
Additional provisions made in year	0	447	0	447
Amount utilised/reduction in year	(13)	(140)	0	(153)
Amount transferred to major preceptors in year	0	(268)	0	(268)
Balance at 31 March 2019	**75**	**1,282**	**583**	**1,940**

NDR 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 £3.2 million, but the difference is to be met by major preceptors - Central Government (50%), Notts County Council (9%) and Fire Authority (1%).

17. USABLE RESERVES

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

18. UNUSABLE RESERVES

Balance at 1 April 2018 £'000		Balance at 31 March 2019 £'000
8,972	Revaluation Reserve	12,214
38,886	Capital Adjustment Account	43,376
(30)	Financial Instruments Adjustment Account	0
(56,765)	Pension Reserve	(54,025)
78	Deferred Capital Receipts	24
216	Collection Fund Adjustment Account	214
(54)	Accumulated Absences Account	(54)
121	Pooled Funds Adjustment Account*	145
(8,576)		**1,894**

* Previouly named Available for Sale Financial Instruments Reserve

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.

Balance at 1 April 2018 £'000		Balance at 31 March 2019 £'000
5,398	**Balance at 1 April**	**8,972**
3,676	Upward revaluation of assets	5,220
(49)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,857)
9,025	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**12,335**
(53)	Difference between fair value depreciation and historical cost depreciation	(121)
0	Accumulated gains on assets sold or scrapped	0
(53)	**Amount written off to the Capital Adjustment Account**	**(121)**
8,972	**Balance at 31 March**	**12,214**

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

18. UNUSABLE RESERVES CONTINUED – Capital Adjustment Account

Balance at 1 April 2018 £'000		Balance at 31 March 2019 £'000
33,614	**Balance at 1 April**	**38,886**
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
(2,068)	Charges for depreciation and impairment of non-current assets	(2,218)
821	Revaluation losses on Property, Plant and Equipment	135
(48)	Amortisation of intangible assets	(70)
(652)	Revenue expenditure funded from capital under statute (net of Grants and Contributions)	(860)
(4)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(221)
53	Adjusting amounts written out of the Revaluation Reserve	121
(192)	Write down Long-term Debtors	(190)
(2,090)	Net written out amount of the cost of non-current assets consumed in the year	**(3,303)**
	Capital financing applied in the year:	
6,455	Use of Capital Receipts to finance new capital expenditure	4,754
531	Capital grants and contributions credited to the CIES that have been applied to capital financing	650
1,589	Application of grants to capital financing from the Capital Grants Unapplied Account	1,212
1,000	Statutory provision for the financing of capital investment charged against the General Fund	1,000
505	Capital expenditure charged against the General Fund	131
10,080		**7,747**
(2,718)	Movements in the market value of Investment Properties debited or credited to the CIES	46
0	Movement in the Donated Assets Account credited to the CIES	0
(2,718)		**46**
38,886	**Balance at 31 March**	**43,376**

18. UNUSABLE RESERVES CONTINUED

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) 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. The Council has made a decision on the grounds of materiality that balances held in this account in relation to loans issued at less than market rates (soft loan) are no longer material and has been unwound in 2018/19. This has resulted in a credit to the revenue account of £30k. The table below shows the impact on the FIAA of the unwinding in the 2018/19 accounts to bring the balance to zero.

Balance at 1 April 2018 £'000		Balance at 31 March 2019 £'000
(36)	**Balance at 1 April**	**(30)**
6	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	30
(30)	**Balance at 31 March**	**0**

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. General Fund balance to be charged with the amount payable by the Council to the pension fund in the year. 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.

Balance at 1 April 2018 £'000		Balance at 31 March 2019 £'000
(59,554)	**Balance at 1 April**	**(56,765)**
4,532	Remeasurement of the net defined benefit liability/(asset)	4,902
(3,843)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(4,338)
2,100	Employer's pensions contributions and direct payments to pensioners payable in the year	2,176
(56,765)	**Balance at 31 March**	**(54,025)**

18. UNUSABLE RESERVES CONTINUED

Deferred Capital Receipts Reserve

This 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.

Balance at 1 April 2018 £'000		Balance at 31 March 2019 £'000
83	**Balance at 1 April**	**78**
(5)	Transfer to the Capital Receipts Reserve on receipt of cash	(54)
78	**Balance at 31 March**	**24**

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.

Balance at 1 April 2018 £'000		Balance at 31 March 2019 £'000
295	**Balance at 1 April**	**216**
(79)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(2)
216		**214**

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. The differences in amounts accrued are not deemed to be material and therefore no transactions have been made in 2018/19.

Balance at 1 April 2018 £'000		Balance at 31 March 2019 £'000
(52)	**Balance at 1 April**	**(54)**
52	Settlement or cancellation of accrual made at the end of the preceding year	0
(54)	Amounts accrued at the end of the current year	0
(2)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0
(54)	**Balance at 31 March**	**(54)**

Pooled Funds Adjustment Account

The Pooled Funds Adjustment Account contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through Profit and Loss. The 2017/18 figures are from what was formerly the Available for Sale Financial Instruments Reserve which has now been superseded by the Pooled Funds Adjustment Account. 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

Statutory Override on pooled investments

The Council holds £4.145m of pooled investments. As a result of the change in accounting standards for 2018/19 under IFRS 9, the Ministry for Housing, Communities and Local Government (MHCLG) have agreed a temporary override to allow English Local Authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from April 2018. The Council will use the statutory override to account for any changes in the fair value on its pooled investments.

Balance at 1 April 2018 £'000		Balance at 31 March 2019 £'000
25	**Balance at 1 April**	**121**
96	Upward Revaluation of Investments	32
0	Downward Revaluation of Investments	(8)
0	Change in Impairment Loss Allowances	0
121		**145**
0	Accumlated gains or losses on assets sold and maturing assets written out to the CIES as part of Other Investment Income	0
121	**Balance at 31 March**	**145**

19. CASHFLOW STATEMENT – OPERATING ACTIVITIES

2017/18 £'000		2018/19 £'000
1,995	**Net (Surplus) or Deficit on the Provision of Services**	**(2,349)**
	Adjust for Non-Cash Movements	
(2,068)	Depreciation	(2,218)
821	Impairment and downward valuations	134
(48)	Amortisation	(70)
96	Increase/(decrease) in impairment for bad debts	28
(685)	Increase/(decrease) in creditors	(851)
(373)	Increase/(decrease) in debtors	603
(8)	Increase/(decrease) in inventories	23
585	Movement in pension liability	(3,326)
(4)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(221)
213	Movement in Provisions	(26)
(2,719)	Other non-cash items charged to the net surplus or deficit on the provision of services	71
(4,190)	**Net surplus/(deficit) on provision of services for non cash movements**	**(5,853)**
	Adjust Net Surplus or Deficit for items that are Investing or Financing Activities	
0	Proceeds from short term and long term investments	0
1,642	Capital Grants credited to the Surplus/Deficit on Provision of Services	1,202
497	Proceeds from sale of property, plant and equipment, investment property and intangible assets	3,378
2,139	**Net surplus/(deficit) on provision of services for Investing & Financing activities**	**4,580**
(56)	**Net Cashflows from Operating Activities**	**(3,622)**

The cash flows for operating activities include the following items:

2017/18 £'000		2018/19 £'000
(171)	Interest received	(257)
(101)	Dividends received	(125)
(272)	**TOTAL**	**(382)**

20. CASHFLOW STATEMENT – INVESTING ACTIVITIES

2017/18 £'000		2018/19 £'000
8,755	Purchase of property, plant and equipment, investment property and intangible assets	6,018
8,800	Purchase of short-term and long- term investments	17,000
4,584	Other payments for investing activities	6,114
838	Proceeds from sale of property, plant equipment, investment property and intangible assets	(781)
(10,850)	Proceeds from short-term and long-term investments	(5,002)
(5,902)	Capital Grants Received (Government)	(11,735)
(229)	Other receipts from investing activities	(2,235)
5,996	**Net cash flow from investing activities**	**9,379**

21. CASHFLOW STATEMENT – FINANCING ACTIVITIES

2017/18 £'000		2018/19 £'000
0	Repayments of short and long-term borrowing	0
1,724	Other payments for financing activities	523
1,724	**Net cash flow from Financing activities**	**523**

22. MEMBERS ALLOWANCES

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

2017/18 £'000		2018/19 £'000
231	Basic Allowances	233
78	Special Responsibility Allowances	79
7	Other Expenses	5
316	**TOTAL EXPENDITURE**	**317**

23. 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	**2018/19**	123,319	17,573	140,892
	2017/18	120,040	17,228	137,268
Executive Manager - Finance & Corporate Services	**2018/19**	84,620	12,310	96,930
	2017/18	82,963	12,069	95,032
Executive Manager - Neighbourhoods	**2018/19**	82,228	11,921	94,149
	2017/18	80,381	11,687	92,068
Executive Manager - Communities	**2018/19**	82,495	11,921	94,416
	2017/18	80,884	11,687	92,571
Executive Manager - Transformation	**2018/19**	88,725	12,896	101,621
	2017/18	87,023	12,643	99,666
Chief Information Officer*	**2018/19**	81,982	11,921	93,903
	2017/18	83,765	12,183	95,948

*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) are as follows:

Number of Employees 2017/18	Remuneration Band	Number of Employees 2018/19
0	£50,000 - £54,999	1
4	£55,000 - £59,999	4
0	£60,000 - £84,999	0

24. EXIT PACKAGES AND TERMINATION BENEFITS

The Council terminated no contracts in 2018/19. For comparison, the number of exit packages with total cost per band and total cost of the compulsory and other redundancies for 2017/18 are set out in the table below.

2017/18				
Exit Package Cost Band	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Exit Packages	
			Number	£'000
£0 - £20,000	1	3	4	35
£20,001 - £40,000	1	0	1	39
TOTAL	**2**	**3**	**5**	**74**

25. 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; Mazars (KPMG in 2017/18).

2017/18 £'000		2018/19 £'000
41	Fees payable with regard to external audit services carried out by the appointed auditor (Mazars)	32
5	Fees payable in respect of other services provided during the year (Cabinet Office)	2
7	Fees payable for the certification of grant claims and returns (KPMG)	2
53	**TOTAL**	**36**

26. GRANT INCOME

The Council credited the following capital grants and contributions to the Taxation and Non-Specific Grant Income line (Note 7) in the Comprehensive Income and Expenditure Statement in 2017/18 and 2018/19.

2017/18 £'000		2018/19 £'000
635	Cotgrave Employment Land	0
703	Cotgrave Town Centre	0
250	Cotgrave Town Centre - Economic Development	989
0	S106 Arena Cyclepath	63
0	The Hook Skatepark Grants	150
1,588	**TOTAL**	**1,202**

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

2017/18 £'000		2018/19 £'000
112	DCLG - NDR Cost of Collection	111
88	Nottinghamshire County Council - Leisure Centres	67
16,608	DWP - Housing Benefit Subsidy and Council Tax Rebates	16,736
193	DWP - Housing Benefit Administration	181
81	DWP - Council Tax Administration	76
0	Homelessness Grant	104
586	DCLG - Disabled Facilities Grant (REFCUS)	650
17,668	**TOTAL**	**17,925**

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:

2017/18 £'000		2018/19 £'000
10,387	S106 Planning Agreements	14,878
	Other Grants:	
635	GDF- Cotgrave Employment Land	0
0	Land Release Fund - Depot	300
11,022	**TOTAL**	**15,178**

27. 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 26.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total members allowances paid in 2018/19 are shown in Note 22. The Members could potentially have a material related party transaction with the Council. During 2018/19 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 2018/19 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 £2.093m and Internal Drainage Board levies of £0.248m are disclosed in Note 5 to the Comprehensive Income and Expenditure Statement.

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 31).

Entities Controlled or Significantly Influenced by the Council

The Council controls Rushcliffe Enterprises LTD (and companies under its control namely Streetwise Environmental LTD) through its ownership and 100% shares in the company. The Declaration of Related Party Transactions returns detailed that the Chief Executive is a Director of Streetwise Environmental Limited (see Group Accounts section). He fulfils this role on behalf of the Council but holds no shares and received no payments either directly or indirectly for his Director role.

The Council purchased street cleansing and grounds maintenance services from the company in 2018/19 to the value of £1.59m and has provided a loan of £15k for the acquisition of vehicles. The loan is repayable quarterly over 3 years and interest is charged at 4.25%.

28. 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.

2017/18 £'000		2018/19 £'000
9,563	**Opening Capital Financing Requirement**	**9,300**
	Capital Investment:	
2,117	Property, Plant & Equipment	3,350
5,944	Investment Properties	2,404
127	Intangible Assets	46
976	Loans to Other Organisations	87
652	Revenue Expenditure Funded from Capital Under Statute	860
	Sources of Finance:	
(6,455)	Capital Receipts	(4,754)
(2,119)	Government Grants & Other Contributions	(1,862)
(505)	Direct Revenue Contributions	(131)
(1,000)	Minimum Revenue Provision	(1,000)
9,300	**Closing Capital Financing Requirement**	**8,300**
	Explanation of movements in year	
(263)	Increase/(decrease) in the underlying need to borrow (unsupported by Government financial assistance)	(1,000)
(263)	**Increase/(Decrease) in Capital Financing Requirement**	**(1,000)**

29. 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 xv) 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.

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

2017/18 £'000		2018/19 £'000
1,947	Not later than one year	1,309
3,727	Later than one year and not later than five years	3,727
4,903	Later than five years	2,842
10,577	**TOTAL**	**7,878**

30. 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 8 reconciling the movement over the year in the Property, Plant and Equipment balances.

The impairment review carried out at 31.03.2019 identified no material impairment to any of the Council's assets. The revaluation exercise for 2018/19 gave rise to a net revaluation gain of £3.544m. Of this, £3.363m was charged to the Revaluation Reserve (Note 18); £46k arises from the movement in Fair Value of Investment Property (Note 9); and £135k was credited back to the surplus and deficit on the provision of services to reverse out previous revaluation losses.

The main elements of the sum charged to the Revaluation Reserve comprise an upward revaluation of the Arena Buildings (Leisure) £1.722m; Arena Car Park Land £636k; and Cotgrave Leisure Centre £547k.

The reversal of previously recognised revaluation losses amounting to £135k relates to 7 assets, the largest of which is Cotgrave Office Hub £96k. In 2017/18 the comparative figure was £821m arising from 7 assets.

31. 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 (LGPS), 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.

The results of the 2016 Triennial Valuation identified the repayments required to eliminate the deficit in the fund was £3.68m spread over 3 years. The Council took the option to pre-pay the 3 year deficit and in doing so saved £190k

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 35vi.

All of the risks above may also benefit the authority e.g. higher than expected investment returns or employers leaving the fund with excess assets which eventually get inherited by the remaining employers.

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 market yields on high quality corporate bonds and the method used is Single Equivalent Discount Rate (SEDR). Inflation assumptions affect the rate at which benefits increase and therefore the value of future liabilities. The method used to estimate inflation is the Single Equivalent Inflation Rate (SEIR), further adjusted to reflect the expectation that pension increases will be based on CPI. (Consumer Prices Index)
- Equity returns have been particularly volatile over the period to 25 January 2019 with the value of equities, increasing significantly during April and May before falling sharply in October and December. Despite the value of gilts and corporate bonds also falling at some point over the period, the value of each are at similar levels, at 25 January 2019, to those at 31 March 2018.
- McCloud Judgement/Guaranteed Minimum Pensions (GMP)

  As part of the actuarial calculations the recent McCloud judgement (age discrimination case affecting changes made to government pension schemes) has been taken into account. The application of the judgement increased the pension liability for Rushcliffe by £642k in the form of a past service cost. Advice from the Actuary is that GMP has no impact on the Council's pension liabilities.

Re-measurement of net defined benefit liability

The actuarial (gains)/losses on pensions assets/liabilities line in the CIES shows a net reduction in pension liability of £4.902m which takes into account an overall adjustment of £843k in actuarial assumptions resulting from the McCloud judgement referred to above. The changes in actuarial assumptions are detailed below:

- Return on Plan Assets - the actuary's estimation on return has increased from 3% in 2017/18 to 9% in 2018/19 ***reducing*** the pension liability by £3.657m.

- Demographic assumptions – following a new trend in mortality rates, based on the CMI 2018 model released in March 2019, this actuarial calculation / adjustment resulted in a ***reduction*** in the pension liability of £6.514m.

- Financial Assumptions – A decrease in the discount rate used by the actuary along with the assumed future pension increases being higher than previous years have led to an ***increase*** in liability of £5.269m.

2017/18 £'000	Local Government Pension Scheme	2018/19 £'000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
2,240	Current Service Cost	2,310
23	Administration Expenses	26
0	Past Service Gain	0
45	Settlements and Curtailments	642
	Financing and Investment Income and Expenditure	
1,535	Net Interest Expense	1,360
3,843	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**4,338**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
12	Return on plan assets (excluding the amount included in the net interest expense)	(3,657)
0	Actuarial (Gains) and Losses arising on changes in demographic assumptions	(6,514)
(4,544)	Actuarial (Gains) and Losses arising on changes in financial assumptions	5,269
0	Other Experience	0
(4,532)	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure**	**(4,902)**
	Movement in Reserves Statement	
(3,843)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post	**(4,338)**
	Actual amount charged against the General Fund for Pensions in the year	
4,336	Employers contributions payable to scheme	**918**

2017/18 £'000	Discretionary Benefits	2018/19 £'000
92	Retirement benefits payable to pensioners	94

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:

2017/18 £'000	Local Government Pension Scheme	2018/19 £'000
114,872	Present value of the defined benefit obligation	116,792
(61,018)	Fair Value Plan Assets	(64,514)

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

2017/18 £'000	Local Government Pension Scheme	2018/19 £'000
58,269	**Opening Fair Value of Scheme Assets**	**61,018**
1,589	Interest Income	1,535
(12)	The return on plan assets, excluding the amount included in the net interest expense	3,657
4,428	Contributions from employer	1,012
381	Contributions from employees into the scheme	419
(3,614)	Benefits Paid	(3,101)
0	Settlements	0
(23)	Other	(26)
61,018	**Closing Fair value of scheme assets**	**64,514**

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

2017/18 £'000	Local Government Pension Scheme	2018/19 £'000
117,240	**Opening Balance 1 April**	**114,872**
2,240	Current Service Costs	2,310
3,124	Interest Cost	2,895
381	Contributions by scheme participants	419
	Remeasurement gains/(loss):	
	Actuarial (Gains) and Losses arising from changes in demographic assumptions	(6,514)
(4,544)	Actuarial (Gains) and Losses arising from changes in financial assumptions	5,269
0	Other experience	0
45	(Gains) and Losses on Settlements / Curtailments	642
(3,522)	Benefits Paid	(3,007)
(92)	Unfunded Pension Payments	(94)
114,872	**Closing Balance 31 March**	**116,792**

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

2017/18 £'000	Local Government Pension Scheme	2018/19 £'000
40,120	Equities	40,042
1,398	Gilts	2,101
7,128	Other Bonds	5,978
7,665	Property	8,730
4,707	Others	7,663
61,018	**Total Assets**	**64,514**

From the information we have received from the administering Authority, we understand that of the Equities allocation above, 40% are UK investments, 60% are overseas investments. All but 0.1% of the equities are listed in a market. Of the Gilts allocation above, 100% are UK fixed interest Gilts. Of the Other Bonds allocation above, 96% are UK corporates, 4% are overseas corporates. 100% of the Property and Cash allocation is unquoted.

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

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 LGPS 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:

2017/18 £'000	Local Government Pension Scheme	2018/19 £'000
	Mortality Assumptions	
	Longevity at 65 for current pensioners	
22.6	Men	21.6
25.6	Women	24.4
	Longevity at 65 for future pensioners	
24.8	Men	23.3
27.9	Women	26.2
	Rates of Inflation	
3.3%	RPI (Per Annum)	3.4%
2.3%	CPI (Per Annum)	2.4%
-1.0%	CPI (Real)	-1.0%
3.8%	Rate of Increase in Salaries (Per Annum)	3.90%
2.3%	Rate of Increase in Pensions (Per Annum)	2.40%
2.6%	Rate for Discounting Scheme Liabilities	2.40%

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

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
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(2,090)	2,130
Rate of increase in salaries (increase or decrease by 0.1%)	195	(193)
Rate of increase in pensions (increase or decrease by 0.1%)	1,934	(1,899)
Longevity (increase or decrease in 1 year)	4,456	(4,287)

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 2019/20 is 14.6% (2018/19 14.6%) and the authority anticipates paying £0.918m in expected contributions which excludes pension deficit as this was prepaid in 2017/18. The contribution to be recognised by the authority for 2019/20 is £1.164m (£1.164m in 2018/19). This is amount is fixed for the 3 year period 2017/18 to 2019/20 as the authority prepaid the balance due at 31st march 2016 valuation and will spread the cost equally over the 3 years. 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 revalued earnings schemes to pay pensions and other benefits to certain public servants.

The estimated duration of the defined benefit obligation for scheme members is 19 years

Projected Pension Expense for the Year to 31 March 2020

Projected Pension Expense	2019/20 £'000
Service cost	2,367
Net Interest on the defined liability (asset)	1,243
Administration Expenses	27
Total	**3,637**
Employer contributions	918

Note: These figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2019. These projections are based on the assumptions as at 31 March 2019, as described in the Barnett Waddingham actuary report.

32. CONTINGENT LIABILITIES

At the 31st March 2019 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 Thames Valley Housing Trust and to their lender, Nationwide Building Society. The former ran for 15 years until 2018 and has now elapsed; the latter was for 32 years and will run until 2035. The value of the liability is unknown and to date there have not been any issues identified.

33. CONTINGENT ASSETS

At 31 March 2019 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 and other clawback receipts. Sums received totalled £188k in respect of 2018/19 disposals (2017/18 £0.497m). Future receipts will depend on further preserved right to buy sales and it is difficult to predict the amount to be received in any one year.

In addition, the Council has identified a contingent asset relating to an overage agreement for Land at Sharphill, Edwalton. The agreement arises from a transfer of a piece of agricultural land to the original seller. The transfer back included a provision giving the Council a percentage of the uplift of the original value of the land in the event of it being sold with the benefit of planning permission. Cabinet (January 2005) approved that the Council would receive 40% of the amount by which the "open market value of the property" exceeds the purchase price (or a relevant proportion of the purchase price where the land is sold in part).

The Cabinet Report (October 2017) explains the extremely complex nature of the overall site. There are ongoing negotiations to protect the Council's interests to achieve an agreement with the landowner of how the 40% would be calculated. Following lengthy and detailed negotiations, the report details the overall framework for an agreement with the landowner, and based on current values estimates the approximate value the Council can expect as a capital receipt as and when parcels of the land subject to the agreement are sold by the landowner. First tranche income of £2.76m was received in 2018/19 with an associated £1.3m expected in 2019/20. Over time, it is possible that RBC could receive a further £11.44m bringing a total of £15m by way of the overage entitlement.
The overage agreement defines the events which could trigger a payment or payments to the Council.

34. 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 Capital and Investment 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 2019 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 extended credit for customers, but some of the current balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

2017/18 £'000	Debtors past due but not impaired	2018/19 £'000
412	Less than three months	411
239	Three to nine months	81
80	Nine months to one year	55
869	More than one year	912

Amounts Arising from Expected Credit Losses

We have assessed the Council's short and long term investments and concluded that the expected credit loss is not material therefore no allowances have been made.

A summary of the Council's short term investments are shown below.

Institution	Length of Term	Amount £000
Call Accounts/MMFs		
Aviva Investors	Call	20
Blackrock	Call	873
Federated Investors (UK)	Call	1,161
Goldman Sachs Asset Management	Call	148
HSBC Asset Management	Call	2,672
Invesco Aim	Call	3,118
Aberdeen Asset Management	Call	1,545
Bank Of Scotland Plc	Call	3
Bank Of Scotland Plc	32 Days	107
Barclays Bank Plc	Call	5
Barclays Bank Plc	32 Days	253
Handelsbanken Plc	35 Days	1
Santander UK Plc	Call	1
Santander UK Plc	35 Days	2,209
	Note 14	12,116
Short Term Investments		
Blackpool	1 Years	5,000
Broxtowe	1 Years	1,000
Conwy County Borough Council	6 Months	3,000
Salford City Council	9 Months	5,000
		14,000
Total Investments		**26,116**

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.

According to this assessment strategy, at 31 March 2019, if interest rates had been 1% higher or lower with all variables held constant, the effect would be:

2017/18 £'000		2018/19 £'000
229	Increase in interest receivable on variable rate investments	256
229	**Impact on Surplus or Deficit on Provision of Services**	**256**
0	Decrease in fair value of fixed rate investments	0
0	**Impact on Other Comprehensive Income**	**0**

Price Risk

The Council's investment in the CCLA Property Fund, CCLA Diversified Fund and Royal London Enhanced Cash Plus are subject to the risk of falling commercial property prices. The risk is limited by the Council's maximum exposure to property investments of £5.0 million. A 5% fall in commercial property prices would result in a £0.25m charge to Financing and Investment Income and Expenditure – this would have no impact on the General Fund as there is a statutory override in place that reverses the movement in fair value to a reserve. A 5% increase would similarly result in a return of £0.25m.

Foreign Exchange Risk

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

35. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. 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 2018/19 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.

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

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 contracts with service recipients,** whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- **Supplies are recorded as expenditure** when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- **Expenses in relation to services received** (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- **Interest 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 where 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. Where material 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. 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 Council can no longer withdraw the offer of those benefits or when the Council 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

Employees are members of the Local Government Pension Scheme (LGPS), which 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
- **Unitised 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, or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are 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 pensioners, 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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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. 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 (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

In the event that the Council makes a loan to an outside body at less than market rates (soft loans) and the present value of the interest foregone is greater than £50k, a loss is recorded in the CIES (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 CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

The Council made a loan to Nottinghamshire Cricket Club in 2007 as less than market rates however this is not treated as a soft loan in the accounts due to the annual interest foregone being below the materiality threshold stated above.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

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

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they occur in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

instruments with quoted market prices – the market price

other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 inputs – unobservable inputs for the asset.

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

The Council holds shares in CCLA Property fund, CCLA Diversified Fund and Royal London Enhanced Cash Plus Fund. Any movement in Fair Value will be accounted for in Financing and Investment Income and Expenditure line in Surplus/Deficit on Provision of Services. A statutory override must be used to reverse the entry in the CIES to a reserve to recognise the fair value gains and losses.

Financial Assets measured at Fair Value through Other Comprehensive Income

Financial assets measured at fair value through other comprehensive income are recognised on the balance sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Annual income received from the financial instrument is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement when it becomes receivable by the authority.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price.
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement technique are categorised in accordance with the following:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

The Council must elect in the year of acquisition to account for equity assets through other comprehensive income

For an elected financial asset fair value gains and losses are recognised as they occur in Other Comprehensive Income within the Comprehensive Income and Expenditure Statement but are balanced by an entry in the Financial Instrument Revaluation Reserve. In all other circumstances the gain or loss is recognised in the Financing and Investment Income and Expenditure line on the Comprehensive Income and Expenditure Statement before being transferred to the Financial Instrument Revaluation Reserve via the Movement in Reserve Statement

On derecognition of an elected financial asset the balance on the Financial Instrument Revaluation Reserve is transferred to the General Fund via the Movement in Reserves Statement. In all other circumstances the balance on the Financial Instrument Revaluation Reserve is transferred to the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

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 creditors (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.

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The Council will charge for and collect the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area. The Council expects the charge to be applicable during 2019/20.

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

x. Heritage Assets

The Council has two classifications of Heritage Assets; a small art collection and a war memorial. Heritage Assets are carried at valuation rather than current of fair value reflecting the fact that sales and exchanges are uncommon. The Art Collection is values at insurance valuation and the War Memorial at depreciated historic cost as it is an infrastructure asset. The treatment of revaluation gains and losses is in accordance with the Council's accounting policies on property, plant and equipment.

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

Art collection

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.

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

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

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

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 consideration allocated to the performance obligations satisfied based on goods or services transferred to the service recipient 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.

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 cost and subsequently 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 31st March 2010. Under the terms of the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2010 no 454, the Council may continue to account for money received in accordance with the original type of leases.

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

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. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:
a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

The authority does not have any sale and leaseback assets.

xvi. Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Council in conjunction with other joint operators 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:

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

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every three years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the 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.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction) and assets held for a commercial return (i.e. investment properties). It is calculated as follows:

Property, Plant and Equipment	
Other Land and Buildings	Straight line – over the useful life of the asset
Vehicles and Plant	Straight line – over the useful life of the asset
Infrastructure	Straight line – over the useful life of the asset

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, or set aside to reduce the authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in 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 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 – Council Tax & Non Domestic Rates (NDR)

Billing authorities are required by statute 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 the major precepting authorities and central government, and as a principle, collecting council tax and NDR for itself.

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. Any difference between the income included in the CIES and the demand or precept is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals. As the collection of Council Tax and NDR is an agency agreement there is a debtor/creditor position between the Council, the major preceptors and central government. As the billing authority, this Council's Cash Flow Statement includes in 'revenue activities' only its own share of the Council Tax and NDR collected.

xxiv. Fair Value Measurement

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

a) in the principal market for the asset or liability, or

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

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

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

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The hierarchy below is used.

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (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 2019/20 code:

- amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation. These are financial assets where the contractual terms permit the borrower to prepay the instrument before maturity but where the prepayment amount could be less than the unpaid principal and interest. The amendments allow for such assets to be held at amortised cost or at Fair Value through Other Comprehensive Income rather than at Fair Value through Profit and Loss.
- IFRIC 23 Uncertainty over Income Tax Treatments

It is not anticipated that the changes above will have a material impact on the information provided in the Council's financial statements.

37. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 35 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.

b. 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 £74k on service costs.

c. The Council has a 'Group Relationship' with a subsidiary, namely Rushcliffe Enterprises Ltd which largely incorporates Streetwise Environmental Ltd and Streetwise Environmental Trading 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. A judgement has been made about the group boundary relating to the agreement the Council has entered into with PSP Facilitating Ltd. Under the Code (IFRS11) the arrangement is classed as a Joint Venture. As such, the share of the Council's holding should be consolidated into group accounts using the equity accounting method. However transactions relating to 2018/19 are not material and will therefore not be consolidated into the 2018/19 accounts.

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

38. 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), provisions and accruals. 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 37(b) gives further analysis;

b. Bad debt estimates are in accordance with IFRS 9 based on prudent collection rates taking into account knowledge of existing conditions on outstanding debts, particularly given the current economic climate. At 31st March 2019, the Council had sundry debtor balances of £0.544m and Housing Benefit (HB) debtors of £0.916m. 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 £0.129m and £0.116m, respectively for sundry debtors and HB. If recoverability of the debt falls by 10% across all ages of debt an estimated further £0.028m 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 £1.28m, with a further £1.92 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;

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.

39. MATERIAL ITEMS OF INCOME AND EXPENSE

Comprehensive Income and Expenditure Statement variances

2017/18 included an upward valuation for the Arena of £1.2m and this is the main reason Neighbourhoods net expenditure has increased from £3.9m to £4.96m in 2018/19.

In 2018/19 £2.76m was received in relation to the overage agreement for Sharphill, this is mentioned further in Note 33 – Contingent Assets. This impacts on the Other Operating Expenditure line in the CIES.

Financing and Investment Income and Expenditure (Note 6) has reduced from £2.97m expenditure to £0.6m income due to downward valuations in 2017/18 in relation to Colliers Business Park and Bridgford Hall.

40. EVENTS AFTER THE BALANCE SHEET DATE

None currently expected to be reported.

F. COLLECTION FUND

2017/18 Council Tax £'000	2017/18 NDR £'000	2017/18 TOTAL £'000		2018/19 Council Tax £'000	2018/19 NDR £'000	2018/19 TOTAL £'000
			INCOME			
74,829	0	**74,829**	Council Tax	79,742		**79,742**
0	25,829	**25,829**	Income from business ratepayers		29,488	**29,488**
74,829	**25,829**	**100,658**		**79,742**	**29,488**	**109,230**
			EXPENDITURE			
			Precepts and Demands			
56,481		**56,481**	· Nottinghamshire County Council	60,482		**60,482**
7,663		**7,663**	· Nottinghamshire Police Authority	8,325		**8,325**
3,145		**3,145**	· Nottinghamshire Fire Authority	3,303		**3,303**
8,067		**8,067**	· Rushcliffe Borough Council	8,439		**8,439**
			Business Rate			
	13,976	**13,976**	· Payments to Government		14,703	**14,703**
	9,991	**9,991**	· Payments to Nottinghamshire County Council*		10,120	**10,120**
	238	**238**	· Payments to Nottinghamshire Fire Authority		252	**252**
	1,869	**1,869**	· Payments to Rushcliffe Borough Council **		2,748	**2,748**
	112	**112**	· Costs of Collection		111	**111**
			Impairment of Debts/Appeals			
46	124	**170**	· Write offs and uncollectable amounts	9	88	**97**
25	(166)	**(141)**	· Allowance for Impairment	47	74	**121**
	(598)	**(598)**	· Provision for appeals		98	**98**
			Contributions			
167	278	**445**	· Distribution of 17-18 estimated Collection Fund surplus/(deficit)	(349)	2,533	**108,799**
75,594	**25,824**	**101,418**		**80,256**	**30,727**	**110,982**
(765)	5	**(760)**	**Movement on Fund Balance**	(514)	(1,239)	**(1,753)**
159	520	**679**	**Opening Fund Balance**	(606)	525	**(81)**
(606)	**525**	**(81)**	**Closing Fund Balance**	**(1,120)**	**(714)**	**(1,834)**

*This includes £7.856m (2017/18 £7.847m) payable to the Nottinghamshire Business Rates Pool.

** This includes the disregarded amount for renewable energy of £0.543m (2017/18 £0.187m)

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 Non-Domestic Rates (NDR) and its distribution to local government bodies and central 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	Band	Chargeable Properties After Discounts	Ratio	Band D Equivalents
2017/18				2018/19
2,719	A	4,171	6/9	2,781
5,911	B	7,710	7/9	5,997
8,204	C	9,169	8/9	8,150
8,420	D	9,172	9/9	9,172
7,523	E	6,158	11/9	7,526
5,500	F	3,803	13/9	5,493
3,712	G	2,226	15/9	3,710
210	H	106	18/9	212
42,199				**43,041**
(422)		Non-Collection Impairment was 1.00% in 2018/19 (2017/18 1.00%)		(431)
41,777		**Council Tax Base**		**42,610**

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 2018/19 a Collection Fund Council Tax deficit of £0.349m was redistributed between the major precepting authorities. Of this £0.342m reflected the estimated outturn deficit at 15 January 2018 and £7k deficit arose from the difference between the estimated and actual outturn positions for 2017/18.

At 15 January 2019 the Collection Fund Council Tax deficit for 2018/19 was estimated at £0.963m comprising an in-year deficit of £0.707m and £0.256m deficit arising from the difference between the actual and estimated outturns for 2017/18. These funds will be collected from the major precepting authorities in 2019/20.

F. NOTES TO THE COLLECTION FUND CONTINUED

2017/18 £'000		2018/19 £'000	2019/20 £'000
125	Nottinghamshire County Council	(262)	(723)
17	Nottinghamshire Police Authority	(35)	(100)
7	Nottinghamshire Fire Authority	(15)	(39)
18	Rushcliffe Borough Council	(37)	(101)
167		**(349)**	**(963)**

At 31 March 2018 the actual outturn for the Collection Fund Council Tax was £1.120m, an increase of £0.156m from the estimated outturn. This will be adjusted for as part of the calculations for the redistribution of Collection Fund balances in 2019/20.

4. NON-DOMESTIC RATES

Under the arrangements regarding Uniform Business Rates, the Council collects non domestic rates for its area which are based on local rateable values multiplied by a uniform rate which for 2018/2019 was 49.3p (2017/2018 47.9p). The non-domestic rateable value at the 31st March 2019 was £71,104,320 (31st March 2018 £70,101,565).

The system for funding Local Authority expenditure changed in 2013/2014 with a share of the proceeds of Non Domestic Rate income being retained by billing and precepting authorities. 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 to the precepting shares. Note 16 provides further details on the provision made in 2018/19.

F. NOTES TO THE COLLECTION FUND CONTINUED

5. NON-DOMESTIC RATES SURPLUS

At 31 March 2019 the actual outturn for the Collection Fund NDR was a deficit of £0.714m (2017/18 £0.525m surplus) which is then distributed to the preceptors as detailed in the following table.

2017/18 £'000		2018/19 £'000
263	Central Government (50%)	(357)
210	Rushcliffe Borough Council (40%)	(286)
47	Nottinghamshire County Council (9%)	(64)
5	Nottinghamshire Fire Authority (1%)	(7)
525		**(714)**

G 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. 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, a wholly owned subsidiary of the Council. The consolidation has been done on an acquisition basis as Streetwise Environmental Ltd is 100% owned by Rushcliffe Borough Council.
- Rushcliffe Enterprises Ltd. As referred to in Note 37 - there have been no material transactions in 2018/19 there is no requirement to further consolidate.

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 Mazars 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.

G. GROUP ACCOUNTS

GROUP MOVEMENT IN RESERVES STATEMENT (MIRS)

2018/19	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	Council's Share of Sunsidiary's Reserves £'000	Total Reserves £'000
Balance at 31 March 2018	**2,604**	**10,532**	**8,168**	**108**	**21,412**	**(8,576)**	**12,836**	**178**	**13,014**
Post Audit Adjustment to Subsidiary Reserves								**(26)**	**(26)**
Movement in Reserves during 2018/19:									
(Surplus) or deficit on the provision of services	2,349				2,349		2,349	13	2,362
Other Comprehensive Income & Expenditure					0	8,265	8,265	109	8,374
Total Comprehensive Income & Expenditure	**2,349**	**0**	**0**	**0**	**2,349**	**8,265**	**10,614**	**122**	**10,736**
Adjustments between accounting basis and funding basis under regulations	(1,039)		(1,132)	(10)	(2,181)	2,181	0		0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**1,310**	**0**	**(1,132)**	**(10)**	**168**	**10,446**	**10,614**	**122**	**10,736**
Transfers to/(from) earmarked reserves	(1,310)	1,286			(24)	24	0		0
(Increase)/Decrease in 2018/19	**0**	**1,286**	**(1,132)**	**(10)**	**144**	**10,470**	**10,614**	**122**	**10,736**
Balance at 31 March 2019 Carried Forward	**2,604**	**11,818**	**7,036**	**98**	**21,556**	**1,894**	**23,450**	**274**	**23,724**

G. GROUP MOVEMENT IN RESERVES STATEMENT (MIRS)

2017/18	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	Council's Share of Sunsidiary's Reserves £'000	Total Reserves £'000
Balance at 31 March 2017	**2,604**	**10,215**	**13,929**	**54**	**26,802**	**(20,228)**	**6,574**	**58**	**6,632**
Movement in Reserves during 2017/18:									
(Surplus) or deficit on the provision of services	(1,995)	0	0	0	(1,995)	0	(1,995)	35	(1,960)
Other Comprehensive Income & Expenditure	0				0	8,256	8,256	85	8,341
Total Comprehensive Income & Expenditure	**(1,995)**	**0**	**0**	**0**	**(1,995)**	**8,256**	**6,261**	**120**	**6,381**
Adjustments between accounting basis and funding basis under regulations	2,312	0	(5,761)	54	(3,395)	3,395	0	0	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**317**	**0**	**(5,761)**	**54**	**(5,390)**	**11,651**	**6,261**	**120**	**6,381**
Transfers to/(from) earmarked reserves	(317)	317	0	0	0	0	0	0	0
(Increase)/Decrease in 2017/18	**0**	**317**	**(5,761)**	**54**	**(5,390)**	**11,651**	**6,261**	**120**	**6,381**
Balance at 31 March 2018 Carried Forward	**2,604**	**10,532**	**8,168**	**108**	**21,412**	**(8,577)**	**12,835**	**178**	**13,013**

G. GROUP ACCOUNTS

GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2017/18				2018/19		
Gross Exp	Gross Inc	Net Exp		Gross Exp	Gross Inc	Net Exp
£'000	£'000	£'000		£'000	£'000	£'000
2,688	(1,503)	1,185	Communities	3,209	(1,848)	1,361
20,615	(17,219)	3,396	Finance & Corporate	21,447	(17,361)	4,086
8,773	(4,921)	3,852	Neighbourhoods	9,906	(4,980)	4,926
4,143	(240)	3,903	Transformation	4,256	(301)	3,955
36,219	**(23,883)**	**12,336**	**Cost of Services (Note 1)**	**38,818**	**(24,490)**	**14,328**
2,236	(496)	1,740	Other Operating Expenditure	2,341	(3,164)	(823)
2,986	8	2,994	Financing & Investment Income & Expenditure	1,431	(2,007)	(576)
	(15,113)	(15,113)	Taxation & Non-Specific Grant Income		(15,297)	(15,297)
41,441	**(39,484)**	**1,957**	**(Surplus)/Deficit on Provision of Services**	**42,590**	**(44,958)**	**(2,368)**
		3	Tax expenses of subsidiaries			6
		1,960	**Group (Surplus)/Deficit on Provision of Serviices**			**(2,362)**
		(3,628)	Surplus or deficit on revaluation of non-current assets			(3,363)
		(96)	Available for Sale Financial Instruments			0
		(4,617)	Actuarial gains/losses on pension assets/liabilities			(5,011)
		(8,341)	**Other Comprehensive Income & Expenditure**			**(8,374)**
		(6,381)	**Total Comprehensive Income & Expenditure (Note 2)**			**(10,736)**

G. GROUP ACCOUNTS

GROUP BALANCE SHEET

31 March 2018 £'000		31 March 2019 £'000
39,968	Property, Plant & Equipment	44,564
67	Heritage Assets	67
14,544	Investment Property	16,989
3,121	Long Term Investments	4,145
157	Intangible Assets	134
2,654	Long Term Debtors	2,604
60,511	**Long Term Assets**	**68,503**
213	Assets Held for Sale	0
3,000	Short Term Investments	14,000
21	Inventories	59
4,334	Short Term Debtors	4,237
18,524	Cash & Cash Equivalents	12,275
26,092	**Current Assets**	**30,571**
(6,822)	Short Term Creditors	(5,691)
(6,822)	**Current Liabilities**	**(5,691)**
(1,331)	Long Term Provisions	(1,357)
(10,687)	Capital Grants Receipts in Advance	(15,178)
(54,730)	Pension Liability	(53,101)
(20)	Deferred Tax Liability	(23)
(66,768)	**Long Term Liabilities**	**(69,659)**
13,013	**NET ASSETS**	**23,724**
8,168	Usable Capital Receipts Reserve	7,036
2,604	General Fund Balance	2,604
10,532	Earmarked Reserves	11,818
108	Capital Grants Unapplied	98
178	Profit & Loss Reserve	274
21,590	**Usable Reserves**	**21,830**
(8,577)	**Unusable Reserves**	**1,894**
13,013	**TOTAL RESERVES**	**23,724**

G. GROUP ACCOUNTS

CASHFLOW STATEMENT (INDIRECT METHOD)

2017/18 £'000		2018/19 £'000
1,960	Group Net (surplus) or deficit on the provision of services	(2,362)
	Post Audit adjustment to Subsidiary surplus	26
(4,342)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(5,789)
2,139	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	4,580
(243)	Net cash flows from Operating Activities	(3,545)
6,175	Investing Activities	9,271
1,724	Financing Activities	523
7,656	Net increase or (decrease) in cash and cash equivalents	6,249
(26,180)	Cash & Cash equivalents at the beginning of the reporting period	(18,524)
(18,524)	**Cash & Cash equivalents at the end of the reporting period**	**(12,275)**

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

2017/18				2018/19		
RBC Adjusted £'000	Streetwise Environmental Ltd Adjusted £'000	Group £'000	Comprehensive Income & Expenditure Statement	RBC Adjusted £'000	Streetwise Environmental Ltd Adjusted £'000	Group £'000
11,046	1,290	12,336	(Surplus)/Deficit on Continuing Operations	12,609	1,719	14,328
1,740	0	1,740	Other Operating Expenditure	(823)	0	(823)
2,970	24	2,994	Financing & Investment Income & Expenditure	(598)	22	(576)
(15,113)	0	(15,113)	Taxation & Non-Specific Grant Income	(15,297)	0	(15,297)
643	**1,314**	**1,957**	**(Surplus)/Deficit on Provision of Services**	**(4,109)**	**1,741**	**(2,368)**

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

2017/18 £'000		2018/19 £'000
(6,261)	(Surplus)/Deficit on the Council's Comprehensive Income & Expenditure Statement	(10,614)
(1,352)	Adjustments for transactions with other group entities	(1,760)
(7,613)	**(Surplus)/Deficit in the Group Comprehensive Income & Expenditure Statement attributable to the Council**	**(12,374)**
1,232	(Surplus)/Deficit in theGroup Comprehensive Income & Expenditure Statement attributable to the Group subsidiaries (adjusted for inter group transactions)	1,638
(6,381)	**(Surplus)/Deficit for the year on the Group Comprehensive Income & Expenditure Statement**	**(10,736)**

G. GROUP ACCOUNTS

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

2018/19 Balance Sheet	RBC £'000	Streetwise Environmental Ltd £'000	Adjustment £'000	Group £'000
Fixed Assets	44,187	377	0	44,564
Long term debtors	2,613	583	(592)	2,604
Short term debtors	4,250	267	(280)	4,237
Short term borrowing	0	(52)	52	0
Long term investments	4,145	0	0	4,145
Short term investments	14,000	0	0	14,000
Short term creditors	(5,407)	(512)	228	(5,691)
Long term creditors	0	(9)	9	0
Long term provisions	(1,940)	0	583	(1,357)

The elimination of £592k Streetwise Long Term Debtors relates mainly to the RBC pension liability for Streetwise staff pre-company formation (£583k), reducing long term provision for RBC. The remaining £9k is the balance of a long term loan to Streetwise (also removed from long term creditors).

The elimination of £280k Short Term Debtors includes £52k short term loan to streetwise and Short term creditors of £228k: £139k relating to pre-payment of an April Streetwise invoice by RBC, £54k owing to RBC in loan repayments and support costs, removal of £35k unpaid invoices due to Streetwise.

2017/18 Balance Sheet	RBC £'000	Streetwise Environmental Ltd £'000	Adjustment £'000	Group £'000
Fixed Assets	39,559	409	0	39,968
Long term debtors	2,700	583	(629)	2,654
Short term debtors	4,363	236	(265)	4,334
Long term investments	3,121	0	0	3,121
Short term investments	3,002	0	(2)	3,000
Short term creditors	(6,562)	(526)	266	(6,822)
Long term creditors	0	(47)	47	0
Long term provisions	(1,914)	0	583	(1,331)

H. GLOSSARY OF TERMS

ACCOUNTING PERIOD

This is the length of time covered by the accounts. It is 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 **non-current 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 AUTHORITY

Rushcliffe Borough Council is classed as a Billing Authority 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 FINANCING REQUIREMENT (CFR)

The CFR represents the Council's underlying need to borrow in order to finance its capital expenditure. It is the difference between the value of Total Fixed Assets in the balance sheet and the Revaluation and Capital Financing Accounts. This represents the propensity of the authority to borrow for capital purposes and is the basis for the minimum revenue provision charge to the revenue account.

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.

CASH FLOW STATEMENT (INDIRECT METHOD)

The indirect method adjusts net income from an accrual to a cash basis by adding back non-cash expenses and adjusts net income for changes between the starting and ending account balances in current assets (excluding cash) and current liabilities for the period.

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.

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.

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.

D2N2

D2N2 is the Local Enterprise Partnership (LEP) for Derby, Derbyshire, Nottingham and Nottinghamshire. They play a central role in deciding local economic priorities, and undertaking activities to drive economic growth and create local jobs. D2N2, established in 2010, is one of the largest LEPs in England, covering an area with a population of more than two million people and with an economic output of over £42.9billion GVA (Gross Value Added) (ONS report, February 2016).

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 its subsidiaries.

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 bought for consumption or resale, or raw materials, currently being held.

LAA
Local Area Agreement

LIABILITY
Where the Council owes payment to an individual or on organisation.

LSP
Local Strategic Partnership

MHCLG
Ministry of Housing Communities and Local Government

MINIMUM REVENUE PROVISION (MRP)
The minimum amount which must be charged to a Council's CIES each year for the servicing of debt.

NET BOOK VALUE
This is the value of an asset that is on the balance sheet. It represents its historical re-valued cost less the 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.

NON DOMESTIC RATES (NDR)
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.

POOLED FUNDS

Funds from many individual investors that are aggregated for the purposes of investment

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

PROJECTED UNIT CREDIT METHOD

Under the projected unit credit method the obligation for long-term employee benefits is measured by calculating the present value of the expected future payments that will result from employee services provided to date

PROVISIONS
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
Records unrealised revaluation gains/ losses from holding fixed assets.

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

REVENUE INCOME
Income from day-to-day provision of 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).

SOFT LOAN

A loan to an outside body at less than market rates.

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.

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