



# Ashfield

## Ashfield District Council

### Statement of Accounts

2014/2015

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## **Explanatory Foreword**

### **1. Introduction**

The accounts are prepared in accordance with the Code of Practice on Local Government Accounting in the United Kingdom 2014/15 based upon International Financial Reporting Standards (IFRS). The accounts are compliant with the Accounts and Audit Regulations (England) 2011 (as amended).

The purpose of the accounts is to give electors, local taxpayers, Ashfield District Council ("the Council") Members, employees of the Council and other interested parties clear information about the Council's finances.

This foreword gives a guide to the most important matters included.

### **2. The Statement of Accounts**

The Council's accounts for the year 2014/15 consist of the following main statements with supporting notes where applicable. Expanded definitions of each statement accompany each document within the accounts.

a. The Statement of Responsibilities for the Statement of Accounts

This statement sets out the respective responsibilities of the Council and the Chief Financial Officer for the accounts.

b. Audit Certificate and Opinion

The Council's accounts are subject to an external audit annually by the Audit Commission's nominated Auditor.

c. The Statement of Accounting Policies

This section summarises the accounting policies used to prepare the accounts.

d. The Core Financial Statements

- The Movement in Reserves Statement

This statement shows the movement in the different reserves held by the District Council over the year. The statement is analysed between useable reserves and unusable reserves.

- The Comprehensive Income and Expenditure Statement

This account summarises the amounts the Council has spent on its services and how this spending was paid for in a standard format to comply with the CIPFA Service Reporting Code of Practice (SeRCOP).

- The Balance Sheet

The Balance Sheet is a statement of the financial position of the Council as at the Balance Sheet date. It shows the assets and liabilities of the Council; the net assets on the balance sheet are matched by reserves held by the Council.

- The Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

e. The Supplementary Financial Statements

- The Housing Revenue Account

The Housing Revenue Account sets out the income and expenditure arising from the provision, management and maintenance of the Council's housing stock. This is separate from the rest of the Council's accounts and is required to operate with a positive working balance.

- The Collection Fund

The Collection Fund shows the amounts collected for Council Tax and National Non-Domestic Rates and how this income has been distributed to Nottinghamshire County Council, Nottinghamshire Police Authority, Nottinghamshire Fire Authority and Central Government.

- The Group Accounts

The Council has a group relationship with Ashfield Homes Limited and prepares consolidated group accounts to reflect that relationship.

f. Annual Governance Statement

The Annual Governance Statement sets out the Council's governance arrangements and highlights any areas where there are significant weaknesses in internal control.

g. Glossary of Terms and Abbreviations

A glossary of terms and abbreviations is included at the end of the document.

A summary of the Council's financial performance compared to the revised budget for 2014/15 is set out overleaf.

### 3. Financial Overview for 2014/15

#### a. The General Fund Revenue Budget Statement

The Directorate Structure is the basis used for the management and delivery of services and for accounting purposes. The Council has 6 Directorates. The statement below shows the revised revenue budget compared with the actual net expenditure by Directorate and by subjective analysis.

	Revised Budget £'000	Actual £'000	Variance £'000
<b>Subjective Analysis:</b>			
Employee Expenses	14,943	14,895	(48)
Premises Expenses	1,535	1,417	(118)
Transport Related Expenses	2,187	2,057	(130)
Supplies and Services	5,811	5,709	(102)
Transfer Payments	33,785	35,179	1,394
Central & Dept Recharges	9,380	9,058	(322)
Income	(42,037)	(43,722)	(1,685)
Recharges	(12,313)	(11,921)	392
<b>Total</b>	<b>13,291</b>	<b>12,672</b>	<b>(619)</b>
<b>By Directorate</b>			
Chief Executive Officer	941	1,010	69
Deputy CEO (Resources)	970	901	(69)
Assistant CEO (Governance)	829	887	58
Corporate Services	690	470	(220)
Economy	3,393	3,114	(279)
Environment	6,468	6,290	(178)
<b>Divisional Expenditure</b>	<b>13,291</b>	<b>12,672</b>	<b>(619)</b>
<b>Financing and Investment Income and Expenditure</b>			
Net Interest	(305)	(304)	1
Minimum Revenue Payment	1,665	1,665	0
Capital Expenditure Financed from Revenue	140	183	43
	<b>1,500</b>	<b>1,544</b>	<b>44</b>
<b>Funding</b>			
Government Grants	(5,796)	(5,796)	0
Business Rates	(4,501)	(4,461)	40
Council Tax	(5,221)	(5,221)	0
<b>Total Funding</b>	<b>(15,518)</b>	<b>(15,478)</b>	<b>40</b>
<b>Net General Fund Deficit / (Surplus) for the year before transfers to/from Earmarked Reserves</b>	<b>(727)</b>	<b>(1,262)</b>	<b>(535)</b>
Net Contribution to / (from) Earmarked Reserves	341	550	209
<b>Net General Fund Deficit / (Surplus) for the year after transfer to/ (from) Earmarked Reserves</b>	<b>(386)</b>	<b>(712)</b>	<b>(326)</b>

## **Employee Costs**

There is a small underspend of £48k for employee costs. At a more detailed level direct pay (including national insurance, superannuation and other allowances) is underspent by £19k, agency costs are overspent by £24k offset by underspending on corporate training of £7k, members training of £10k, redundancy costs of £34k and a range of small variances of £2k.

## **Premises costs**

Premises costs are £118k under spent. These mainly (£92k) relate to maintenance of public buildings. There was also a reduction in service charges and business rates expenditure of £10k and £6k respectively.

## **Transport Related Expenses**

Transport Related expenses are £130k under spent. The Council pools costs relating to operation of the Transport section and recharges these to services to reflect the use of vehicles. These contract hire charges are £132k less than budget but this is reflected in a reduction of income recharges. The cost of operation reduced due to lower depreciation.

## **Supplies and Services**

Supplies and Services are under spent by £102k. A number of areas contributed to the variance.

- The cost of insurance claims has been offset from a re-assessment of liabilities leading to a reduction in the insurance provision. This has resulted in a net reduction against this part of the budget of £38k.
- There are a wide range of variances against supplies and services. These principally include underspends for:-
  - Purchases (£30k), maintenance and hire of equipment (£16k), software (£32k) and payment to contractors (£11k).
  - Reimbursements for workshops £38k. Payments due to partners had previously been estimated. The analysis completed by the Estates Section is now based on actual net expenditure.
  - Grants (£37k). £30k relates to a regeneration project, the majority of which was to be funded from the Revenue Grant Reserve therefore the contribution will be available to fund future expenditure. £10k relates to member grant allocations not being fully utilised.
  - Community revenue projects (£52k). Expenditure is dependent upon in-year receipt of revenue contributions for this type of project. Contributions were lower than anticipated resulting in lower spend.

- Shared services (£30k). The Housing Options Shared Service commenced later than planned. Expenditure has therefore been incurred on direct pay costs rather than a shared services payment to Mansfield District Council.

There are also overspends principally relating to:-

- Trade refuse disposal costs £23k, card commission costs £18k due to a budget error,
- Recruitment costs £63k. These costs are not budgeted for but are usually met from underspending on pay. During 2014/15 costs were higher than usual due to recruitment for more senior posts including the Chief Executive post.
- Further to an assessment of the debt profile, it was necessary to increase the provision for bad debt for sundry debtors by £89k. A review of balance sheet also resulted in the write-off of historical balances of £60k. This is offset by credit historic balances of £60k shown against income.

There are a range of smaller variances contributing to a further net underspend of £71k.

### **Transfer payments**

Transfer payments were £1.394m higher than budgeted. These mostly (£1.433m) relate to the payment of housing benefits which are reimbursed by the Government through subsidy as commented on at the end of the next section. The net expenditure variance taking into consideration subsidy income and prior year deductions is £96k. Discretionary Housing payments were under spent by £40k however any unspent grant is returned to the Government and therefore reflected in a reduction in income.

### **Internal recharges**

Internal recharges were £322k less than budgeted but this is reflected in the reduction in recharges income. These are internal transactions and do not impact on the overall budget position.

### **Income**

Income for the year was £1.685m higher than budget, some of which is a direct consequence of the issues reported above.

- Grants and contributions were £36.763m, £1.465m higher than budget

£1.316m was a result of higher subsidy for transfer payments made as discussed above, offset by £40k repayment of Discretionary Housing Payments.

£131k additional income was received from the Joint Crematorium.

The balance of £58k being additional revenue grants. Where the grant has not been utilised in year and the grant notification allows, the income has

been moved to the Revenue Grant Reserve through the Movement in Reserves (table 23a).

- Other income was £220k higher than budget

Sales and Fees and charges were higher by £161k due to additional planning fees £135k, Garden Waste and other recycling collections £43k plus Cemeteries fees £20k.

Trade refuse and pest control fee income was lower than budget by £5k and £7k respectively. Legal fee income was £6k lower than budget. The net reduction on other fees and charges was £19k.

An additional £42k was generated from the sale of vehicles. These receipts have been used to finance Capital expenditure (Direct Revenue Financing).

There has been an increase of £570k in the debt raised for overpaid housing benefit payments, however considering the nature and the length of time taken to recover this debt, the bad debt provision has been increased by £658k.

Insurance contributions of £44k were received from successful defending of claims.

As mentioned above a review of the balance sheet also resulted in credit balances of £60k being appropriated.

There are a range of smaller variances contributing further income above budget of 5k.

### **Recharges**

Income in respect of recharges was £392k lower than budget. This is compensated by a decrease in expenditure from contract hire charges £132k and lower general internal recharges of £260k.

**In summary the Divisional Net Service Expenditure is £619k lower than budgeted.**

### **Financing and Investment Income and Expenditure**

The variance relating to these costs were £44k more than anticipated.

Direct Revenue Financing to fund the Capital Programme is £43k more than budgeted. This is financed from the vehicle receipts generated as discussed under the income section

## Funding

Business Rates are £40k lower than budgeted. The main variance £102k relates to a reduction in the Section 31 Small Business Rates and Empty Rate Relief grant. Lower amounts were claimed by business rate-payers than originally envisaged therefore a proportion of the grant received in-year must be returned to the Government. This is offset in part by an increase in returned Business Rates from the pool of £100k.

**In summary, the Net Surplus before Movement to Reserves is £1.262m, £535k better than budgeted.**

## Transfer to /from Reserves

The Council made a net contribution to Earmarked Reserves of £550k, £209k more than planned. This is predominately due to:-

- Unspent grants received during the period, which are to be used for specific projects in future years being transferred to the Revenue Grant Reserve (£95k).
- Of the planned withdrawals from the Corporate Improvement Fund (£114k), £38k was released, the remaining expenditure being funded in-year.

**The Net General Fund Surplus after Movement in Reserves is £712k, £326k more than budgeted.**

## b. Housing Revenue Account

	Revised Budget £'000	Actual Expenditure £'000	Variance £'000
<b>Income</b>			
Rents, Charges and Contributions	(24,544)	(24,601)	(57)
Interest and Investment Income	(93)	(114)	(21)
<b>Total Income</b>	<b>(24,637)</b>	<b>(24,715)</b>	<b>(78)</b>
<b>Expenditure</b>			
Borrowing and Capital Financing Charges	2,398	2,398	0
Repairs and Maintenance	6,497	6,497	0
Supervision and Management	5,939	5,680	(259)
Interest Payable and Appropriations	3,566	3,564	(2)
Other Expenditure	199	251	52
Direct Revenue Financing	2,040	888	(1,152)
Transfer to/from Major Repairs Reserve	3,878	3,869	(9)
<b>Total Expenditure</b>	<b>24,517</b>	<b>23,147</b>	<b>(1,370)</b>
<b>Surplus for the year</b>	<b>(120)</b>	<b>(1,568)</b>	<b>(1,448)</b>
<b>Net Contribution to / (from) Earmarked Reserves</b>	<b>0</b>	<b>19</b>	<b>19</b>
<b>Net Housing Revenue Account Deficit / (Surplus) for the year after transfer to/ (from) Earmarked Reserves</b>	<b>(120)</b>	<b>(1,549)</b>	<b>(1,429)</b>

The Housing Revenue Account (HRA) outturn shows the income and expenditure arising from the provision of the Council's landlord functions. The HRA is ring fenced and required to operate with a positive working balance.

The outturn for the HRA shows an in year surplus of £ 1.6m bringing the balance at 31 March 2015 to £21.2m.

Actual income from rents, charges and contributions is slightly more than the budget provision due to an adjustment for a finance lease while investment income is higher than expected due to higher than forecast interest rates.

Supervision and management is under spent by £259K which includes a repayment of £147k from Ashfield Homes Limited, being under spent management fee returned to the Council under the protocol in place. Other variances of note were council tax payments made for empty council houses at £67k were £71K under spent and the net costs of homeless accommodation were £27K under spent.

Other expenditure is higher than forecast because there has been an increase in the bad debt provision to reflect the increase in rent arrears in particular in respect of former tenants.

Direct Revenue Financing is significantly lower than forecast as a consequence of under spending on capital in particular Darlison Court and higher than planned use of Right to Buy Capital Receipts.

### c. Capital Expenditure and Financing

The out turn position for capital expenditure and financing is shown below.

Scheme	Capital programme	Actual Expenditure	Variance
	£000's	£000's	£000's
<b>Housing Revenue Account</b>			
Management Fee	644	638	(6)
Catch up and Major Repairs	3,472	3,567	95
Service Improvements	344	159	(185)
Contingent Major Repairs	19	33	14
Exceptional Extensive Works	1,318	1,418	100
Disabled adaptations - Treated as Revenue			
Expenditure From Capital Under Statute			
(REFCUS)	461	438	(23)
Empty Homes	1,745	1,856	111
Darlison Court (New Builds)	2,500	1,913	(587)
Brook Street Development	2,800	2,657	(143)
Other Housing Revenue Account Schemes (less than £100k each)	150	94	(56)
<b>Total Housing Revenue Account</b>	<b>13,453</b>	<b>12,773</b>	<b>(680)</b>
<b>General Fund</b>			
Hucknall Town Centre: Inner Relief Road	850	0	(850)
Ellis Street Redevelopment	419	0	(419)
Kingsway Park Synthetic Pitch	130	103	(27)
Kirkby Regeneration and Civic Centre	961	816	(145)
Green Deal Communities Project	500	212	(288)
Hucknall Leisure Centre Improvements	140	158	18
Improvement Grants 1996 Act Disabled Facility Grant	524	285	(239)
Sutton Council Offices (Brook Street Refurbishment)	120	157	37
New Cross Support Team	105	88	(17)
Purchase of Vehicles	425	341	(84)
Other General Fund Schemes (less than £100k each)	1,120	812	(308)
<b>Total General Fund</b>	<b>5,294</b>	<b>2,972</b>	<b>(2,322)</b>
<b>Total Expenditure</b>	<b>18,747</b>	<b>15,745</b>	<b>(3,002)</b>
<b>Funding</b>			
Major Repairs Reserve	8,298	6,252	(2,046)
Borrowing	3,596	3,391	(205)
Government Grants and Other Contributions	5,713	2,844	(2,869)
Revenue Contributions	140	1,070	930
Capital Receipts	1,000	2,188	1,188
<b>Total Funding</b>	<b>18,747</b>	<b>15,745</b>	<b>(3,002)</b>

- Housing Revenue Account (HRA)

The Darlison Court New Build was significantly under spent by £587k due to works starting later than anticipated and inclement weather delaying the building works.

- General Fund

There was slippage in the capital programme primarily due to the following schemes: Hucknall Inner Relief Road £850k, Ellis Street Redevelopment £419k, Green Deal Communities Project £288k, work funded through the Disabled Facilities Grant £239k and Kirkby Regeneration and Civic Centre project £145k.

- Funding

The funding requirement for the capital programme has reduced as a direct result of the lower than anticipated capital expenditure in the year.

The Council can borrow for any purpose for which it is legally entitled to incur expenditure. The Council sets its borrowing limits annually based upon tests of affordability and prudence. The current borrowing limit is £120m with an operational boundary of £110m. The outstanding borrowing as at 31st March 2015 is £77m.

#### **d. Valuation of Assets**

- Impairment of Council Dwelling Assets

When revaluing Council Dwellings, the Government requires that the East Midland Adjustment Factor be applied. The Adjustment Factor is used to reduce the valuation of social housing from the market level to a level which reflects the Government's assessment of valuation taking account of right to buy and other factors. There has been no change in the Adjustment Factor during 2014/15.

A full valuation of all Council Dwellings was undertaken at 31st March 2015 which has resulted in £3.5m being credited to the Revaluation Reserve. Additionally the valuation has required that £3.2m of Capital Expenditure be impaired.

- Impairment of General Fund Assets

Works costing £710K to improve Hucknall and Huthwaite Leisure Centres are included within the amount for impairment as there has been no overall increase in the value of these buildings.

- Depreciation

The depreciation charge has remained unchanged at £4.4m in 2014/15.

#### **e. Material Assets Acquired and New Liabilities Incurred**

During the period the Council completed the Brook Street Housing development consisting of 25 units, at a cost of £3.8m. The Council also purchased and renovated 20 properties for £2m which now form part of the Council Housing Stock.

#### **f. Provisions**

There has been a net reduction in provisions of £599k, principally due to the following:-

- Insurance - A review of all outstanding insurance claims has required a decrease in insurance provisions of £182k. This is primarily a result of outstanding claims being settled in 2014/15.
- Job Evaluation – The agreed scheme has been largely implemented resulting in compensation and back-pay totalling £855k being funded from the provision. There are now only a small number of established posts awaiting evaluation.
- Business Rates Appeals (NDR non-domestic rates) - Due to a change in legislation, successful appeal claims will only be back-dated to the 2010 Valuation Office rating list if submitted before 31<sup>st</sup> March 2015. If an appeal is submitted after 1<sup>st</sup> April 2015 then any resulting adjustment will only be backdated to 1<sup>st</sup> April 2015. This has led to an increase in the number of appeals submitted prior to 31<sup>st</sup> March 2015. The provision is funded from the Collection Fund and the cost shared between the members of the Business Rates pool. The appeals provision has increased by £1.015m to £1.928m with the Council's proportion of the provision being £771k (an increase of £405k).

#### **g. Pension adjustment**

The Council is a member of the Nottinghamshire County Council Pension Fund. As at 31<sup>st</sup> March 2015, the Pensions Reserve deficit was £76.110m compared with £60.262m at 31<sup>st</sup> March 2014. An adjustment of £15.485m is therefore reflected in the accounts. This has arisen as a result of an increase in the defined benefit obligation due to adverse movements in the indices used to project the total cost of the obligation.

### **4. The impact of the current economic climate on the Council and the services it provides**

#### **a. Impact on the Council's expenditure and income against its budget plans**

##### **(i) Overview**

2014/15 was the fourth year of the Government's Comprehensive Spending Review. Between 2010/11 and 2015/16, Government funding to the Council has reduced by 31%, from £13.6m to £9.4m. This takes account of Revenue Support Grant, Retained

Business Rates, New Homes Bonus, former Area Based Grant, former Government support for Council Tax Benefit and other minor grants.

The Council has responded to this reduction in funding, and a structural deficit inherited from the period before 2010, by adopting and implementing a robust Medium Term Financial Strategy (MTFS). Within 2014/15, £0.8m of recurring reductions were implemented. This was followed by the identification of £0.6m of permanent reductions in the 2015/16 budget setting.

In 2015/16, the Council has set a budget which uses £0.3m from its General Fund Reserve, as part of a managed reduction in reserves over the period 15/16 to 2020/21, to a projected minimum of £1.35m. The current MTFS identifies the need for £0.7m of reductions in 2016/17 (see 4b below).

Following the District Elections on 7 May and the appointment of a new Leader and Cabinet, discussions have already begun to identify strategies which will produce the savings required in 2016/17. The MTFS will be updated over the summer, and a new version is planned to be adopted in October 2015.

#### (ii) Impact of the Localisation of Council Tax Support

The Council met its objectives in the both of the first two years of Localised Council Tax Support. The collection of Council Tax is on target to reach 99% collection of Council Tax, as in previous years. For 2015/16, it has been agreed that the existing scheme should be retained. A modest reduction in the number of claimants benefiting from the scheme has been recorded in 2014/15.

#### (iii) Business Rates Retention

This is the second year of the Business Rates Retention Scheme. The arrangements provide a direct link between business rates growth and the amount of money local authorities have to spend on services. During 2014/15 the scheme has been impacted upon by changes to the rules around Reliefs and Appeals.

Ashfield District Council is part of the Nottinghamshire Business Rates Pool, which is able to benefit from operating “levies” and “safety nets” locally, to meet local priorities. This Council’s share of the Pool is now dependent upon policy being developed at a County-wide level on the devolution agenda.

No clear policy has yet emerged relating to how the Pool money should be used in the future, but it is hoped that this will be clarified during 2015/16.

#### (iv) Impact of Welfare Reform

A number of risks exist to the Housing Revenue Account (HRA), and potentially to the General Fund, relating to the many strands of Welfare Reform.

The most significant of these risks remains the future planned introduction of **Universal Credit (UC)**, which replaces Housing Benefit, as well as a range of other current benefits. This is a risk because it is planned to be paid directly to a tenant, rather than a landlord. ADC currently receives all or part of around 4,000 rent payments directly from Department of Works and Pensions (DWP) in respect of its

tenants who qualify for this assistance. The Council needs to ensure that mechanisms are in place to ensure that these tenants' rents will still be paid when UC is introduced. Rental income underpins all the Council's HRA expenditure.

Ashfield is part of the DWP's Tranche 2 for the rollout of UC, which will provide, in partnership with DWP, assistance to a very limited number of customers making UC claims, from 22 June 2015. DWP will, under an agreement, provide some funding for the Council's additional costs. It is hoped that some assurance will be gained from working with these initial customers, about the level of risk referred to above.

Other risks exist around changes to Housing Benefit, specifically around the Benefit Cap and the Under-occupancy Rules. The Council has a series of policies in place to support tenants who claim benefits and a joint working group with Ashfield Homes Ltd to oversee the operation of these policies.

#### (v) The Localism Act 2011

This Act contains a number of measures which place new burdens on local government. None have yet had an impact in Ashfield, but could well do in the future.

- A referendum can be called if a proposed Council Tax increase is considered excessive
- Members of the local community can challenge and potentially bid to run services currently run by the Council
- Members of the local community can bid to buy a community asset.

#### (vi) The General Election and Local Elections (7 May 2015)

##### **i. General Election**

Some key policy directions emerged from the Queen's Speech on 27 May. Devolution, business rates reform and the extension of Right to Buy could all have impacts on the work of Ashfield District Council. The impact of these policies will be considered as part of the development of the MTFS, to be considered in October.

##### **ii. Local Elections**

A new Leader, Cabinet and a significant number of new councillors were elected to the Council on 7 May. The Council remains in the overall control of Labour, which gained 22 of the available 35 seats.

The policy direction of this new leadership will emerge over time, and the Corporate Management Group will work closely with the Cabinet to consider the financial strategies which are required for the period to 2019.

### **b. The adequacy of balances and reserves to withstand future pressures**

The Council agreed a revised MTFS for its General Fund in February 2015. This set out the forecast budget shortfalls for the financial years 2016/17 to 2020/21, and the level of budget reductions required in each year was agreed, as follows:

- 2016/17 - £670k
- 2017/18 - £670k
- 2018/19 - £670k
- 2019/20 - £670k
- 2020/21 - £670k

If the Council's income and expenditure forecasts are accurate, then this level of savings will ensure that the Council's balance in its General Fund Reserve will remain above £1.35m throughout the period. Because of future uncertainties, these targets are revised twice yearly to ensure they remain the correct targets to gradually implement the required expenditure reductions.

The General Fund Reserve is forecast to stand at £3.6m at 31 March 2016.

The Housing Revenue Account Working Balance is forecast to stand at £16.4m at 31 March 2016.

An investment plan for the next five years was agreed at Council during 2014/15 which will see the HRA balance progressively reduce to £9.0m in 2018/19. This includes both the maintenance of the existing stock to decent home standard and new build projects.

### **c. How the value of the Council's assets (or liabilities) might be affected**

The economic downturn continues to impact on land and property values and will affect any council which needs to dispose of surplus assets. This will reduce the Council's ability to fund future capital projects from capital receipts.

The potential issue of an increase in bad debts is referred to in 4.a (iv) above. This will be kept under close scrutiny in 2015/16.

## **5. Changes to Accounting Policies**

There have been no changes in accounting policies.

## **6. Public Inspection of Accounts**

Members of the public have a statutory right to inspect the accounts before the annual audit of the accounts is completed. The availability of the accounts for inspection is advertised in the local press.

## **The Statement of Responsibilities for the Statement of Accounts**

### **Responsibilities of the Council**

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Deputy Chief Executive;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the amended audited Financial Statements.

I confirm that the amended Financial Statements were approved by the Audit Committee meeting held on  
28th September 2015.

Signed on behalf of Ashfield District Council:

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Councillor K.T. Rostance  
Chairman of the Audit Committee

### **Responsibilities of the Deputy Chief Executive**

The Deputy Chief Executive is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on Local Authority Accounting in the United Kingdom 2014/15 ("the Code of Practice").

In preparing this Statement of Accounts, the Deputy Chief Executive 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 Deputy Chief Executive has also

- Kept proper, up to date accounting records;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I confirm that the Statement of Accounts presents 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 31st March 2015.

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D. Greenwood, C.P.F.A.  
Deputy Chief Executive  
30<sup>th</sup> June 2015

## **Audit Certificate and Opinion**

### **Independent auditor's report to the Members of Ashfield District Council**

The independent auditor's governance report can be found at the end of the Statement of Accounts.

## **Statement of Accounting Policies**

### **1. General Principles**

The Statement of Accounts summarises the Council's transactions for the financial year 2014/15 and its position at the year end 31st March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011. These Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15 supported by International Financial Reporting Standards (IFRS).

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

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

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Supplies are recorded as expenditure when they are consumed; where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### **3. 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 one working day.

Cash Equivalents are short term investments that are of a highly liquid nature. The Council has deemed that deposits held within call accounts are categorised as Cash Equivalents unless they are held as part of the Council's investment strategy in which case they are treated as short term investments.

In the cash flow statement, cash and cash equivalents are shown net of any bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

### **4. Exceptional Items**

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

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

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

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

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

### **6. Charges to Revenue for Non Current Assets**

Service revenue accounts, support services and trading accounts are charged with the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses, used by the service where there are no

accumulated gains in the Revaluation Reserves against which the losses can be written off.

- Amortisation of intangible assets attributable to the service.

The Council is not required to fund Council Tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation, impairment losses and amortisation are therefore replaced by the 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.

## **7. Employee Benefits**

### **a. Benefits payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and accumulated flexi time for current employees and are recognised as an expense for the services in the year in which the employees render service to the Council. An accrual is made for the cost of holiday entitlements etc 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 the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus and 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.

### **b. Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the 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 Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### **c. Post Employment Benefits**

Most employees of the Council contribute to the Nottinghamshire Pension Fund, the Local Government Pension Scheme administered by Nottinghamshire County Council. The scheme provides defined benefits (retirement lump sums and pensions) earned as employees work for the Council.

The Nottinghamshire Pension Fund is accounted for as a defined benefit scheme:

- The liabilities of the 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 including mortality rates, employee turnover rates and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate based on an appropriate rate of return on high quality corporate bonds.
- The assets of the Fund attributable to the Council are included in the Balance Sheet at their fair value.
  - a) Quoted securities – current bid price
  - b) Unquoted securities – professional estimate
  - c) Unitised securities – current bid price
  - d) Property – market value

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

- Service Cost comprising
  - a) Current Service Cost - the increase in liabilities as result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Account to the services for which the employees worked
  - b) Past Service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Account as part of Non-Distributed Costs
  - c) Net interest on the defined liability (asset), i.e. the 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.

- d) Remeasurement comprising:
  - the return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - actuarial gains and losses - changes in the net pension 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 .
- e) Contributions paid to the 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 transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable to the fund but unpaid at the year-end.

The negative balance that arises on the Pensions reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

- **Discretionary Benefits**

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

## **8. Events after the Reporting Period**

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events,
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a

category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts. For the purposes of consideration, Post Balance Sheet events can occur up to approval of the Statements by the Audit Committee.

## 9. Financial Instruments

### a. 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 are carried at their amortised cost. Annual charges to the Financing and investment Income and expenditure line in the comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate of interest for each instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally borrowed

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

#### Borrowing

Borrowing is classed as either a long-term liability, if it is repayable after 12 months or longer, or a current liability, if it is repayable within 12 months. Borrowing is shown in the Balance Sheet at amortised cost, using the effective interest rate that applies to the individual loans that comprise the total borrowing held by the Council, plus where appropriate, the amount of external interest accrued on loans where an effective interest calculation has not been made. This applies generally to outstanding PWLB loans, where the rate of interest on the loan does not vary over the life of the loan. Generally, the interest that is charged to the Comprehensive Income and Expenditure Statement financing section is the amount due in the year under the loan agreement, except where this is adjusted under effective interest rate calculations to meet the requirements of the 2014/15 Code.

#### Gains and Losses on Debt Re-structuring

For gains and losses on debt re-structuring arising after 1st April 2007, the full value of the gain or loss will be recognised in Surplus or Deficit on Provision of Services within the Comprehensive Income and Expenditure Statement in the year the repurchase or settlement is made. However, where a loan with the same lender is modified, i.e. where the net present value on the replacement loan varies by no more than 10% of the original loan and the exchange of loans takes place on the same day, then the effect of the resulting premium or discount can be charged to

Net Operating Costs over the term of the replacement loan, rather than in the year the premium or discount arises.

## b. Financial Assets

### Loans and Receivables

Loans and receivables are assets that have fixed or determinable payments but are not quoted in an active market. They are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Investments are classed as either long-term assets, if repayable after 12 months or longer, or current assets, if repayable within 12 months. Investments are shown in the Balance Sheet at amortised cost, using the effective interest rate that applies to the individual loans that comprise the total borrowing held by the Council. The amount shown in the Balance Sheet represents the outstanding principal due to be repaid to the Council and the interest that is credited to the Comprehensive Income and Expenditure Statement is the amount receivable in the year under the loan agreement.

### Soft Loans

Soft loans arise where the Council provides a loan facility at less than market rates. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the 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 Comprehensive Income and Expenditure Statement 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.

## IFRS 7 - Financial Instruments: Disclosures (transfers of financial assets).

IFRS 7 requires disclosures about the transfer of financial assets in which interests are retained with the aim of evaluating the financial risks to which an authority would be exposed.

No such event has occurred in the current financial period.

## **10. Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as due to the Council when 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. When conditions are satisfied, the grant or contribution is credited to the relevant service line (revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

### Non-specific Grants

These are general grants allocated by central government directly to local authorities as additional revenue funding. They are non-ring fenced and are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement. Examples include New Homes Bonus and Council Tax Freeze Grant.

## **11. Intangible Assets**

Expenditure on assets that do not have a physical substance but are identifiable and controlled by the Council are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

These assets are held at cost and written off over their economic lives to the relevant service lines within the Comprehensive Income and Expenditure Statement. Where there is an indication that the asset is impaired any loss recognised will also be charged to the relevant service. Software development costs that are directly attributable to bringing a computer system or other computer operated machinery into use are treated as being of the cost of the related hardware, rather than as a separate intangible asset. During 2014/15 no assets met the 'Intangible Assets' definition.

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

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

### **(a) Joint Crematorium Committee**

The Council is a constituent member of a joint crematorium committee with neighbouring authorities of Mansfield and Newark and Sherwood District Councils. Current activities are split between all the councils based on the number of residents of each district area cremated. The balance sheet is apportioned based on an average of the last 5 years' cremations from each area. The Council's share of running costs and income has been included in the Comprehensive Income and Expenditure Statement and the share of assets included within the Balance Sheet using these apportionments. Due to the nature of the relationship of the Council within the committee Group Accounts are not required for this entity. Information on the Council's share of the income and expenditure and associated assets and liabilities is shown in note 39 to the Core Financial Statements.

### **(b) Ashfield Homes Limited**

The Council has a 100% interest in Ashfield Homes Limited through the issue of a single £1 share. The Company was formed on 26th September 2001 to carry out the housing management function on behalf of the Council with effect from 1st April 2002. Group Accounts are prepared to include the activities of this company as it is fully controlled by the Council.

## **13. Inventories and Long Term Contracts**

Inventories are included on the balance sheet at the lower of cost and net realisable value. The cost of inventories is assigned by average cost price, except for canteen stocks which are valued at average selling price.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

## **14. Investment Properties**

Following the guidance of the International Accounting Standard 40 with regard to investment properties, it has been established the Council does not hold any properties for investment purposes, as the premises leased to third parties are primarily for job creation and economic development, not capital appreciation or rental growth.

## **15. 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 and equipment from the lessor to the lessee. All other leases are classified as operating leases.

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

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

### **a. Operating Leases**

#### The Council as Lessee

Rentals paid under operating leases are charged to the comprehensive income and Expenditure Statement as an expense of the services benefitting from the use of the leased property plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease)

#### The Council as Lessor

The Council does act in the capacity as lessor for the leases of land and properties it owns. Rents due under operating leases are accounted for on a straight line basis as they become due. Land and property leased under operating leases are held as non-current assets within the Balance Sheet and valued in accordance with appropriate valuation practices.

### **b. Finance Leases**

#### The Council as Lessee

Plant and Equipment held under finance leases are recognised on the Balance Sheet at the lower of the fair value of the asset at the lease inception and the present value of the minimum lease payments. The value of the asset is matched by a liability to pay the finance lessor.

Lease payments are apportioned between a capital repayment to write down the finance lease liability, and a financing charge.

Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to the depreciation charge being applied over the lease term.

The Council is not required to raise Council tax to cover depreciation on leased assets. Rather, a prudent annual contribution is made from the revenue fund toward the cost of the capital investment. Adjusting transfers are made to the Capital Adjustment Account within the Movement in Reserves statement to reflect the difference between the two charges.

#### The Council as Lessor

The Council does not have any finance leases where it acts as lessor.

### **16. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP). The total absorption costing principle is used, the full cost of overheads and support services is shared between users in proportion to the benefits received with the exception of:

- Corporate and Democratic Core, which are costs relating to the Council's status as a multi-functional democratic organisation;
- Non distributed costs which are the cost of discretionary benefits awarded to employees retiring early and any impairment losses chargeable on Assets Held for Sale.

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

### **17. Property, Plant and Equipment**

Assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis are classed 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 yields benefit to the Council for more than one financial year. Expenditure that maintains but does not extend the previously assessed standard of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Property, Plant and Equipment may also include assets held under finance leases, which have been capitalised and included in the Balance Sheet at a value reflecting the fair value of the asset.

A de-minimis asset value of £10,000 has been set and expenditure on new assets of less than this amount is charged to the service revenue account as a proxy for depreciation, unless the expenditure forms part of a larger scheme.

### Measurement

Assets are initially measured at cost, which comprises all expenditure that is directly attributable to bringing an asset into working condition for its intended use. The Council does not capitalise borrowing costs incurred whilst assets are under construction

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

<b>Asset Category</b>	<b>Basis of Valuation</b>
Property, Plant and Equipment	Fair value determined in the existing use of the asset
Dwellings	Fair value in the existing use value for social housing
Infrastructure, community assets and assets under construction	Depreciated historic cost once the asset becomes operational

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate for fair value. Where assets have a short useful life then depreciated historical cost is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued where there have been material changes in their value, but as a minimum every 5 years. The Council's housing stock is re-valued annually by applying an appropriate housing price index to a series of beacon values at the start of the financial year.

Increases in valuations are matched by a credit to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

Where decreases in value are identified they are accounted for by a debit to the Revaluation Reserve to the extent that an accumulated gain has been recorded against that asset; where there is no balance or an insufficient balance on the revaluation reserve for that asset the write down of the asset value is charged against the relevant service within the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Revaluations are recorded by

individual asset. 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 there is an indication that there is a material impairment in the value of an asset when compared to the carrying value an impairment loss is recognised. The impairment loss is written down to the revaluation reserve to the extent that any balance for that asset is held within the revaluation reserve. Where there is no balance or an insufficient balance then the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

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

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than continued service use then it is reclassified as an asset held for sale. The asset is re-valued immediately before classification and then carried at the lower of this amount or fair value less costs of disposal. Where there is a subsequent decrease in the valuation determined on classification to Asset held for sale then a loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in the fair value of assets held for sale are only recognised to the extent that they reverse a previous loss recognised within the Comprehensive Income and Expenditure Statement. Depreciation is not charged on Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying value of the asset in the Balance Sheet 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 are credited to the same line in the Comprehensive Income and Expenditure Statement 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 relating to the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Capital Receipt Reserve within the Movement in Reserves Statement.

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 appropriated to the Capital Adjustment Account from the General Fund Balance within the Movement in Reserves Statement.

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment over a period of their estimated useful lives; freehold land is determined to have an infinite economic life and is not depreciated, assets under construction are not depreciated until they become operational in providing services. Depreciation is calculated using the

straight line method. Assets are depreciated over the estimated economic life of the asset which has been assessed as being the following periods:

Council dwellings	40 years
Other HRA assets	10 - 80 years
Other Buildings	10 - 80 years
Vehicles, plant and equipment	3 - 10 years
Infrastructure	10 - 40 years
Community Assets	20 years

Revaluation gains are also depreciated. The difference between the depreciation on the current value and that which would have been charged on the historic value is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### Componentisation

The Council allocates the costs of an individual asset to its various components to calculate depreciation charges where the value of the asset exceeds £500K and more than one individual component exceeds 20% of the asset value. The impact on depreciation charges for assets below the threshold is not considered material. The componentisation is based on the following elements of the asset:-

- Boilers, heating and plant systems
- Lifts
- Roofs
- Windows and doors

In terms of Council Dwellings, these assets are collectively valued in excess of £500K. However, when comparing the value of depreciation charged on a component basis compared to the current 40 year life straight-line methodology, the difference is not considered material. Council Dwellings are therefore not currently subject to componentisation but the policy is to be reviewed on an annual basis.

## **18. Heritage Assets**

The Council's Heritage Assets held are Historical Monuments, Statues and Artwork. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However no depreciation is charged on Heritage Assets as they are deemed to have an indeterminate life and have a high residual value.

### **Historical Monuments**

The Council has seven Cenotaphs that are located at various outside locations throughout the Council. These monuments are reported in the Balance Sheet on an average replacement cost basis which has been agreed following discussions with our internal valuer.

### **Statues and Artwork Collection**

The collection includes Statues, Sculptures and Mosaics situated within the local town and village streets throughout the Council. The collection depicts the Council's mining and engineering history to ensure the knowledge, culture and understanding of our heritage is preserved for future generations. An artwork example would be The Flight of Fancy sculpture that represents the Rolls Royce Flying Bedstead thrust measuring machine that was developed to research the use of direct lift. These items are reported in the Balance Sheet on an historic cost basis or on an insurance valuation basis and were mainly purchased from grant funding.

### **Non Balance Sheet Items**

The Council also holds a collection of items which are not recognised on the Balance Sheet as cost information is not readily available and the Council believes that the benefits of obtaining the valuation for these items would not justify the cost. These items are believed to have a value of £10k or less. The majority of the collection is street mosaics, murals and sculptures purchased through grant funding or produced by the public art events. The Council has also received a number of donations including a Knitting machine and a Stocking machine dating back to the 18<sup>th</sup> and 19<sup>th</sup> century, both of which are believed to be fore runners to the Spinning Jenny. It is difficult to obtain a valuation on these two items as there is no comparable item that provides a market value. Most assets are located on public streets, in parks or on display within public council buildings. A few items are stored securely in the Council's Council Offices and not currently available for public viewing however ways of making these items more accessible are being developed.

### **Heritage Assets – General**

Heritage Assets are reviewed by the Council for impairments such as where an item has suffered physical deterioration or breakage. Any impairment is measured and recognised within the Revaluation Reserve. The Council works closely with the Ashfield War Memorial Committee to preserve and maintain the local historical monuments. All other Heritage Assets are reviewed and maintained as required. Disposal proceeds are disclosed separately in the notes to the financial statements and accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

## **19. Provisions, Contingent Liabilities and Contingent Assets**

### **a. Provisions**

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. 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 to the appropriate service revenue account 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 set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year; where it becomes more likely than not that a transfer of economic benefits will not be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

### **b. 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.

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

## **20. 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. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue account 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.

The level of reserves and balances is reviewed annually to ensure they are appropriate. The General Fund Balance, Earmarked Reserve and Reserves arising from Capital Receipts together with Capital Grants Unapplied are deemed to be usable reserves in that they may be used to fund future expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments retirement benefits and employee benefits, these are termed unusable reserves and are not available to be used to fund future expenditure.

## **21. Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of non-current assets has been charged as expenditure to the relevant service in the Comprehensive Statement of Income and Expenditure in the year. Where the Council has decided 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 reverses out the amounts so that there is no impact on the level of council tax.

## **22. Value Added Tax**

Value Added Tax (VAT) is excluded from all income and expenditure received and paid by the Council except where it is classed as irrecoverable by HM Revenue and Customs.

## **23. The Collection Fund**

### **i) Council Tax**

The Council includes its share of the accrued Council Tax due for the year within its Comprehensive Income and Expenditure Statement. The difference between this sum and the local precept for Council and parish activities is reversed through the General Fund Balance to ensure only the level of Council Tax required to pay for Council activities is credited to the General Fund in the year. The balance is taken to the Collection Fund Adjustment Account, within the Balance Sheet.

Amounts collected on behalf of the other preceptors of Nottinghamshire County Council, Nottinghamshire Police Authority and Nottinghamshire Fire Authority are treated as either debtors or creditors depending upon the respective share of the Collection Fund attributable to these bodies at 31st March.

### **ii) Business Rates**

The Council includes its share of accrued Business Rates due for the year within its Comprehensive Income and Expenditure Statement. The difference between this sum and the forecast amount due to the Council is reversed through the General Fund Balance to ensure only the level of Business Rates required to pay for Council activities is credited to the General Fund in the year. The balance is taken to the Collection Fund Adjustment Account, within the Balance Sheet.

Amounts collected on behalf of the other partners of the pool (Central Government, Nottinghamshire County Council and Nottinghamshire Fire Authority are treated as either debtors or creditors depending upon the respective share of the Collection Fund attributable to these bodies at 31st March.

# **The Core Financial Statements**

## **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Council, analysed into useable reserves (i.e. those that can be applied to fund expenditure or reduce 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 and the Housing Revenue Account for Council tax setting and dwellings rent setting purposes.
- The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

## Movement in Reserves Statement (Continued)

The movement in reserves statement for 2014/15 is set out below.

	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Housing Major Repair Reserves £'000	HRA Revenue Grants £'000	Capital Receipts Reserve £'000	Capital Grants Reserve £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2014</b>	3,451	5,193	19,689	0	0	1,187	4,345	33,865	71,657	105,522
Surplus or (deficit) on provision of services (accounting basis)	334		3,151					3,485		3,485
Other Comprehensive Expenditure and Income								0	(10,340)	(10,340)
<b>Total Comprehensive Expenditure and Income</b>	334	0	3,151	0	0	0	0	3,485	(10,340)	(6,855)
Adjustments between accounting basis & funding basis under regulations	928		(1,583)	0		(1,187)	698	(1,144)	1,144	0
<b>Net Increase / (Decrease) before Transfers to/from Earmarked Reserves</b>	1,262	0	1,568	0	0	(1,187)	698	2,341	(9,196)	(6,855)
Transfers to / (from) Earmarked Reserves	(550)	550	(19)		19			0	0	0
<b>Increase / (Decrease) in Year</b>	712	550	1,549	0	19	(1,187)	698	2,341	(9,196)	(6,855)
<b>Balance at 31 March 2015</b>	4,163	5,743	21,238	0	19	0	5,043	36,206	62,461	98,667

Notes

Note 23a

HRA

HRA Note 4 HRA Note 7 Note 23c Note 23b

Note 24

## Movement in Reserves Statement (Continued)

The movement of reserves for 2013/14 for comparison purposes is set out below

	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Housing Major Repair Reserves £'000	HRA Revenue Grants £'000	Capital Receipts Reserve £'000	Capital Grants Reserve £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2013</b>	3,791	4,923	17,410	0	0	480	4,500	31,104	72,343	103,447
Surplus or (deficit) on provision of services (accounting basis)	(4,740)		5,572					832		832
Other Comprehensive Expenditure and Income								0	1,243	1,243
<b>Total Comprehensive Expenditure and Income</b>	(4,740)	0	5,572	0	0	0	0	832	1,243	2,075
Adjustments between accounting basis & funding basis under regulations	4,670	0	(3,293)	0	0	707	(155)	1,929	(1,929)	0
<b>Net Increase / (Decrease) before Transfers to/from Earmarked Reserves</b>	(70)	0	2,279	0	0	707	(155)	2,761	(686)	2,075
Transfers to / from Earmarked Reserves	(270)	270			0			0	0	0
Increase / (Decrease) in Year	(340)	270	2,279	0	0	707	(155)	2,761	(686)	2,075
<b>Balance at 31 March 2014</b>	<b>3,451</b>	<b>5,193</b>	<b>19,689</b>	<b>0</b>	<b>0</b>	<b>1,187</b>	<b>4,345</b>	<b>33,865</b>	<b>71,657</b>	<b>105,522</b>

Notes

Note 23a

HRA

HRA Note  
4

HRA Note  
7

Note 23c Note 23b

Note 24

## Comprehensive Income and Expenditure Statement

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

Expenditure	2013/14			2014/15			Note
	Income £'000	Expenditure £'000	Net Expenditure £'000	Expenditure £'000	Income £'000	Net Expenditure £'000	
6,464	(3,405)	3,059	Central Services to the Public	6,006	(3,222)	2,784	
3,311	(413)	2,898	Cultural and Related Services	3,463	(403)	3,060	
10,555	(2,548)	8,007	Environmental and Regulatory Services	9,366	(3,175)	6,191	
2,359	(1,174)	1,185	Planning Services	1,878	(1,327)	551	
612	(578)	34	Highways, Roads and Transport Services	586	(582)	4	
15,532	(24,380)	(8,848)	Housing Revenue Account	17,989	(24,601)	(6,612)	
37,211	(35,540)	1,671	Other Housing Services	36,629	(35,056)	1,573	
1,815	(10)	1,805	Corporate and Democratic Core	1,739	(68)	1,671	
214		214	Non Distributed Costs	(177)		(177)	
Exceptional Items:							
<b>78,074</b>	<b>(68,048)</b>	<b>10,026</b>	<b>Cost Of Services</b>	<b>77,479</b>	<b>(68,434)</b>	<b>9,045</b>	
<b>Other Operating Expenditure</b>							
(5)	Net (Surplus) / Deficit on Trading Undertakings				(237)	Note 26	
180	Parish Council Precepts				231	CF Note 5	
450	Contribution to Housing Pooled Capital Receipts				494	Note 24b	
(585)	Net Loss or (Gain) on sale of Fixed Assets				(396)	Note 14	
<b>10,066</b>	<b>Total Operating Expenditure</b>				<b>9,137</b>		

## Comprehensive Income and Expenditure Statement (Continued)

Net Expenditure £'000		Net Expenditure £'000	Note
<b>Financing and Investment Income and Expenditure</b>			
3,478	Interest Payable and Other Charges	3,628	Note 9
(69)	Interest Receivable and Investment Income	(20)	
2,455	Pensions Net Interest Cost	2,577	Note 36b
<u>5,864</u>		<u>6,185</u>	
<u>15,930</u>	Net Operating Expenditure	<u>15,322</u>	
<b>Taxation and Non-Specific Grant Income</b>			
(6,589)	Government Grants	(5,796)	Note 8
(1,548)	Capital Grants	(3,542)	Note 8
(3,577)	NNDR Receipts	(3,967)	Note 8
(5,048)	Council Tax	(5,502)	
<u>(16,762)</u>		<u>(18,807)</u>	
<u>(832)</u>	<b>(Surplus) or Deficit on Provision of Services</b>	<u>(3,485)</u>	
(528)	Surplus or deficit on revaluation of fixed assets	(3,499)	Note 24a
(715)	Remeasurements on pension assets / liabilities	13,839	Note 36c
<u>(1,243)</u>	<b>Other Comprehensive Income and Expenditure</b>	<u>10,340</u>	
<u>(2,075)</u>	<b>Total Comprehensive Income and Expenditure</b>	<u>6,855</u>	

The accounting treatment of a developer's contribution for education purposes of £2,392K received in 2013/14 has been reviewed and the accounts now reflect the Council's role as intermediary for Nottinghamshire County Council. In 2013/14 the transaction was treated as a capital grant. These amounts are therefore now being accounted for as short term creditors. The opening balances in the balance sheet and comparators in the CIES the Cash Flow statement and the relevant notes have been amended to reflect this change.

## Balance Sheet as at 31<sup>st</sup> March 2015

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories.

- 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 that may only be used to fund capital expenditure or repay debt).
- Those that the Council is not able to use to provide services. This category 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'.

<b>As at 31st March 2014 £'000</b>		<b>As at 31st March 2015 £'000</b>
	<b>Note</b>	
229,137	Property, Plant & Equipment	Note 10 238,039
538	Heritage Assets	Note 11 538
0	Intangible Assets	Note 13 0
1	Long Term Investments	Note 15 0
1,706	Long Term Debtors	Note 18 1,885
<b>231,382</b>	<b>Long Term Assets</b>	<b>240,462</b>
8,173	Short Term Investments	Note 15 5,614
155	Inventories	Note 16 134
4,522	Short Term Debtors	Note 18 6,051
3,477	Cash and Cash Equivalents	Note 19 9,714
700	Assets held for sale	Note 20 700
<b>17,027</b>	<b>Current Assets</b>	<b>22,213</b>
(117)	Bank Overdraft	Note 19 0
(2,033)	Short Term Borrowing	Note 15 0
(8,845)	Short Term Creditors	Note 21 (8,788)
(60)	Finance Lease repayable within 12 months	Note 33 0
(175)	Provisions	Note 22 (228)
<b>(11,230)</b>	<b>Current Liabilities</b>	<b>(9,016)</b>
(500)	Long Term Creditors	Note 21 (500)
(60,262)	Pension Liability	Note 36c (76,110)
(1,990)	Provisions	Note 22 (1,338)
(68,884)	Long Term Borrowing	Note 15 (77,023)
(21)	Deferred Capital Receipts	Note 38 (21)
<b>(131,657)</b>	<b>Long Term Liabilities</b>	<b>(154,992)</b>
<b>105,522</b>	<b>Net Assets</b>	<b>98,667</b>

## Balance Sheet (Continued)

£'000	£'000
<b>Usable Reserves</b>	
(3,451) General Fund Balance	MIR (4,163)
(5,193) Earmarked Reserves	Note 23a (5,743)
(19,689) Housing Revenue Account	HRA SMB (21,238)
0 HRA Revenue Grants Reserve	HRA Note 7 (19)
0 Major Repairs Reserve	HRA Note 4 0
(1,187) Usable Capital Receipts Reserve	Note 23c 0
(4,345) Capital Grants Unapplied Account	Note 23b (5,043)
<u>(33,865)</u>	<u>(36,206)</u>
<b>Unusable Reserves</b>	
(21,414) Revaluation Reserve	Note 24 (24,492)
(111,450) Capital Adjustments Account	Note 24 (115,544)
60,262 Pensions Reserve	Note 24 76,110
175 Accumulated Absences Account	Note 24 228
(98) Collection Fund Adj Acc - Council Tax	Note 24 (148)
156 Collection Fund Adj Acc - NNDR	Note 24 649
712 Financial Instruments Adjustment Account	Note 24 736
<u>(71,657)</u>	<u>(62,461)</u>
<b>(105,522) Total Reserves</b>	<b>(98,667)</b>

## Cash Flow Statement

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 income generated from 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 borrowing to the Council. Further explanation supporting the Cash Flow can be found at Note 25.

		<b>2013/14</b> £'000	<b>2014/15</b> £'000	Note
832	Net surplus or (deficit) on the provision of services		3,485	
9,325	Adjustment to surplus or deficit on the provision of services for noncash movements		8,667	Note 25
(2,731)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(4,543)	Note 25
<u>7,426</u>	<u>Net Cash flows from operating activities</u>		<u>7,609</u>	
(10,793)	Net Cash flows from Investing Activities		(7,195)	Note 25
<u>4,920</u>	<u>Net Cash flows from Financing Activities</u>		<u>5,940</u>	Note 25
<u>1,553</u>	<u>Net increase or decrease in cash and cash equivalents</u>		<u>6,354</u>	
<u>1,807</u>	Cash and cash equivalents at the beginning of the reporting period		<u>3,360</u>	Note 19
<u>3,360</u>	<u>Cash and cash equivalents at the end of the reporting period</u>		<u>9,714</u>	Note 19

# **Notes to the Core Financial Statements**

## **1. Accounting standards to be adopted**

The Code of Practice on Local Authority Accounting requires the Council to disclose the expected impact of new standards that have been issued but not yet adopted by the Code for the financial year. The standards applicable for 2014/15 financial statements which will apply from 2015/16 are:

### **IFRS 13 Fair Value Measurement**

This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts, due to the low value of surplus assets held by the Council.

### **IFRIC 21 Levies**

This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.

Annual Improvements to IFRSs (2011 – 2013 Cycle). These improvements are minor, principally proving clarification and will not have a material impact on the Statement of Accounts.

The Code requires implementation of the above from 1 April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts.

## **2. Critical Judgements in Applying accounting policies**

In applying the accounting policies as set out in the Statement of Accounting Policies the Council has had to make critical judgements about complex transactions and those involving uncertainty about future events.

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not as 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.

### **3. Assumptions made about the future and sources of uncertainty**

The Statement of Accounts contains estimated figures that are based upon 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.

The items in the Council's Balance Sheet at 31<sup>st</sup> March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

#### **a. Property, Plant and Equipment**

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for Property, Plant and Equipment would increase by £408k for every year that useful lives had to be reduced.

#### **b. Provisions**

##### **Housing Benefit Overpayments**

The Council has re-assessed the provision for bad debts relating to overpaid Housing Benefits. This provision relates specifically to those cases where adjustment to on-going benefit is not possible and the debt is pursued through the usual recovery methods. There has been an increase in the volume of overpayments during 2014/15. Given the current position on the account and the current economic climate, this provision has been increased from £801k to £1.095m. A further 5% increase in bad debt would require an additional provision of £55k. In terms of overpaid Housing Benefit collected through on-going benefit the provision for bad debt has increased from £269K to £479K.

#### **c. Pensions Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. This is detailed at note 36.

#### **d. Arrears and Bad Debts**

At 31 March 2015, the Council had a balance for outstanding debtors of £7.8m. The total impairment for doubtful debts is £2.7m, as detailed at note 18.

### **4. Material Items of Income and Expense**

#### **a. Pensions**

The Council participates in the Local Government Pension Scheme administered locally by Nottinghamshire County Council. In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, a negative re-measurement of £13.839m (compared to positive re-measurement of £0.715m in 2013/14) is included in 'Other Comprehensive Income and Expenditure'.

#### **b. Impairment of Council Housing Stock**

A full valuation of all Council Dwellings was undertaken at 31 March 2015 which has resulted in previous impairments charged to Housing Revenue Account being reversed of £8.171m. Additionally the valuation has required that £11.334m of Capital Expenditure be impaired. The total net impairment charge in the year is £3.163m.

### **5. Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Deputy Chief Executive (Resources), whose role includes being the Chief Financial Officer, on 30 June 2015. Where events taking place before this date provided information about conditions existing at 31 March 2015, the figures in the financial statements and notes have been adjusted in all material respects.

For the purposes of consideration, Post Balance Sheet events can occur up to approval of the Statements by the Audit Committee on 28th September 2015. Since 30<sup>th</sup> June 2015 the following events (one 'adjusting' one 'non-adjusting') have taken place which require the following disclosure.

#### Returned Business Rates from Nottinghamshire Business Rates Pool.

The Council is part of the Nottinghamshire Non-domestic Rates Pool administered by Nottinghamshire County Council. The Pool generated a surplus after payment of the levy to the Government and other deductions. At the Nottinghamshire Chief Executives Meeting on 3<sup>rd</sup> July 2015 it was agreed that half of the surplus determined for each District Council for 2014/15 would be returned to them with the remainder being retained by the Pool for activities associated with the Combined Authority plans.

It was also agreed that the surplus identified for 2013/14 (in Ashfield's case £24k) would not be returned. As a result of these two transactions Ashfield

District Council's General Fund is due to receive an additional £100k for 2014/15. The 2014/15 Statement of Accounts has been amended to reflect the transactions accordingly.

Government change in policy in respect of Council Housing Rents

The Chancellor announced in his 2015 summer budget that rents in social housing are to be reduced by 1% a year from April 2016 for the next four years. The Council will need to fully consider the impact that the rent reductions may have on its Housing Revenue Account and revise its HRA plan accordingly.

The impact of the changes are being fully appraised therefore no change to the 2014/15 Statement of Accounts is required

## **6. Adjustment between accounting basis and funding basis under statute**

This note details the adjustments that are made to the financial position as identified within the Comprehensive Income and Expenditure Statement in accordance with proper accounting practice to the resources that are specified by statutory provision as being available to the District Council to meet future capital and revenue expenditure.

### **General Fund Balance**

The General Fund is the statutory fund into which all the receipts of an authority 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 capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. However, the balance is not available to be applied to funding Housing Revenue Account (HRA) services.

### **Housing Revenue Account Balance**

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

### **Major Repairs Reserve**

The Authority is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure of HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year-end.

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied**

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

**Statement for Current Financial Period 2014/15**

	<b>General Fund Balance</b> <b>£'000</b>	<b>Housing Revenue Account</b> <b>£'000</b>	<b>Housing Major Repair Reserves</b> <b>£'000</b>	<b>Capital Receipts Reserve</b> <b>£'000</b>	<b>Capital Grants Reserve</b> <b>£'000</b>	<b>Movement in Unusable Reserves</b> <b>£'000</b>
<b>Capital Adjustment Account</b>						
Charges for depreciation and impairment of non current assets	(1,991)		3,869			1,878
Revaluation losses on Property Plant and Equipment	(717)	(3,163)				(3,880)
Capital Grants and Contributions	3,542				(698)	2,844
Revenue Expenditure Funded from Capital under Statute	(554)	(438)				(992)
Non current assets written off on disposal	(31)	427				396
Statutory Provision for the financing of capital investment	1,665					1,665
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(494)					(494)
Capital Expenditure charged against Revenue	183	888				1,071
	<b>1,603</b>	<b>(2,286)</b>	<b>3,869</b>	<b>0</b>	<b>(698)</b>	<b>2,488</b>
<b>Capital Receipts Reserve</b>						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	(1,001)	0	(1,001)
Use of the Capital Receipts reserve to finance new expenditure		0	0	2,188	0	2,188
	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,187</b>	<b>0</b>	<b>1,187</b>
<b>Pension Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,584)	0	0	0	0	(4,584)
Employers pension contribution payable in the year	2,574	0	0	0	0	2,574
	<b>(2,010)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,010)</b>

	General Fund Balance £'000	Housing Revenue Account £'000	Housing Major Repair Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Reserve £'000	Movement in Unusable Reserves £'000
<b>Collection Fund Adjustment</b>						
Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	(494)					(494)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	50	0	0	0	0	50
	(444)	0	0	0	0	(444)
<b>Accumulating Short term Compensated Absences Account</b>						
Amount by which staff remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from that chargeable in the year in accordance with statutory requirements	(53)	0	0	0	0	(53)
<b>Major Repairs Reserve</b>						
Reversal of Major Repair Allowance credited to the HRA		0	(6,252)	0	0	(6,252)
Use of the Major Repair Reserve to finance new capital expenditure	0		6,252	0	0	6,252
Excess of Depreciation Charged to HRA Compared to the Major Repairs Allowance Element of Housing Subsidy	0	3,869	(3,869)	0	0	0
	0	3,869	(3,869)	0	0	0
<b>Financial Instrument Adjustment Account</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements						
Financial Instruments - Reconciliation to Amortised Costs	(24)	0	0	0	0	(24)
	(24)	0	0	0	0	(24)
	<b>(928)</b>	<b>1,583</b>	<b>0</b>	<b>1,187</b>	<b>(698)</b>	<b>1,144</b>

**Statement for Prior Financial Period 2013/14**

	<b>General Fund Balance</b> <b>£'000</b>	<b>Housing Revenue Account</b> <b>£'000</b>	<b>Housing Major Repair Reserves</b> <b>£'000</b>	<b>Capital Receipts Reserve</b> <b>£'000</b>	<b>Capital Grants Reserve</b> <b>£'000</b>	<b>Movement in Unusable Reserves</b> <b>£'000</b>
<b>Capital Adjustment Account</b>						
Charges for depreciation and impairment of non current assets	(2,053)		3,112			1,059
Revaluation losses on Property Plant and Equipment	(2,151)	(498)				(2,649)
Capital Grants and Contributions	1,548				155	1,703
Revenue Expenditure Funded from Capital under Statute	(684)	(303)				(987)
Non current assets written off on disposal	176	356				532
Statutory Provision for the financing of capital investment	1,611					1,611
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(450)					(450)
Capital Expenditure charged against Revenue	196	572				768
	<b>(1,808)</b>	<b>127</b>	<b>3,112</b>	<b>0</b>	<b>155</b>	<b>1,586</b>
<b>Capital Receipts Reserve</b>						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	54	0	(1,183)	0	(1,129)
Use of the Capital Receipts reserve to finance new expenditure	0	0	476	0	0	476
	<b>0</b>	<b>54</b>	<b>0</b>	<b>(707)</b>	<b>0</b>	<b>(653)</b>
<b>Pension Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,162)	0	0	0	0	(5,162)
Employers pension contribution payable in the year	2,370	0	0	0	0	2,370
	<b>(2,792)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,792)</b>

	General Fund Balance £'000	Housing Revenue Account £'000	Housing Major Repair Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Reserve £'000	Movement in Unusable Reserves £'000
<b>Collection Fund Adjustment</b>						
Amount by which business rate income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	(156)	0	0	0	0	(156)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	53					53
	(103)	0	0	0	0	(103)
<b>Accumulating Short term Compensated Absences Account</b>						
Amount by which staff remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from that chargeable in the year in accordance with statutory requirements	(2)	0	0	0	0	(2)
<b>Major Repairs Reserve</b>						
Reversal of Major Repair Allowance credited to the HRA	0	0	(5,423)	0	0	(5,423)
Use of the Major Repair Reserve to finance new capital expenditure	0	0	5,423	0	0	5,423
Excess of Depreciation Charged to HRA Compared to the Major Repairs Allowance Element of Housing Subsidy	0	3,112	(3,112)	0	0	0
	0	3,112	(3,112)	0	0	0
<b>Financial Instrument Adjustment Account</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	0	0	0	0
Amortisation of Premiums and Discounts	35	0	0	0	0	35
Financial Instruments - Reconciliation to Amortised Costs	35	0	0	0	0	35
	(4,670)	3,293	0	(707)	155	(1,929)

## 7. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice for Local Authorities (SeRCOP). However, decisions about resource allocation are taken by the Corporate Management Group on the basis of budget reports analysed across service divisions. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:-

- No charges are made in relation to capital items, for example depreciation or impairment of assets
- The cost of retirement benefit is based upon cash flows rather than current service cost of benefits accrued in year
- Internal charges are raised to directorates but are reversed for statutory account presentation

The out turn for the financial year as presented in the management budgetary reports is shown below.

	Grants £'000	Other Income £'000	Internal Recharges £'000	Total Income £'000	Employee Costs £'000	Premises Expenses £'000	Transport Related Expenses £'000	Supplies & Services £'000	Transfer Payments £'000	Central Recharges £'000	Total Costs £'000	Net Expenditure £'000
Chief Executive Officer	(195)	(62)	(467)	(724)	304	0	16	459	0	955	1,734	1,010
Deputy CEO (Resources)	(35,988)	(716)	(1,092)	(37,796)	2,337	(13)	16	622	35,179	556	38,697	901
Assistant CEO	(219)	(370)	(437)	(1,026)	1,443	18	11	377	0	64	1,913	887
Corporate Services	(8)	(1,566)	(2,439)	(4,013)	1,813	952	33	1,006	0	679	4,483	470
Economy	(238)	(1,474)	(1,683)	(3,395)	2,559	164	79	1,792	0	1,915	6,509	3,114
Environment	(115)	(2,771)	(5,803)	(8,689)	6,439	296	1,902	1,453	0	4,889	14,979	6,290
<b>Total</b>	<b>(36,763)</b>	<b>(6,959)</b>	<b>(11,921)</b>	<b>(55,643)</b>	<b>14,895</b>	<b>1,417</b>	<b>2,057</b>	<b>5,709</b>	<b>35,179</b>	<b>9,058</b>	<b>68,315</b>	<b>12,672</b>

The figures for 2013/14 for comparison purposes are shown below.

	Grants £'000	Other Income £'000	Internal Charges £'000	Total Income £'000	Employee Costs £'000	Premises Expenses £'000	Transport Related Expenses £'000	Supplies & Services £'000	Transfer Payments £'000	Central Recharges £'000	Total Costs £'000	Net Expenditure £'000
Chief Executive Officer	(428)	(3)	(424)	(855)	364	0	21	132	0	1,107	1,624	769
Deputy CEO (Resources)	(36,238)	(979)	(1,576)	(38,793)	2,536	(14)	21	1,438	35,259	637	39,877	1,084
Assistant CEO	(18)	(346)	(477)	(841)	1,504	20	13	212	0	73	1,822	981
Corporate Services	(3)	(1,570)	(2,352)	(3,925)	1,930	853	39	1,014	0	660	4,496	571
Economy	(217)	(1,341)	(1,739)	(3,297)	2,676	165	101	2,146	0	2,064	7,152	3,855
Environment	(57)	(2,429)	(5,934)	(8,420)	6,387	336	1,992	1,506	0	5,024	15,245	6,825
<b>Total</b>	<b>(36,961)</b>	<b>(6,668)</b>	<b>(12,502)</b>	<b>(56,131)</b>	<b>15,397</b>	<b>1,360</b>	<b>2,187</b>	<b>6,448</b>	<b>35,259</b>	<b>9,565</b>	<b>70,216</b>	<b>14,085</b>

The following reconciliation shows how the figures in the analysis provided within the management account reports relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2014/15 £'000	2013/14 £'000
<b>Cost of Services in Service Analysis</b>	12,672	14,085
Services not included		(205)
Amounts not reported to management	(6,559)	(8,847)
Capital items	3,262	4,766
Amounts reported below the Net cost of Service	237	5
Pension Adjustments under IAS 19	(567)	222
 <b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<hr/> <b>9,045</b>	<hr/> <b>10,026</b>

This reconciliation shows how the figures in the analysis provided within the management account reports relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included within the Comprehensive Income and Expenditure Statement.

	Services Analysis	Services not in analysis	Amounts not included in analysis but included in I & E	Amounts included in analysis but not included in I & E	Amounts reported below the Net Cost of Service	Net Cost of Service	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Reconciliation to Subjective Analysis</b>								
Fees, Charges & Other Service Income	(18,880)	0	(24,601)	11,921	730	(30,830)	(730)	(31,560)
Interest and Investment Income	0	0	0	0	0	0	(20)	(20)
Income from Council Tax	0	0	0	0	0	0	(5,502)	(5,502)
Retained Business Rates	0	0	0	0	0	0	(3,967)	(3,967)
Government Grants and Contributions	(36,763)	0	0	0	0	(36,763)	(9,338)	(46,101)
<b>Total Income</b>	<b>(55,643)</b>	<b>0</b>	<b>(24,601)</b>	<b>11,921</b>	<b>730</b>	<b>(67,593)</b>	<b>(19,557)</b>	<b>(87,150)</b>
Employee expenses	14,895	0	53	0	0	14,948	2,577	17,525
Other Service Expenses	44,362	0	17,422	(2,863)	(493)	58,428	493	58,921
Support Service Recharges	9,058	0	0	(9,058)	0	0	0	0
Depreciation, Amortisation and Impairment	0	0	3,262	0	0	3,262	0	3,262
Interest Payments	0	0	0	0	0	0	3,628	3,628
Precepts & Levies	0	0	0	0	0	0	231	231
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	494	494
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	(396)	(396)
<b>Total operating expenses</b>	<b>68,315</b>	<b>0</b>	<b>20,737</b>	<b>(11,921)</b>	<b>(493)</b>	<b>76,638</b>	<b>7,027</b>	<b>83,665</b>
<b>Surplus or deficit on the provision of services</b>	<b>12,672</b>	<b>0</b>	<b>(3,864)</b>	<b>0</b>	<b>237</b>	<b>9,045</b>	<b>(12,530)</b>	<b>(3,485)</b>

Comparative information for 2013/14

	Services Analysis	Services not in analysis	Amounts not included in analysis but included in I & E	Amounts included in analysis but not included in I & E	Amounts reported below the Net Cost of Service	Net Cost of Service	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Reconciliation to Subjective Analysis</b>								
Fees, Charges & Other Service Income	(19,170)	(672)	(24,483)	12,502	738	(31,085)	(738)	(31,823)
Interest and Investment Income	0	0	0	0	0	0	(70)	(70)
Income from Council Tax	0	0	0	0	0	0	(4,995)	(4,995)
Retained Business Rates	0	0	0	0	0	0	(3,733)	(3,733)
Government Grants and Contributions	(36,961)	0	0	0	0	(36,961)	(8,136)	(45,097)
<b>Total Income</b>	<b>(56,131)</b>	<b>(672)</b>	<b>(24,483)</b>	<b>12,502</b>	<b>738</b>	<b>(68,046)</b>	<b>(17,672)</b>	<b>(85,718)</b>
Employee Expenses	15,397	0	0	0	0	15,397	2,455	17,852
Other Service Expenses	45,254	467	15,858	(2,937)	(733)	57,909	732	58,641
Support Service Recharges	9,565	0	0	(9,565)	0	0	0	0
Depreciation, Amortisation and Impairment	0	0	4,766	0	0	4,766	0	4,766
Interest Payments	0	0	0	0	0	0	3,478	3,478
Precepts & Levies	0	0	0	0	0	0	283	283
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	450	450
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	(584)	(584)
<b>Total operating expenses</b>	<b>70,216</b>	<b>467</b>	<b>20,624</b>	<b>(12,502)</b>	<b>(733)</b>	<b>78,072</b>	<b>6,814</b>	<b>84,886</b>
<b>Surplus or deficit on the provision of services</b>	<b>14,085</b>	<b>(205)</b>	<b>(3,859)</b>	<b>0</b>	<b>5</b>	<b>10,026</b>	<b>(10,858)</b>	<b>(832)</b>

## 8. Grants Income

The Council received the following major government grants to the Comprehensive Income and Expenditure Statement within 2014/15

	2014/15 £'000	2013/14 £'000
<b>Credited to Services</b>		
Council Tax Benefit Subsidy	0	(14)
Rent Allowances Subsidy	20,002	19,391
Non HRA Rent Rebates	14,302	14,249
Administration Grant	766	853
Other Revenue Grants	359	278
<b>Total</b>	<b>35,429</b>	<b>34,757</b>
<b>Credited to Taxation and Non Specific Grant Income</b>		
Local Services Support Grant (Transitional Grant)	0	0
Revenue Support Grant	3,921	5,129
New Homes Bonus Grant	1,875	1,399
Capital Grants and Contributions	3,542	1,548
Council Tax Freeze Grant	61	61
Net Non Domestic Rates Receipts	4,461	3,733
<b>Total Grants</b>	<b>13,799</b>	<b>11,870</b>
<b>Memorandum Account NDR</b>		
Retained Business Rates - transfer from Collection Fund	13,150	12,534
Tariff payable direct to Nottinghamshire County Council	(9,099)	(8,925)
Total Retained Business Rates	4,051	3,609
Small Business & Empty Rate - Sct 31 - Grant	477	342
Business Rates Levy	(448)	(201)
Share of Business Growth payable to preceptors	(89)	(41)
Returned Levy as a result of Nottinghamshire Pooling Agreement)	100	24
Distribution of estimated NDR surplus for 2013-14	370	0
<b>Amount credited to the Comprehensive Income and Expenditure Statement after adjustment for the Collection Fund Adjustment Account</b>	<b>4,461</b>	<b>3,733</b>
<b>Amount credited to the Comprehensive Income and Expenditure Statement after adjustment for the Collection Fund Adjustment Account</b>	<b>3,967</b>	<b>3,577</b>

## **9. Interest Payable and Other Charges**

	<b>2014/15</b>	<b>2013/14</b>
	£'000	£'000
Loan Interest	3,240	3,081
General Fund	388	397
<b>Total interest Payable and Other Charges</b>	<b>3,628</b>	<b>3,478</b>

## 10. Tangible Non-current Assets

	Housing Revenue Account	Land and Buildings	Community Assets	Vehicles, Plant and Equipment	Infra-structure	Surplus Assets	Assets under Construction	Total
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1st April 2014	296,618	57,997	1,305	15,367	3,358	2,861	4,227	381,733
Additions	10,355	612	0	341	0	0	3,445	14,753
Disposals	(1,058)			(38)				(1,096)
Reclassifications	1,202	883					(2,085)	0
Transferred to Assets Held for Sale								0
Revaluations / (Impairments)								0
Recognised in the Revaluation Reserve								0
Recognised in Provision of Services		(717)						(717)
As at 31st March 2015	307,117	58,775	1,305	15,670	3,358	2,861	5,587	394,673
<b>Depreciation and Impairments</b>								
As at 1st April 2014	(132,265)	(6,956)	(306)	(10,082)	(2,342)	(645)	0	(152,596)
Charge for the year	(2,383)	(1,036)	(61)	(855)	(39)			(4,374)
Disposals								0
Reclassifications								0
Revalue / (Impairments)								0
Recognised in the Revaluation Reserve	3,499							3,499
Recognised in Provision of Services	(3,163)							(3,163)
As at 31st March 2015	(134,312)	(7,992)	(367)	(10,937)	(2,381)	(645)	0	(156,634)
<b>Balance Sheet Net Amount at 31st March 2015</b>								
	172,805	50,783	938	4,733	977	2,216	5,587	238,039

The tangible non-current assets at 31<sup>st</sup> March 2014 for comparative purposes are set out below:

	Housing Revenue Account	Land and Buildings	Community Assets	Vehicles, Plant and Equipment	Infra-structure	Surplus Assets	Assets under Construction	Total
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1st April 2013	293,094	57,659	1,409	15,333	3,358	3,482	3,349	377,684
Additions	5,034	517		67			2,280	7,898
Disposals	(1,510)			(98)			0	(1,608)
Reclassifications		1,309	(56)	149			(1,402)	0
Transferred to Assets Held for Sale							0	0
Revaluations / (Impairments)								
Recognised in the Revaluation Reserve		296				(302)	0	(6)
Recognised in Provision of Services		(1,784)	(48)	(84)		(319)	0	(2,235)
As at 31st March 2014	296,618	57,997	1,305	15,367	3,358	2,861	4,227	381,733
<b>Depreciation and Impairments</b>								
As at 1st April 2013	(130,572)	(5,967)	(244)	(9,207)	(2,303)	(645)	0	(148,938)
Charge for the year	(2,318)	(989)	(62)	(956)	(39)			(4,364)
Disposals	589			81				670
Reclassifications								0
Revalue / (Impairments)								0
Recognised in the Revaluation Reserve	534							534
Recognised in Provision of Services	(498)							(498)
As at 31st March 2014	(132,265)	(6,956)	(306)	(10,082)	(2,342)	(645)	0	(152,596)
Balance Sheet Net Amount at 31st March 2014	164,353	51,041	999	5,285	1,016	2,216	4,227	229,137

## **Capital Commitments**

The Council is entering into a new contract in 2015/16 for the refurbishment of council dwellings which will cover the period 2015/16 to 2019/20. The estimated value of this contract is between £25m and £38m.

The Council is currently part way through a £6.8m contract for the Redevelopment of Darlison Court situated at Spring Street in Hucknall.

## **Effects of Changes in Estimates**

In 2014/15 Council Dwelling stock was valued. The majority of these valuations were revised upwards on the 31<sup>st</sup> March 2015. This is likely to mean that future depreciation charges are going to increase by approximately £297k.

## **Revaluations**

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The significant assumptions applied in estimating the fair values are:

- It has been assumed for the purpose of these valuations that there are no onerous covenants or conditions which would be imposed on the disposals of the assets.
- The council housing stock has been valued on the basis of existing use value discounted for social housing, in accordance with the financial framework for Stock Valuation for Resource Accounting Guidance for Valuers 2010 (as supplied by the Department for Communities and Local Government).

## 11. Heritage Assets

### Cenotaphs

The Authority has seven cenotaphs at various locations throughout the authority. The valuation for these cenotaphs is based on the average replacement cost and this has been agreed following discussions with our internal valuer.

### Statues and Artwork

Insurance valuations were used to value the Harold Larwood Statue in Kirkby. All other Heritage Assets comprising of Walter Jack Painting Brierley Park, Mosaic Marker Stone at Spring Street Hucknall, Flight of Fancy Statue at Hucknall Market Place and the Miners Statue at Station Road Hucknall are all valued at historic cost.

	Cenotaphs £'000	Statues and Artwork £'000		Total £'000
<b>Cost or Valuation</b>				
1st April 2014	330	208		538
Impairment Losses/(reversals) recognised in the Revaluation Reserve		0		0
<b>31st March 2015</b>	<b>330</b>	<b>208</b>		<b>538</b>

### Cost or Valuation

1st April 2013	330	208	538
Impairment Losses/(reversals) recognised in the Revaluation Reserve		0	0
<b>31st March 2014</b>	<b>330</b>	<b>208</b>	<b>538</b>

## 12. Tangible Non Current Asset Valuations

The following table shows the progress of the Council's rolling programme for the revaluation of non-current assets. The purpose of the rolling programme is to ensure that all assets valued at current value are re-valued at least every five years. The table shows the annual movement in asset values arising from the revaluation programme.

	Housing Revenue Account £'000	Land and Buildings £'000	Community Assets £'000	Vehicles, Plant and Equipment £'000	Infra-structure £'000	Surplus Assets £'000	Assets under Construction £'000	Total £'000
<b>Net book value of assets 31st March 2015</b>	172,805	50,783	938	4,733	977	2,216	5,587	238,039
Valued at historical cost	(97)	(2,921)	(938)	(4,733)	(977)	(302)	(5,587)	(15,555)
	172,708	47,862	0	0	0	1,914	0	222,484
Crematorium Valuation (2011/12)	0	837	0	0	0	0	0	837
Valued at current value:								
31st March 2015 by the Estates Manager (MRICS) employed by ADC	170,226	0	0	0	0	0	0	170,226
31st March 2014 by the Estates Manager (MRICS) employed by ADC	1,307	2,348	0	0	0	1,914	0	5,569
31st March 2013 by the Estates Manager (MRICS) employed by ADC	0	9,071	0	0	0	0	0	9,071
31st March 2012 by the Estates Manager (MRICS) employed by ADC	1,175	34,811	0	0	0	0	0	35,986
31st March 2011 by the Estates Manager (MRICS) employed by ADC	0	795	0	0	0	0	0	795
	172,708	47,862	0	0	0	1,914	0	222,484

### **13. Intangible Non-current Assets**

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generally software.

There have been no software purchases in 2014/15 which meet the definition of intangible non-current assets.

### **14. Gains and Losses from the Sale of Assets**

The Comprehensive Income and Expenditure Statement includes gains and losses from the sale of Council assets. The value of the gains and losses for 2014/15 is as follows:

	<b>2014/15</b> <b>£'000</b>	<b>2013/14</b> <b>£'000</b>
Council house sales	(427)	(356)
Other housing revenue account assets	0	(53)
General fund assets	31	(176)
<b>Total (Gain)/Loss</b>	<b>(396)</b>	<b>(585)</b>

### **15. Financial Instruments**

#### **a. Financial liabilities held at amortised cost**

<b>Financial Liabilities</b>	<b>Long Term</b>		<b>Short Term</b>	
	<b>31st March</b>	<b>31st March</b>	<b>31st March</b>	<b>31st March</b>
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Borrowings at Amortised Cost	77,023	68,884		2,033
Finance Leases				60
Trade Creditors			3,974	2,718
<b>Total Financial Liabilities</b>	<b>77,023</b>	<b>68,884</b>	<b>3,974</b>	<b>4,811</b>

**b. Financial Assets – Loans and receivables held at amortised cost**

	Long Term		Short Term	
	31st March 2015	31st March 2014	31st March 2015	31st March 2014
	£'000	£'000	£'000	£'000
<b>Loans and Receivables</b>				
Investments		1	5,614	8,173
Trade Debtors	812		5,801	4,667
<b>Total Loans and Receivables</b>	<b>812</b>	<b>1</b>	<b>11,415</b>	<b>12,840</b>

**c. Gains and Losses on Financial Instruments**

	2014/15 £'000	2013/14 £'000
<b>Interest Expense</b>		
Liabilities measured at 'Amortised Cost'	3,240	3081
<b>Interest Income</b>		
Loans and Receivables	(106)	(77)
<b>Net Gain / (Loss) for the Year</b>	<b>3,134</b>	<b>3,004</b>

**d. Fair Value of Assets and Liabilities carried at Amortised Cost**

Financial liabilities and financial assets (represented by loans and receivables) are carried in the Balance Sheet at amortised cost. Capita Asset Services plc provides the fair values to be utilised.

	31st March 2015		31st March 2014	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
<b>Financial Liabilities</b>				
PWLB	30,286	35,014	27,236	28,801
Money Market	46,737	56,944	41,648	42,015
	<b>77,023</b>	<b>91,958</b>	<b>68,884</b>	<b>70,816</b>
Short Term Borrowing			2,033	2,033
			2,033	2,033
	<b>77,023</b>	<b>91,958</b>	<b>70,917</b>	<b>72,849</b>
<b>Loans and Receivables</b>				
Other Securities			1	1
Direct Short Term Investments	593	593	135	135
Money Market less than 12 months	5,021	5,021	8,038	8,038
	<b>5,614</b>	<b>5,614</b>	<b>8,174</b>	<b>8,174</b>

### e. Investments

Under the Council's accounting policy on Cash Equivalents, instant access accounts are deemed to be classified as cash equivalents within the balance sheet and cash flow statements while short term investments (including 3 months and less) remain classified as investments.

	31st March 2015 £'000	31st March 2014 £'000
<b>Short Term Investments:</b>		
Money Market less than 12 months	5,021	8,038
Investments of Joint Crematorium Committee	593	135
	<hr/>	<hr/>
	5,614	8,173
 <b>Long Term Investments:</b>		
Other Securities	1	
	<hr/>	<hr/>
	0	1
	<hr/>	<hr/>
<b>Total Investments</b>	<b>5,614</b>	<b>8,174</b>

### Soft Loan

During 2010/11, the Alliance for Enterprise Partnership awarded an interest free loan of £260,000 to Roseland Community Energy Trust Ltd. As the Council was the Accountable Body for the Partnership at the time, the loan was required to be included within the Council's Balance Sheet. The final appeal for planning permission for the wind farm has now been refused and the loan will not be repaid. The loan has been fully impaired and in respect to Financial Instruments the loan has been accounted for in accordance with the Accounting Policy and the Code.

### 16. Inventories

A breakdown of the balance sheet figure is given below

	2014/15 £'000	2013/14 £'000
Balance at 1st April	155	103
Purchases	822	875
Recognised as an expense	(843)	(823)
	<hr/>	<hr/>
Balance at 31st March	134	155

## **17. Investment Property**

The Council does not hold any property for investment purposes. The estate of industrial units is held as part of the Council's regeneration activities.

## **18. Debtors**

An analysis of the balance sheet figure is given below:

	<b>31st March 2015 £'000</b>	<b>31st March 2014 £'000</b>
Central Government Bodies	2,354	1,253
Other Local Authorities	600	963
NHS Bodies	2	1
Other entities and individuals	5,801	4,124
Provision for Bad Debt	<u>(2,706)</u>	<u>(1,819)</u>
	<b><u>6,051</u></b>	<b><u>4,522</u></b>

### **Long Term Debtors:**

Mortgages	(6)
Council Tax	172
Business Rates	382
Housing Benefit Overpayments	258
Car Loans	7
Advances to Housing Associations	76
Nottinghamshire County Council	66
Local Authority Mortgage Scheme	1,000
Loan	260
Provision for Bad Debt	<u>(260)</u>
	<b><u>1,885</u></b>
	<b><u>1,706</u></b>

In January 2014, the Council in partnership with Nottinghamshire County Council and Lloyds Bank launched the Local Authority Mortgage Scheme (LAMS). The aim of the scheme is to stimulate the local economy and housing market by supporting first-time buyers. This is achieved by Ashfield District Council providing an indemnity to Lloyds bank to enable the bank to offer suitable applicants a 95% mortgage on terms normally applicable to a 75% loan. The advance of £1m represents housing service based capital expenditure and will be in place for 5 years creating a long-term debtor on the Council's Balance Sheet. £500k of the advance has been provided by Nottinghamshire County Council (see Long Term Creditors Note 21) and will be repaid in 5 years.

The Council also has a similar arrangement with Mansfield Building Society but the Local Authority Scheme in this case is 'non-cash backed'. The Council has provided an indemnity up to £300k with any liability being shared equally with Nottinghamshire County Council.

## **19. Cash and Cash Equivalents**

The balance of Cash and Cash Equivalents is made up of the following elements:

	<b>31st March</b>	<b>31st March</b>
	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Cash Overdrawn		(117)
Bank Current Accounts	11	0
Short Term Deposits	9,703	3,477
	<b>9,714</b>	<b>3,360</b>

## **20. Assets Held For Sale**

International Reporting Standard 5 requires Non-Current Assets Held for Sale and Discontinued Operations to be reported separately in the balance sheet. Following the sale of the land at the Belper House Hostel site the Council only has one asset that meets the definition of Assets Held for Sale i.e. the Butlers Hill site.

	<b>31st March</b>	<b>31st March</b>
	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Opening Balance	700	726
Transfer From Property Plant and Equipment	0	0
Disposals	0	(110)
Revaluations / (Impairments)		
Recognised in the Revaluation Reserve	0	84
Recognised in Provision of Services	0	0
Closing Balance	<b>700</b>	<b>700</b>

## **21. Creditors**

An analysis of the balance sheet figure is given below:

	<b>31st March 2015 £'000</b>	<b>31st March 2014 £'000</b>
Central Government Bodies	248	1,084
Other Local Authorities	4,566	5,043
NHS Bodies	0	0
Public Corporations and trading funds	0	0
Other entities and individuals	3,974	2,718
	<b>8,788</b>	<b>8,845</b>
 <b>Long Term Creditors</b>		
Other Local Authorites	500	500
	<b>500</b>	<b>500</b>

## 22. Provisions

The Council has created provisions in respect of a number of issues that may result in a cost to the Council. These are analysed below for 2014/15 with 2013/14 provided for comparative purposes.

	Balance at 31st March 2014 £'000	Receipts in year £'000	Payments in year £'000	Balance at 31st March 2015 £'000
<b>Short Term:</b>				
Accumulated Absences	(175)	(228)	175	(228)
Termination Costs	0	(31)		(31)
<b>Long Term:</b>				
Equal Pay Claims	(42)		23	(19)
Local Land Charges Fees	(110)		3	(107)
Planning Appeal Costs	(40)	(10)	24	(26)
Job Evaluation	(958)		866	(92)
NDR Appeals (In Year)	(97)			(97)
NDR Appeals (Backdated)	(269)	(405)		(674)
Insurance Funds:				
Municipal Mutual Insurance (MMI)	(56)	(15)	43	(28)
Liability	(371)	(87)	207	(251)
Property	<u>(47)</u>	<u>(4)</u>	<u>38</u>	<u>(13)</u>
<b>Total</b>	<b>(2,165)</b>	<b>(780)</b>	<b>1,379</b>	<b>(1,566)</b>

	Balance at 31st March 2013 £'000	Receipts in year £'000	Payments in year £'000	Balance at 31st March 2014 £'000
<b>Short Term:</b>				
Accumulated Absences	(173)	(175)	173	(175)
<b>Long Term:</b>				
Equal Pay Claims	(499)	(18)	475	(42)
Local Land Charges Fees	(110)	(40)	40	(110)
Planning Appeal Costs	(30)	(10)	0	(40)
Job Evaluation	0	(958)	0	(958)
Termination Costs				
NDR Appeals (In Year)	0	(97)		(97)
NDR Appeals (Backdated)	0	(269)		(269)
Insurance Funds:				
Municipal Mutual Insurance (MMI)	(78)	(40)	62	(56)
Liability	(383)	(111)	123	(371)
Property	<u>(18)</u>	<u>(43)</u>	<u>14</u>	<u>(47)</u>
<b>Total</b>	<b>(1,291)</b>	<b>(1,761)</b>	<b>887</b>	<b>(2,165)</b>

**a. Accumulated Absences**

The provision represents the value of employee benefits, mainly flexi time and annual holiday entitlement not taken at 1 April 2015. This is a short term liability.

**b. Termination Costs – Urban Road Canteen**

During 2014/15 a decision was taken to close the canteen with effect from 1<sup>st</sup> May 2015. A provision of £31k has been created to reflect the likely termination costs of those employed by the canteen.

**c. Equal Pay Claims**

The Council has settled the last of its historic equal pay claims, however there remains some posts which have not been evaluated under the Job Evaluation scheme which may give rise to potential new claims. The probable cost to the Council is considered to be £19k.

**d. Local Land Charges Search Fees**

The provision arises from the Government's decision to revoke the Personal Search fee and the possibility of claims for refunds in respect of fees collected in previous years. The estimate provides for the outstanding claims, interest and costs based upon data currently available.

**d. Planning Appeal Costs**

This arises as a result of reviewing planning appeals and the payment of legal costs should these be successful. The provision has been reduced from £40k in 2013/14 to £26k in 2014/15.

**e. Job Evaluation**

Job Evaluation – The agreed scheme has been implemented resulting in compensation and back-pay totalling £855k funded from the provision. There are now only a small number of established posts awaiting evaluation. The provision stands at £103k.

**f. Insurances**

At the end of the year the Council had a £292k insurance provision which is maintained to meet its outstanding liability (within the policy excess) for claims in line with the reserves calculated by the Council's Insurers. Most claims come to fruition within 1-2 years. The factors affecting these values can change and the Insurance Companies regularly review the reserves. The main risk is that several incurred but not reported claims could affect its adequacy. Over and above this provision the Council also maintains additional insurance within the Internal Insurance Fund Reserve.

## 23. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and the following note.

### a. Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances to earmarked reserves for future expenditure plans.

	Balance at 31st March 2015 £'000	Movements in Year £'000	Balance at 31st March 2014 £'000	Movements in Year £'000	Balance at 31st March 2013 £'000
Corporate Improvement	435	12	423	0	423
District Planning Inquiry	66	(8)	74	(23)	97
Elections	102		102	33	69
Harold Farr Bequest	13		13	0	13
Joint Use Maintenance Fund	212	25	187	165	22
Corporate Change and Renewal Fund	2,075		2,075	200	1,875
Asset Renewal Reserve	439	60	379	154	225
Job Evaluation	0		0	(340)	340
LAMS Reserve	17	14	3	3	0
LEGI Reserve	0	(4)	4	0	4
Joint Crematorium Reserve	653	(1)	654	33	621
Insurance Related Funds	504	350	154	(273)	427
Revenue Grant Reserve	1,227	102	1,125	318	807
	<b>5,743</b>	<b>550</b>	<b>5,193</b>	<b>270</b>	<b>4,923</b>

### b. Capital Grants Unapplied Reserve

This reserve details the amounts received in unspent capital grant and contribution income that does not have material conditions attached and is therefore available for financing future capital expenditure purposes.

	2014/15 £'000	2013/14 £'000
Opening Balance	4,345	4,500
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement	3,542	1,548
Application of Capital Grants and Contributions within the period and adjusted through the Capital Adjustment Account	(2,844)	(1,703)
<b>Closing balance</b>	<b>5,043</b>	<b>4,345</b>

### c. Capital Receipts Reserve

	2014/15 £'000	2013/14 £'000
Opening Balance	1,187	480
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	1,001	1,183
Use of the reserve to finance new expenditure	(2,188)	(476)
<b>Closing Balance</b>	<b>0</b>	<b>1,187</b>

### 24. Unusable Reserves

The unusable reserves arise from accounting entries and cannot be used to finance expenditure. The table below contains an analysis of the unusable reserves.

	Balance at 31st March 2015 £'000	Movements in Year £'000	Balance at 31st March 2014 £'000	Movements in Year £'000	Balance at 31st March 2013 £'000
Revaluation Reserve	(24,492)	(3,078)	(21,414)	(114)	(21,300)
Capital Adjustment Account	(115,543)	(4,093)	(111,450)	(1,347)	(110,103)
Pensions Reserve	76,110	15,848	60,262	2,077	58,185
Accumulated Absences Reserve	228	53	175	2	173
Collection Fund Adjustment Account - Council Tax	(148)	(50)	(98)	(53)	(45)
Collection Fund Adjustment Account - NNDR	649	493	156	156	0
Financial Instruments Adjustment Account	736	24	712	(35)	747
	<b>(62,460)</b>	<b>9,197</b>	<b>(71,657)</b>	<b>686</b>	<b>(72,343)</b>

### a. Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downward
- used in the provision of services and the gains are consumed through depreciation
- disposed of and the gains are realised.

	2014/15 £'000	2013/14 £'000
Opening Balance	(21,414)	(21,300)
Asset Impairment	0	0
Revaluation of Assets	(3,499)	(528)
Heritage Assets	0	0
Adjustment between current value depreciation and historic cost depreciation	421	414
Write out of revaluation on disposal; property, plant and equipment	0	0
Closing Balance	<b>(24,492)</b>	<b>(21,414)</b>

The reserve contains revaluation gains accumulated since 1 April 2007, the date that the reserve was created; prior to this date revaluation gains were consolidated into the Capital Adjustment Account.

## b. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for the financing of these assets under statutory provision.

The table below identifies the transactions posted to this account during the period.

	2014/15 £'000	2013/14 £'000
Opening Balance	(111,450)	(110,103)
Charges for depreciation and impairment of non current assets	(1,878)	(1,059)
Revaluation losses on Property Plant and Equipment	3,880	2,649
Capital Grants and Contributions	(2,844)	(1,703)
Revenue Expenditure Funded from Capital under Statute	992	987
Carrying Value of non current assets written off on disposal	1,096	1,048
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,677)	(1,633)
Statutory Provision for the financing of capital investment	(1,665)	(1,611)
Capital Expenditure charged against Revenue	(1,070)	(768)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	494	450
Capital receipts under £10k charged against Revenue		
Unapplied receipts		707
Transferred Asset Principal Repayment - NCC		
Reversal of Major Repair Allowance credited to the HRA	6,252	5,423
Use of the Major Repair Reserve to finance new capital expenditure	(6,252)	(5,423)
Cancellation of Loan Obligation - HRA Self Financing	0	0
<b><u>Other Reserve Movements</u></b>		
Adjustment between current value depreciation and historic cost depreciation	(421)	(414)
Write out of revaluation on disposal; property, plant and equipment	0	0
<b>Closing Balance</b>	<b>(115,543)</b>	<b>(111,450)</b>

### **c. Pension Reserve**

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding those benefits in accordance with statutory provision.

The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible

The debit balance on the Pension Reserve shows a substantial shortfall in the resources the Council has set aside to meet the benefits earned by past and current employees. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
Opening Balance	60,262	58,185
Actuarial (gains) or losses on pension assets and liabilities	13,838	(715)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	4,584	5,162
Employers pension contribution payable in the year	<u>(2,574)</u>	<u>(2,370)</u>
<b>Closing Balance</b>	<b>76,110</b>	<b>60,262</b>

### **d. Accumulated Absences Reserve**

The Accumulated Absences Account absorbs the difference that would otherwise arise on the General Fund Balance from providing for compensated absences earned but not taken in year.

	<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
Opening Balance	175	173
Movement in Year	<u>53</u>	<u>2</u>
<b>228</b>	<b>175</b>	

### **e. Financial Instruments Adjustment Account**

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

	2014/15 £'000	2013/14 £'000
Opening Balance	712	747
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	24	(35)
	<b>736</b>	<b>712</b>

#### f. Collection Fund Adjustment Account

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

	2014/15 £'000	2013/14 £'000
<b>Council Tax</b>		
Opening Balance	(98)	(45)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(50)	(53)
	<b>(148)</b>	<b>(98)</b>
<b>Business Rates</b>		
Opening Balance	156	0
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	493	156
	<b>649</b>	<b>156</b>

## 25. Cash Flow Statement

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.

### a. Net Cash Flows from Operating Activities

	2014/15 £'000	2013/14 £'000
Net Surplus or (Deficit) on the Provision of Services-	3,485	832
Adjust net surplus or (deficit) on the provision of services for non cash movements:		
Depreciation and Impairment	8,254	7,014
Adjustments for effective interest rates	39	39
Increase/Decrease in Interest Creditors	106	0
Increase/Decrease in Creditors	(438)	(3,552)
Increase/Decrease in Debtors	(1,783)	1,164
Increase/Decrease in Inventories	21	(52)
Pension Liability	2,010	2,792
Contributions to/(from) Provisions	(599)	872
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	1,096	1,048
	<b>8,667</b>	<b>9,325</b>
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities:		
Capital Grants credited to surplus or deficit on the provision of services	(3,542)	(1,548)
Proceeds from the sale of short and long term investments	(1,001)	(1,183)
	<b>(4,543)</b>	<b>(2,731)</b>

**b. Net Cash Flows from Operating Activities (Interest)**

Operating activities within the cashflow statement include the following cash flows relating to interest:

Ordinary interest received	20	60
Interest Received	<b>20</b>	<b>60</b>

Interest charge for year

Adjustments for differences between Effective Interest Rates and actual interest payable	106	40
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Other interest:

Interest Paid	<b>106</b>	<b>40</b>
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**c. Net Cash Flows from Investing Activities**

	2014/15 £'000	2013/14 £'000
Purchase of Property, Plant and Equipment, investment property and intangible assets	(14,753)	(7,898)
Sale of short and long term investments	2,559	(8,018)
Increase/Decrease in Creditors	381	0
Proceeds from the sale of property plant and equipment, investment property and intangible assets	1,001	1,183
Other capital cash receipts	75	0
Capital Grants Received	3,542	3,940
<b>Total Cash Flows from Investing Activities</b>	<b>(7,195)</b>	<b>(10,793)</b>

**d. Cash Flow - Financing Activities**

	2014/15 £'000	2013/14 £'000
Cash receipts of short and long term borrowing	8,000	10,000
Repayment of Short-Term and Long-Term Borrowing	(2,000)	(5,037)
Collection Fund Adjustment Account		(103)
Payments for the reduction of a finance lease liability	(60)	60
<b>Total Cash Flows from Financing Activities</b>	<b>5,940</b>	<b>4,920</b>

## **26. Trading Operations**

The Council operates two trading operations, markets and industrial units that support the regeneration of the district.

The markets section has had a £44k reduction in expenditure from £422k in 2013/14 to £378k in 2014/15. The reduction in expenditure includes a £33k reduction in supplies and services and £11k reduction in other charges. There has been a £3k decrease in income from £333k in 2013/14 to £330k in 2014/15. These combined result in a smaller loss than the previous year.

The main reasons for the change in net expenditure for Industrial Estates is due to the 2013/14 net expenditure including an impairment charge of £89k and the 2014/15 partnership payments reducing by £93k following a review of outstanding accruals. The 2014/15 income of £400k is slightly less than the £404k received in 2013/14.

	<b>2014/15</b>		<b>2013/14</b>
	<b>Expenditure</b>	<b>Net (Income)/ Expenditure</b>	<b>Net (Income)/ Expenditure</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Markets	378	(330)	48
Industrial Estates	115	(400)	(285)
<b>Total</b>	<b>493</b>	<b>(730)</b>	<b>(237)</b>
			<b>(5)</b>

## **27. Agency Services**

The Council had a Management Contract with Selston Parish Council; this was terminated on 31<sup>st</sup> December 2013. The Council was paid on a recharge basis by Selston Parish Council and included a charge for some general services connected with the general management of the contract. The charge to Selston Parish Council for the contract for 2013/14 was £6,025.

	<b>2014/15</b>		<b>2013/14</b>
	<b>£'000</b>		<b>£'000</b>
Expenditure incurred on behalf of Selston Parish Council		123	
Receipts from Selston Parish Council		(123)	
<b>Net (Surplus)/Deficit</b>	<b>0</b>		<b>0</b>

## **28. Members' Allowances**

The total amount paid under the members' allowances scheme during the year was £390,457 (£401,444 in 2013/14).

## 29. Officers' Remuneration and Exit Packages

### a. Officers' Remuneration

The remuneration paid to the Council's senior officers was as follows:

Post	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Compensation for Loss of Office	Total Remuneration Exc. Pension Contributions	Pension Contributions	Total Remuneration
	£	£	£	£	£	£	£
Chief Executive Officer	106,012	0	103	0	106,115	12,608	118,723
Deputy Chief Executive (Resources)	83,849	0	10	0	83,859	10,199	94,058
Assistant Chief Executive (Governance)	71,355	0	29	0	71,384	8,777	80,161
Service Director Corporate	71,355	0	121	0	71,476	8,777	80,253
Service Director Economy	71,355	0	285	0	71,640	8,777	80,417
Service Director Environment	71,355	0	169	0	71,524	8,777	80,301

The information for 2013/14 on a similar basis for comparative purposes is:

Post	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Compensation for Loss of Office	Total Remuneration Exc. Pension Contributions	Pension Contributions	Total Remuneration
	£	£	£	£	£	£	£
Chief Executive Officer	103,512	0	549	0	104,061	23,120	127,181
Deputy Chief Executive (Resources)	82,679	0	3	0	82,682	18,243	100,925
Assistant Chief Executive (Governance)	71,000	0	164	0	71,164	15,904	87,068
Service Director Corporate	71,000	0	90	0	71,090	15,904	86,994
Service Director Economy	71,000	0	243	0	71,243	15,904	87,147
Service Director Environment	71,000	0	242	0	71,242	15,904	87,146

The number of employees whose remuneration (excluding employers' pension contributions) was £50k or more in bands of £5,000 was as follows. This includes all senior management from the above tables

Remuneration (£)	2014/15	2013/14
50,000 – 54,999	6	0
55,000 – 59,999	2	1
60,000 – 64,999	3	0
65,000 – 69,999	0	1
70,000 – 74,999	4	5
75,000 – 79,999	0	0
80,000 – 84,999	1	1
85,000 – 89,999	0	0
90,000 – 94,999	0	0
95,000 – 99,999	0	0
100,000 – 104,999	0	1
105,000 – 109,999	1	0

## b. Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below which shows the costs without pension strain adjustments as per IAS 19.

Exit Package Cost Band (Including Special Payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		TOTAL NUMBER OF EXIT PACKAGES BY COST BAND <small>(b) + (c)1</small>		Total Cost of Exit Packages in Each Band (£)	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£0 - £20,000	1	1	19	6	20	7	229,817	74,869
£20,001 - £60,000	1	0	5	1	6	1	180,787	51,738
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £200,000	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>2</b>	<b>1</b>	<b>24</b>	<b>7</b>	<b>26</b>	<b>8</b>	<b>410,604</b>	<b>126,607</b>

## **30. External Audit Costs**

The fees payable to KPMG LLP in 2014/15 and 2013/14 with regard to external audit services were:

	<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
External audit services carried out by the appointed auditor	75	74
Statutory Inspection	5	5
Certification of Grant Claims	16	22
	<b>91</b>	<b>101</b>

The fees payable to the Audit Commission in 2014/15 and 2013/14 were

	<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
National Fraud Initiative	2	(10)
Audit Commission rebate	(8)	(10)
Total Audit Commission	<b>(6)</b>	<b>(10)</b>

## **31. Related Party Transactions**

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. The disclosure of these transactions allows readers to assess the extent to which there exists the possibility that the Council might have been constrained in its ability to operate independently or might have secured the ability to influence another party's ability to bargain freely with the Council.

### **a. Central Government**

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operate, provides the majority of its funding in the form of grants and prescribes the terms of many transactions that the Council has with other parties (e.g. Council Tax bills, Housing Benefits). Details of major grants received from the Government are set out in Note 8 of the accounts.

### **b. Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2014/15 is shown in Note 28.

All members served the full 2014/15 financial year, except for one member who died in service.

The Council made payments to a range of voluntary organisations totalling £31,020 in 2014/15 under the Members Community Support Scheme. No grants were made to organisations whose senior management included close members of the families of Members.

The Board of Ashfield Homes Ltd, an arm's length housing management company wholly owned by the Council included at 31<sup>st</sup> March 2015 members of Ashfield District Council on its Board. These were Councillor L. M. Gibbons, Councillor J. Grundy, Councillor S. T. Carroll and Councillor T. Keetley. The related party transactions are shown as part of the Group Accounts.

The Council is jointly responsible for the operation of the Mansfield and District Joint Crematorium Committee along with Mansfield District Council and Newark and Sherwood District Council. Details of the Council's share of transactions are shown at Note 39. There are three elected members of the Council who are also members of the Committee; for 2014/15 these were Councillor D. Shaw, Councillor W. T. Nuttall and Councillor J. M. A. Wilmott.

Payments totalling £231,910 were made to Parish Councils

- A total of £188,738 was paid to Selston Parish Council, including £187,507 relating to the precept and a further £231 which relates to the hire the church hall.
- A total of £43,172 was paid to Annesley and Felley Parish Council, including £42,985 relating to the precept and a further £187 relating to the use of the church hall for the European elections.

During 2014/15 there were four elected members of the Council who were also parish councillors; three were members of Selston Parish Council, and the other one was a member of both Selston Parish Council and Annesley and Felley Parish Council.

Related party transaction forms were returned by all but one councillor. From the records held by the Council, there is no evidence that this councillor has a relationship requiring inclusion here.

In all instances where payments are involved, proper consideration of declarations of interest has been given. The relevant members did not take part in any discussion or decision relating to payments. Details of all transactions are recorded in Register of Members' Interests, which is available for public inspection.

The disclosure note has been prepared using the Council's Register of Members Declarations of Interest and appointments made by the Council in addition to a specific declaration obtained in respect of related party transactions.

### **c. Officers**

During 2014/15, the Chief Executive declared a pecuniary interest in accordance with section 117 of the Local Government Act 1972 as a Director of a voluntary organisation, Ashfield Voluntary Action. The Council made

payments totalling £34,475 to the charity, of which £30,000 was funding for the Warm Homes Project.

The charity also made payments to the Council, totalling £122,023 of which £111,196 was for the provision of a payroll service and £10,827 for the lease and service charge of a building owned by the Council. The Chief Executive did not take part in any discussion, decision or administration relating to these transactions.

## 32. Capital Financing Requirement

The total amount of capital expenditure incurred in the year is shown in the table, 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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2014/15 £'000	2013/14 £'000
<b>Opening Capital Financing Requirement</b>	<b>98,037</b>	<b>98,659</b>
<b>Capital Investment</b>		
Operational Assets	14,753	7,898
Non Operational Assets	0	0
REFCUS	992	987
Leasing	0	0
Other (LAMS)	0	500
	<b>15,745</b>	<b>9,385</b>
<b>Sources of Finance</b>		
Capital Receipts	2,188	476
Reserves	139	196
Crematorium investments	0	26
Government Grants and Other Contributions	2,844	1,703
Major Repairs Reserve	6,252	5,423
Minimum Revenue Provision	1,665	1,611
Revenue Contributions	931	572
	<b>14,019</b>	<b>10,007</b>
<b>Closing Capital Financing Requirement</b>	<b>99,763</b>	<b>98,037</b>
<b>Movement in the Year</b>	<b>1,726</b>	<b>(622)</b>
<b>Explanation of Movement in the Year</b>		
Increase in Underlying Need to Borrow		
(unsupported by Government Financial Assistance	3,391	989
PWLB - Self Financing Debt Repayment	0	0
Adjustment to prior Years	0	0
Minimum Revenue Provision	(1,665)	(1,611)
	<b>1,726</b>	<b>(622)</b>

### **33. Assets held as Lessee**

#### **a. Finance Leases**

The Council has commitments to make future payments under finance leases which comprise payments in settlement of the long term liability and future financing costs.

	<b>As at 31st March 2015</b> <b>£'000</b>	<b>As at 31st March 2014</b> <b>£'000</b>
Finance Lease Liabilities		
Current Year	0	60
Finance Costs Payable in Future Years	0	5
	<b>0</b>	<b>65</b>

The minimum lease payments will be payable over the following years.

	<b>As at 31st March 2015</b> <b>£'000</b>	<b>As at 31st March 2014</b> <b>£'000</b>
Within one year	0	65
	<b>0</b>	<b>65</b>

The assets acquired under this lease, lifeline monitoring equipment, are carried at the following net amount within the balance sheet.

	<b>As at 31st March 2015</b> <b>£'000</b>	<b>As at 31st March 2014</b> <b>£'000</b>
Equipment	51	101

### **34. Assets held as Lessor**

With regard to the Council's activity as a lessor, the gross value of assets held for use in operating leases as at 31st March 2015 was £8.923m and as at 31 March 2014 was £8.923m (these properties were subject to accumulated depreciation and impairment of £2.053m in 2015 and £2.010m 2014). The net book value of these assets is £6.870m in 2015 and £6.913m in 2014.

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

	2014/15 £'000	2013/14 £'000
Within 1 Year	199	203
Between 2 and 5 Years	193	191
Later than 5 Years	127	126
	<b>519</b>	<b>520</b>

## 35. Impairment

During 2014/15 the Council recognised impairment losses as detailed in the following table:

	2014/15 £'000	2013/14 £'000
Impairment Losses recognised within the surplus or Deficit of the provision of services	3,880	2,733
Impairment Losses recognised in Other Comprehensive Income and expenditure and taken to the Revaluation Reserve	0	0
	<b>3,880</b>	<b>2,733</b>

## 36. Retirement Benefits

### a. Participation in pension schemes

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

The Council participates in the Local Government Pension Scheme administered locally by Nottinghamshire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and the employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The latest membership data is shown in the table below.

	<b>Number</b>	<b>Salaries/ Pensions</b>	<b>Average Age</b>
		<b>£'000</b>	
Active members	427	8,872	46
Deferred pensioners	426	829	46
Pensioners	649	3,673	71
Unfunded pensioners	185	313	75

The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Nottinghamshire County Council. Day to day administration of the fund is undertaken by a team within the County Council. Where appropriate some functions are delegated to the Fund's professional advisors.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

#### **b. Transactions relating to retirement benefits**

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

	2014/15 £'000	2013/14 £'000
<b>Comprehensive Income and Expenditure Statement</b>		
Cost of Services:		
Current service cost	1,996	2,702
Financing and Investment Income and Expenditure		
Net Interest on the defined liability (asset)	2,577	2,455
Administration Expenses	11	5
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of services	<u>4,584</u>	<u>5,162</u>
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising;		
Return on plan assets in excess of interest	4,150	1,162
Other actuarial gains/(losses) on assets	0	(5,695)
Changes in financial assumptions	(17,988)	(267)
Change in demographic assumptions	0	(6,414)
Experience gain/(loss) on defined benefit obligation	0	11,929
Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement	<u>(13,838)</u>	<u>715</u>
Movement in reserves Statement		
reversal of net charges made for retirement benefits in accordance with the code	(4,584)	(5,162)
Actual amount charged against the General Fund		
Balance for pensions in the year:		
Employers' contributions payable to scheme	<u>2,574</u>	<u>2,370</u>
	<u>(2,010)</u>	<u>(2,792)</u>

### c. Pensions Assets and Liabilities Recognised in the Balance Sheet

	2014/15 £'000	2013/14 £'000
Present value of the Defined benefit obligation	138,912	118,665
Fair Value of the plan assets (bid value)	<u>(67,898)</u>	<u>(63,230)</u>
Deficit/ Surplus	71,014	55,435
Present Value of unfunded obligation	<u>5,096</u>	<u>4,827</u>
	<u>76,110</u>	<u>60,262</u>

**d. Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets:**

	<b>2014/15</b> <b>£'000</b>	<b>2013/14</b> <b>£'000</b>
Opening fair value of Scheme assets	63,230	66,305
Interest on assets	2,707	2,822
Return on assets less interest	4,150	1,162
Actuarial gains and (losses)		(5,695)
Administration expenses	(11)	(5)
Employer contributions	2,574	2,370
Contributions by scheme participants	647	570
Benefits paid	(4,649)	(4,299)
Settlement Prices Received/ Paid	(750)	
<b>Closing fair value of Scheme assets</b>	<b>67,898</b>	<b>63,230</b>

**e. Reconciliation of Present Value of the Scheme Liabilities**

	<b>2014/15</b> <b>£'000</b>	<b>2013/14</b> <b>£'000</b>
Opening Defined Benefit Obligation	123,492	124,490
Current service cost	2,295	2,593
Interest cost	5,284	5,277
Change in financial assumptions	17,988	267
Change in demographic assumptions		6,414
Experience loss/(gain) on defined benefit obligation		(11,929)
Liabilities Assumed/ (extinguished) on settlements	(1,089)	
Benefits paid (net of transfers in)	(4,347)	(3,999)
Past Service Cost including curtailments	41	109
Contributions by scheme participants	646	570
Unfunded pension costs	(302)	(300)
<b>Closing Defined Benefit Obligation</b>	<b>144,008</b>	<b>123,492</b>

**f. Pension Scheme Assets Comprise**

	<b>31st March 2015</b>		<b>31st March 2014</b>	
	<b>£'000</b>		<b>£'000</b>	
Equities	47,864	70.00%	46,158	73.00%
Gilts	2,121	3.00%	5,058	8.00%
Other Bonds	4,792	7.00%	3,162	5.00%
Property	7,925	12.00%	6,955	11.00%
Cash	3,302	5.00%	1,897	3.00%
Inflation-linked pooled fund	1,894	3.00%		0.00%
	<b>67,898</b>	<b>100.00%</b>	<b>63,230</b>	<b>100.00%</b>

## **g. Basis for estimating assets and 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 dependent on assumptions about mortality rates, salary levels, etc. The County Council Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st March 2013.

The principal assumptions used by the actuary were:

	<b>2014/15</b>	<b>2013/14</b>
<b>Mortality assumptions:</b>		
<b>Longevity at 65 for current pensioners:</b>		
Men	22.1	22.0
Women	25.2	25.1
<b>Longevity at 65 for future pensioners:</b>		
Men	24.2	24.1
Women	27.6	27.4
<b>Financial Assumptions:</b>		
Increase in Retail Price Index	3.10%	3.50%
Increase in Consumer Price Index	2.30%	2.70%
Rate of increase in salaries	4.10%	4.50%
Rate of increase in pensions	2.30%	2.70%
Rate for discounting scheme liabilities	3.20%	4.40%
Take-up of option to convert annual pension into retirement lump sum	50.00%	50.00%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes 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.

Adjustment to discount rate:	+0.1%	0.0%	-0.1%
Present value of total obligation	141,597	144,008	146,642
Projected service cost			
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	144,329	144,008	143,688
Projected service cost	2,736	2,735	2,734
Adjustment to pension increases & deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	146,159	144,008	141,893
Projected service cost	2,799	2,735	2,673
Adjustment to mortality age rating assumption	+0.1%	0.0%	-0.1%
Present value of total obligation	138,850	144,008	149,214
Projected service cost	2,640	2,735	2,831

## 37. Contingent Assets and Liabilities

### a. Insurance

The Independent Insurance Company which was the Council's Liability Insurer between 1992 and 1998 was forced into liquidation in 2001. As at 31st March 2015 there are two claims outstanding and this is provided for within the insurance provision. Should any further claims arise then it is likely that the whole or at least part of this amount would be a liability for the Council. The Council's full liability relating to these claims is £9k.

In September 1992 Municipal Mutual Insurance (MMI), the Council's former insurers, ceased accepting new business. MMI and its policyholders including local authorities established "scheme of arrangement" for the orderly run down of the company. Under the scheme a levy of £62k was paid in 2013/14, but no payment has been requested in 2014/15. The Council's full liability relating to these claims is £419k.

### b. Ashfield Homes Limited

The Council is the parent company and sole owner of Ashfield Homes Limited (AHL). In the event of the Management Agreement between the Council and AHL ending, all the assets and liabilities of AHL would transfer to the Council. This includes all liabilities relating to pension obligations. The Council has specifically indemnified AHL in respect of these. It is expected that any pension fund deficit will be reduced by continued additional employers' contributions. The actuarial valuation of the pension fund deficit for AHL at 31 March 2015 was £12.735m.

**c. Equal Pay Claims following resolution of the current Job Evaluation / Single Status exercise**

The Council settled the last of its historic equal pay claims during 2014/15. The Job Evaluation/Single Status exercise was completed during 2014/15, and no new equal pay claims have been brought forward as a result of this. However, a small number of employees have not yet been transferred to their new grades under the structure, because of the impact of staffing restructures. Because of this there is a residual risk of equal pay claims; therefore this issue remains a contingent liability.

**d. Teversal Trust**

The Council acts as the sole Trustee of this Trust (full name: Teversal Community Centre and Recreation Ground).

Traditionally, maintenance of the facilities was funded from the profits of a restaurant/public house. However this became unprofitable, fell into disrepair and was subsequently demolished. The Trust's (and Council's) aim is to put in place sustainable arrangements so that the occupiers of the various parts of the site can fund the ongoing maintenance of the land, and the remaining buildings. 2014/15 has been a transitional phase, in that negotiations have been ongoing with the four organisations occupying the site, with a view to each one signing a 30 year lease. This is required in order for the clubs to make funding bids to various funding organisations for the purpose of developing the facilities.

As there is no guarantee at this stage that this process will ultimately be successful, and because the Council is committed to the site by virtue of its Trustee role, there can be no certainty that the Council will not have to incur further future expenditure, which cannot be reasonably estimated at this point.

**e. Acacia Community Centre**

This Community Centre was built using Big Lottery funding, and is leased to a registered charity, the Ashfield Community Radio and Media Training - Charity 1070147 (ACRMT). Grant conditions state that the centre should be run by a third sector organisation, and that the grant could possibly be reclaimed if this arrangement were to change in the future.

The Council part subsidised ACRMT in its early years with a reducing grant. The centre generates income from community bookings, and incurs the expenditure of its employees, its canteen and other running costs.

ACRMT has experienced financial difficulties, and in March 2015 the Council agreed to make an interim grant of £21k to allow time for ACRMT to re-work its business plan. The Council has sought advice from the Big Lottery Fund, in order to establish its potential liability if ACRMT should cease trading. Big Lottery have confirmed that any grant clawback would be on a sliding scale, over the liability period (10 years). 6 of these years have now elapsed, so this would reduce any liability by some factor. Consequently a contingent liability exists, until the position regarding ACRMT becomes clearer.

#### **f. VAT Reclaim – Embedded VAT on Postage Costs**

The European Court of Justice has ruled that the Post Office is subject to VAT, where it supplies postal services on terms which have been individually negotiated, as opposed to the universal postal service which is exempt from VAT.

The Council has joined (in March 2015) a Group Litigation Order, which is being promoted by LAVAT and lawyers Mischon de Reya. Should the claim be successful, all authorities will be able to claim back the embedded VAT on postal services, plus compound interest back to 1973 or 1974.

Between 2006 and 2011 the Council paid £60k in VAT as part of its postage costs, although no detailed calculation exists for the period prior to this. As such the likely amount that the Council may gain from this action (which will cost £13.5k to join) cannot be easily determined at this point. A contingent asset is recognised, and its value may be clarified as the case progresses.

#### **38. Deferred Credits**

The balance on this account represents the capital income still to be received from the sale of Council houses where deferred payments have been agreed. It equates to long-term debtors – Council house sales.

	<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
Balance Brought Forward	(21)	(21)
Applied in Year	0	0
Receipts in Year		
Balance Carried Forward	(21)	(21)

## **39. Joint Crematorium Committee**

The Council's share (currently 45.40% share) of income, expenditure, assets and liabilities in respect of the Joint Crematorium Committee is as follows:

	<b>2014/15</b> £'000	<b>2013/14</b> £'000
Gross Income	(766)	(672)
Gross Expenditure	387	394
Net (Surplus)/Deficit	<b>(379)</b>	<b>(278)</b>
Total Assets at Year End	1,850	1,714
Total Liabilities at Year end	<u>(395)</u>	<u>(184)</u>
Net Assets at Year End	<b>1,455</b>	<b>1,530</b>

## **40. Nature and Extent of Risks Arising from Financial Instruments**

### **a. Credit Risk**

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

This risk is minimised by an investment policy which requires that deposits are not made with financial institutions unless they meet minimum standards. It also imposes a maximum amount which can be invested with each financial institution.

The credit criteria in respect of financial assets held by the Council are as detailed below:

<b>Financial Asset Category</b>	<b>Criteria</b>	<b>Maximum Investment</b>
Deposits with banks & building societies	Short Term Long Term	Minimum F1 Minimum A
		£5m per counter-party £5m per counter-party

The following analysis summarises the Council's potential exposure to credit risk, based on experience of default and failure to collect over the last 5 financial years, adjusted to reflect current market conditions.

	Amount at 31st March 2015 £'000	Historical Experience of default %	Historical experience adjusted for market conditions at 31st March 2015 %	Estimated maximum exposure to default and uncollectability £'000
Deposits with banks and financial institutions	9,009	0.0	0.5	45
Bonds	0	n/a	0.0	0
Customers - Sundry Debtors	557	8.14	5.0	28
Housing Benefit Overpayments	1343	82.0	82.0	799
Housing Benefit Overpayment Clawback	958	50.0	50.0	479

The Council does not allow credit for its customers, and at the 31st March 2015, £1.9m was due for payment. The past due amount can be analysed by age as follows:

	31st March 2015 £'000	31st March 2014 £'000
Less than 2 months	645	800
2 to 6 months	294	434
6 to 12 months	312	267
More than 1 year	649	526
	<b>1,900</b>	<b>2,027</b>

## b. Liquidity Risk

The Council manages its cash flow on a daily basis to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings 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.

An analysis of the long term borrowings included in the balance sheet is shown below

Source of Loan	Ranges of Interest Rates Payable %	Carrying Amount	
		31st March 2015 £'000	31st March 2014 £'000
		<hr/>	
Public Works Loan Board	3.55% to 9.875%	30,286	27,236
Money Market	1.9% to 6.1%	46,737	43,681
		<b>77,023</b>	<b>70,917</b>
<hr/>			
Maturity Within:			
Less than a year			2,033
1-2 years			0
2-5 years	1.9% to 9.875%	18,929	5,744
5-10 years	3.55% to 5.75%	12,000	23,929
More than 10 years	3.72% to 9.25%	46,094	39,211
		<b>77,023</b>	<b>70,917</b>

## c. Market Rate Risk

The impact of a one percent rise in interest rates at 31st March 2015 is minimal as regards interest payable and nil on interest receivable. This is due to most borrowings being on fixed rate terms. However, the fair value of financial liabilities would decrease. This is a memorandum item only and would not change the Balance Sheet or other accounts.

## d. Price Risk

The Council does not invest in equity shares and is not a shareholder in any businesses (other than AHL Ltd). The Council is not therefore exposed to any losses arising from movements in the price of shares.

## e. Foreign Exchange Risk

The Council has no financial assets or liabilities that are denominated in foreign currency and therefore has no exposure to gains or losses arising from movements in exchange rates.

## **41. Trust Funds**

The Council acts a custodian trustee for a number of trust funds. As a custodian trustee the authority holds the property but takes no decisions on its use. In neither case do the funds represent the assets of the Authority and therefore they have not been included in the Balance Sheet.

The Teversal Community Centre exists for the provision and maintenance of a community centre and recreation ground for the use of the inhabitants of Teversal, Stanton Hill, Skegby and the neighbourhood thereof. In the past two years the trust has incurred significant deficits and is working with the Council to restructure the Trust.

There are three recreation charities that the Council are also sole trustees for where no bank account exists. These are:

- Sutton-in-Ashfield Recreation Grounds
- Kirkby-in-Ashfield Recreation Ground, Lord Francis Park,
- Skegby Recreation Ground

In each case the value of the parcels of land is low as they are parts of larger recreational areas which cannot be used for any other purpose. At present there is no valuation of the land areas attributable to the trusts. There are no other assets or liabilities relating to these trusts. Governance arrangements are being reviewed

There are a number of small charities which the council is working towards dissolving and transferring the assets to local organisations with similar objectives, as agreed by the Charities Committee on 24<sup>th</sup> February 2015. Since the Council has switched its banking operations to Barclays, these charities no longer have their own bank accounts and the balances have been transferred to the Council's main bank account. These are shown as separate entities within the financial system.

Analysis of current bank activity:

Name of Trust Fund	Balance as at 31st March 2014		Balance as at 31st March 2015	
	£	Income	Expenditure	£
Teversal Community Centre and Recreation Ground	4,422	0	0	4,422
Beecroft Charity	268	0	0	268
William Barratt Prize Fund	233	0	0	233
Wansley Hall Trust Fund	404	0	0	404
William Booth Charity	1,800	82	0	1,882
	<b>7,127</b>	<b>82</b>	<b>0</b>	<b>7,209</b>

# **Supplementary Financial Statements**

## Housing Revenue Account – Income and Expenditure Statement

The HRA Income and Expenditure statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the movement on the HRA Statement.

2013/14 £'000		2014/15 £'000
	<b>Income</b>	
(23,552)	Dwelling Rents (gross)	(23,865)
(165)	Non-dwelling Rents (gross)	(162)
(397)	Charges for Services and Facilities	(258)
(266)	Contribution Towards Expenditure	(316)
<b>(24,380)</b>	<b>Total Income</b>	<b>(24,601)</b>
	<b>Expenditure</b>	
6,467	Repairs and Maintenance	6,497
5,638	Supervision and Management	5,680
56	Rents, Rates, Taxes and other charges	67
378	Rent Rebate Subsidy Limitation	0
2,816	Depreciation and impairments of fixed assets	5,546
13	Debt Management Costs	15
120	Increase in the Bad Debt Provision	140
<b>15,488</b>	<b>Total Expenditure</b>	<b>17,945</b>
	<b>Net Cost of HRA Services as included in the whole authority Comprehensive Income &amp; Expenditure Account</b>	
<b>(8,892)</b>		<b>(6,656)</b>
44	HRA share of Corporate and Democratic Core	44
<b>(8,848)</b>	<b>Net Cost of HRA Services</b>	<b>(6,612)</b>
(409)	Gain or loss on sale of HRA non current assets	(427)
3,781	Interest payable and similar charges	4,002
(96)	Interest and investment income	(114)
<b>(5,572)</b>	<b>(Surplus) or deficit for the year on HRA services</b>	<b>(3,151)</b>

## Statement of Movement on the HRA Balance

2013/14 £'000	2014/15 £'000	Note
(17,410)	<b>Balance on the Housing Revenue Account at the end of the previous year</b>	(19,689)
(5,572)	<b>(Surplus) or deficit for the year on the HRA Income and Expenditure Account</b>	(3,151)
	<b>Adjustments between accounting basis and funding basis under statute</b>	
(303)	Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the year	(438)
(498) 410	Impairment of fixed assets charged to HRA Gain or (loss) on sale of HRA fixed assets	(3,163) 427
	<b>Net (Increase) or decrease in the HRA Balance before transfers to or from reserves:</b>	
3,112 572	Transfers to/ from Revenue Grants Reserve Transfer from Major Repairs Reserve Capital expenditure funded by the HRA	19 3,869 888
3,293	<b>Net additional amount required by statute to be debited or (credited) to the HRA balance for the year</b>	1,602
(2,279)	<b>Increase or Decrease in the year to the Housing Revenue Account Balance</b>	(1,549)
(19,689)	<b>Balance Carried forward</b>	(21,238)

## Notes to the Housing Revenue Account

### 1. The number and types of dwellings in the housing stock

	As at 31st March 2015	As at 31st March 2014
	Number	Number
Houses and bungalows	4,649	4,673
Low rise flats	1,754	1,766
Medium rise flats	463	462
<b>Total Dwellings</b>	<b>6,866</b>	<b>6,901</b>
 <b>Garages and Garage Plots</b>	 <b>671</b>	 <b>671</b>

### 2. Housing stock valuations

Description	As at 31st March 2015	As at 31st March 2014
	£'000	£'000
Operational assets		
- Council Dwellings	170,107	161,635
- Other land and buildings	2,698	2,718
<b>Total</b>	<b>172,805</b>	<b>164,353</b>

### 3. Vacant Possession Value of Council Dwellings

	As at 31st March 2015	As at 31st March 2014
	£'000	£'000
Market value - Vacant possession	500,315	475,397
Existing use value for social housing	170,107	161,635
<b>Difference</b>	<b>330,208</b>	<b>313,762</b>

The 'difference' between the market value and the Balance Sheet value for dwellings represents the economic cost to the Government of providing Council housing at less than open market rents. The vacant property adjustment factor for the East Midlands remains at 34% for 2014/15

#### 4. Major Repairs Reserve

During 2001/02 the Council established a Major Repairs Reserve. The reserve is utilised to fund capital expenditure on Council properties.

	2014/15 £'000	2013/14 £'000
Balance brought forward	0	0
Financing of HRA Capital Expenditure	6,252	5,423
Transfer to/from HRA Reserve	(3,869)	(3,112)
Less Depreciation	<u>(2,383)</u>	<u>(2,311)</u>
<b>Balance Carried Forward</b>	<b>0</b>	<b>0</b>

#### 5. Capital Expenditure

	2014/15 £'000	2013/14 £'000
<b>Operational assets</b>		
Dwellings	11,845	6,254
Other land and buildings	490	0
Revenue Expenditure Funded from Capital Under Statute	438	361
<b>Total Operational Assets</b>	<b>12,773</b>	<b>6,615</b>

#### Funded by:

Unsupported borrowing	0
Capital receipts and grants	2,678
Contributions from Revenue	888
Borrowing	2,955
Major Repairs Reserve	<u>6,252</u>
<b>Total Funding</b>	<b>12,773</b>
	<b>6,615</b>

#### 6. Capital Receipts from Disposal of Assets

	2014/15 £'000	2013/14 £'000
Disposal of dwellings	1,539	1,326
Disposal of other land and buildings	0	0
Disposal of non-operational assets	180	
<b>Total from Disposals</b>	<b>1,539</b>	<b>1,506</b>

#### 7. HRA Revenue Grants Reserve

	2014/15 £'000	2013/14 £'000
Balance brought forward	0	0
Transfer to/from HRA Reserve	<u>(19)</u>	<u>0</u>
<b>Balance Carried Forward</b>	<b>(19)</b>	<b>0</b>

## 8. Depreciation in the year ending 31st March

	2014/15 £'000	2013/14 £'000
Operational assets		
- Dwellings and garages	2,265	2,227
- Other land and buildings	118	91
<b>Total</b>	<b>2,383</b>	<b>2,318</b>

## 9. Impairment

A full valuation of all Council Dwellings was undertaken at 31/03/2015 which has resulted in previous impairments charged to Housing Revenue Account being reversed of £8.171m. Additionally the valuation has required that £11.334m of noncurrent assets be impaired. The total net impairment charge in the year is £3.163m.

## 10. Pension Contribution

A contribution of £335k has been made for 2014/15 to the back funding costs relating to employees transferred to Ashfield Homes Limited.

## 11. Rent Arrears

	As at 31st March 2014 £'000	As at 31st March 2013 £'000
Current tenants	480	385
Former tenants	322	255
<b>Total rent arrears</b>	<b>802</b>	<b>640</b>
Overpayments	(264)	(235)
<b>Total arrears</b>	<b>538</b>	<b>405</b>
Deduct - Provision for bad debts	(290)	(229)
<b>Net arrears</b>	<b>248</b>	<b>176</b>

## 12. Subsidy Limitation

Council tenants on low incomes can receive financial assistance with their rent under the Housing Benefit Scheme. Approximately 60% of tenants rent was met by housing benefit during 2014/15 (62% in 2013/14).

The cost of housing benefits is transferred to the General Fund. The housing revenue account reimburses the General Fund for benefits not funded by Central Government due to rent rebate subsidy limitation. During 2014/15, the housing rents were below £68.96 per week and therefore there was no transfer to the General Fund, compared to a transfer of £378k in 2014/15.

## Collection Fund

2013/14 £'000	2014/15 £'000	Note
<b>INCOME</b>		
48,788	Income from Council Tax	51,074
	Transfers from General Fund:	
0	Council Tax Benefits	0
0	Charitable Relief	0
32,417	Income Collectable from Business Ratepayers	34,448
	Transitional Protection - NDR	50
	Contributions:	
	Towards Previous Years Deficit - Council Tax	0
	Towards Previous Years Deficit - NDR	
<b>81,205</b>	<b>Total Income</b>	<b>85,572</b>
<b>EXPENDITURE</b>		
47,965	Precepts and Demands	49,591
	Business Rates:	
12,534	Payment to Billing Authority	13,150
3,133	Share of NDR income to major preceptors	3,288
15,667	Payment to Central Government	16,438
150	Transitional Protection - NDR	
128	Costs of Collection	129
	Bad and Doubtful Debts & Provisions:	
287	Council Tax Write Offs	221
48	Council Tax Provisions	210
127	NDR Write Offs	373
153	NDR Provisions	415
914	Provisions for Appeals	1,015
	Contributions:	
0	Distribution of Surplus - NDR	925
0	Distribution of Surplus - Council Tax	595
<b>81,106</b>	<b>Total Expenditure</b>	<b>86,350</b>
(488)	Movement on Fund Balance - Council Tax	(457)
389	Movement on Fund Balance - NNDR	1,235
(423)	Opening Balance - Council Tax	(911)
	Opening Balance - NNDR	389
(911)	Closing Balance - Council Tax	(1,368)
389	Closing Balance - NNDR	1,624
<b>(522)</b>	<b>Balance at 31st March</b>	<b>256</b>

## **Notes to the Collection Fund**

### **1. General**

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

### **2. Business Rates Retention**

With effect from 1<sup>st</sup> April 2013, the Business Rates Retention scheme was introduced. These arrangements provide a direct link between business rates growth and the amount of money local authorities have to spend on services. Local authorities can keep a proportion of their business rates collected in their area after certain contributions to the Government have been made.

As part of the business rates retention scheme, all local authorities were given the opportunity to work with neighbouring and partner authorities to develop a bid to become a local authority business rate "pool". Ashfield is part of a Nottinghamshire NDR pool which is administered by Nottinghamshire County Council. Member authorities are treated as a single authority for the purpose of certain calculations under the business rates retention scheme. The advantage of a pool is to potentially generate additional business growth through collaborative working and to smooth out the impact of volatility in business rates income across a wider economic area.

The Council distributes NDR from the pool to the main preceptors and central government. Previously the government received all the income due under NDR and distributed this back to authorities by mainstream funding through the formula grant system.

### **3. Income from Business Ratepayers**

National Non-Domestic Rates (NNDR) is paid by businesses. Central Government specifies an annual rate in the pound 48.2p in 2014/15 and local businesses pay an annual NNDR bill calculated by multiplying the rateable value of their premises by this annual rate; there are reliefs for small businesses, charities etc. The Council is responsible for collecting the NDR income and then distributing to Central Government and Preceptors as outlined above.

Non domestic rateable value as at 31<sup>st</sup> March 2015 was £80.1m (£78.2m in 2013/14). The NNDR income collectable in 2014/15 after reliefs was £34.448m (£32.417m in 2013/14).

	<b>2014/15</b> <b>£'000</b>	<b>2013/14</b> <b>£'000</b>
Business Rates Income	34,448	32,417
Less:		
Cost of Collection Allowance	(129)	(128)
 Net Contribution to National Pool	<b>34,319</b>	<b>32,289</b>

The Council receives an allowance from the Collection Fund towards the collection of Business Rates.

## **4. Council Tax**

The Council set a band D Council Tax of £170.46 for the financial year 2014/15. When taking into account parish precepts, the equivalent average Council Tax is £178.08.

The Council tax base, which is used in the tax calculation, is based on the number of chargeable dwellings in each valuation band, adjusted for dwellings where exemptions or discounts apply, converted to an equivalent number of band D dwellings.

The tax base for the year was 30,256.23 as shown below.

	Total	Net No. of Dwellings	Ratio to Band "D"	Band "D" Equivalents
Disabled Persons Relief		37.37	5/9	20.76
Band "A"	18,121.12	6/9		12,080.75
Band "B"	8,757.98	7/9		6,811.76
Band "C"	7,189.46	8/9		6,390.63
Band "D"	3,282.55	1		3,282.55
Band "E"	1,118.42	11/9		1,366.96
Band "F"	389.28	13/9		562.29
Band "G"	109.07	15/9		181.78
Band "H"	9.75	2		19.50
<b>Total</b>	<b>39,015.00</b>			<b>30,716.98</b>
Less Provision for Bad Debts				460.75
<b>Council Tax Base for 2014/15</b>				<b>30,256.23</b>

The Band D Council Tax, including parish precepts, is calculated as follows:

Council requirement from the Collection Fund £ 5,387,964  
Divided by Council Tax Base 30,256.23

Equals Band D equivalent £178.08

## 5. Precepts and Demands

The Council also collects tax on behalf of other authorities.

	2014/15 £'000	2013/14 £'000
Nottinghamshire County Council	36,819	35,641
Nottinghamshire Police Authority	5,234	5,067
Nottinghamshire Fire Authority	2,150	2,082
Ashfield District Council	5,157	4,995
Selston Parish Council	188	148
Annesley/ Felley Parish Council	43	32
	<b>49,591</b>	<b>47,965</b>

## 6. Distribution of the Collection Fund Balance

### a. Council Tax Balance Distribution (Surplus)

	2014/15 £'000	2013/14 £'000
Nottinghamshire County Council	(1,016)	(676)
Nottinghamshire Police Authority	(145)	(96)
Nottinghamshire Fire Authority	(59)	(40)
Ashfield District Council	(148)	(99)
	<b>(1,368)</b>	<b>(911)</b>

### b. NNDR Balance Distribution - Deficit

	2014/15 £'000	2013/14 £'000
Nottinghamshire County Council	146	35
Nottinghamshire Fire Authority	16	3
Ashfield District Council	650	156
Central Government	812	195
	<b>1,624</b>	<b>389</b>

The surplus or deficit on the Collection Fund now consists of two elements:-

- Council Tax: - the surplus or deficit of this element is distributed between the Council (as billing authority), Nottinghamshire County Council, Nottinghamshire Police Authority and Nottinghamshire Fire Authority on the basis of estimates of the year-end balance on 15<sup>th</sup> January each year. Any remaining surplus or deficit will be carried forward to the following year and will influence the level of Council Tax to be raised for that year.
- NDR: - the surplus or deficit of this element is distributed between the Council (as billing authority), Nottinghamshire County Council, Nottinghamshire Fire

Authority and Central Government on proportions outlined in the Business Rates Retention scheme, on the basis of estimates of the year-end balance on 31<sup>st</sup> January each year. Any remaining surplus or deficit will be carried forward to the following year and will influence the level of resources available in that year.

The distribution of the Collection Fund balance based upon the actual position is shown in the tables above.

## **7. Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and NDR 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.

	<b>2014/15</b> £'000	<b>2013/14</b> £'000
Balance at 1 April	58	(45)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(50)	(53)
Amount by which NDR income credited to the Comprehensive Income and Expenditure Statement is different from NDR income calculated for the year in accordance with statutory requirements	494	156
Balance at 31 March	<b>502</b>	<b>58</b>

# **Group Accounts**

## **Group Accounting Policies**

### **1. General**

The accounting policies of Ashfield Homes Limited are congruent where appropriate with the Council with one minor exception in respect of the valuation of stocks. The variation is not material to require any restatement.

## **Group Explanatory Foreword**

### **1. General**

The Council has 100% interest in Ashfield Homes Limited (AHL). This company was formed on 26th September 2001 and commenced business to undertake the Housing Management function on behalf of the Council on 1st April 2002. The following group financial statements show the consolidated position of the Council and its interest in AHL.

### **2. Other entities**

The Council has no other interests as at 31st March 2015.

### **3. Voting rights and ownership**

The Council has 4 voting representatives on the board of AHL out of a total of 12 members. AHL is limited by guarantee and does not have share capital. In the event of AHL being wound up, residual assets would be transferred to the Housing Revenue Account after settlement of outstanding debts and liabilities. If assets were insufficient the Council's liability is limited to £1.

### **4. Turnover**

The turnover of AHL in 2014/15 was £11m.

### **5. Independent Auditors**

The AHL accounts are being audited by KPMG LLP, 2 Cornwall Street, Birmingham B3 2DL which is ongoing. The accounts will be formally approved at a board meeting expected to take place on the 21 July 2015.

### **6. Accounts**

Further information about AHL's accounts is available from:

Company Accountant,  
Ashfield Homes Limited,  
Broadway,  
Brook Street,  
Sutton-in-Ashfield,  
Nottinghamshire,  
East Midlands,  
NG17 1AL.

## Group Movement in Reserves Statement

	Council's Usable Reserves £'000	Council's Unusable Reserves £'000	Total Council Reserves £'000	Council's Share of Subsidiaries £'000	Total Group Reserves £'000
<b>Balance at 31 March 2014</b>	<b>33,865</b>	<b>71,657</b>	<b>105,522</b>	<b>1,350</b>	<b>106,872</b>
Surplus or (deficit) on provision of services (accounting basis)	3,485	0	3,485	(7)	3,478
Other Comprehensive Expenditure and Income	0	(10,340)	(10,340)		(10,340)
<b>Total Comprehensive Expenditure and Income</b>	<b>3,485</b>	<b>(10,340)</b>	<b>(6,855)</b>	<b>(7)</b>	<b>(6,862)</b>
Adjustments between Group Accounts and Authority Accounts	(1,144)	1,144			0
<b>Net Increase / Decrease before Transfers</b>	<b>2,341</b>	<b>(9,196)</b>	<b>(6,855)</b>	<b>(7)</b>	<b>(6,862)</b>
<b>Balance at 31 March 2015</b>	<b>36,206</b>	<b>62,461</b>	<b>98,667</b>	<b>1,343</b>	<b>100,010</b>

## Group Movement in Reserves Statement

	Council's Usable Reserves £'000	Council's Unusable Reserves £'000	Total Council Reserves £'000	Council's Share of Subsidiaries £'000	Total Group Reserves £'000
<b>Balance at 31 March 2013</b>	<b>31,104</b>	<b>72,343</b>	<b>103,447</b>	<b>1,313</b>	<b>104,760</b>
Surplus or (deficit) on provision of services (accounting basis)	832	0	832	37	869
Other Comprehensive Expenditure and Income	0	1,243	1,243	0	1,243
<b>Total Comprehensive Expenditure and Income</b>	<b>832</b>	<b>1,243</b>	<b>2,075</b>	<b>37</b>	<b>2,112</b>
Adjustments between Group Accounts and Authority Accounts	1,929	(1,929)	0	0	0
<b>Net Increase / Decrease before Transfers</b>	<b>2,761</b>	<b>(686)</b>	<b>2,075</b>	<b>37</b>	<b>2,112</b>
<b>Balance at 31 March 2014</b>	<b>33,865</b>	<b>71,657</b>	<b>105,522</b>	<b>1,350</b>	<b>106,872</b>

## Group Comprehensive Income and Expenditure Statement

2013/14			2014/15		
Expenditure	Income	Net Expenditure	Expenditure	Income	Net Expenditure
£'000	£'000	£'000	£'000	£'000	£'000
6,464	(3,405)	3,059	Central Services to the Public	6,006	(3,222)
3,311	(413)	2,898	Cultural and Related Services	3,463	(403)
10,555	(2,548)	8,007	Environmental and Regulatory Services	9,366	(3,175)
2,359	(1,174)	1,185	Planning Services	1,878	(1,327)
612	(578)	34	Highways, Roads and Transport Services	586	(582)
16,862	(25,938)	(9,076)	Housing Revenue Account	19,089	(25,783)
37,211	(35,540)	1,671	Other Housing Services	36,629	(35,056)
1,815	(10)	1,805	Corporate and Democratic Core	1,739	(68)
214	0	214	Non Distributed Costs	(177)	0
<b>79,404</b>	<b>(69,606)</b>	<b>9,798</b>	<b>Cost Of Services</b>	<b>78,579</b>	<b>(69,616)</b>
			<b>Other Operating Expenditure</b>		
			Net (Surplus) / Deficit on Trading Undertakings		(237)
			Parish Council Precepts		231
			Contribution to Housing Pooled Capital Receipts		494
			Net Loss or Gain on sale of Fixed Assets		(396)
		<b>9,838</b>	<b>Total Operating Expenditure</b>		<b>9,055</b>

## Group Comprehensive Income and Expenditure Statement (Continued)

	2013/14	2014/15
	Net Expenditure £'000	Net Expenditure £'000
<b>Financing and Investment Income and Expenditure (Analysis)</b>		
3,478	Interest Payable and Other Charges	3,628
(80)	Interest and Investment Income.	(38)
0	Other Income	0
<u>2,657</u>	Pensions Interest Cost and Expected Return	<u>2,684</u>
<u>6,055</u>		<u>6,274</u>
<b>Taxation and Non-Specific Grant Income (Analysis)</b>		
(6,589)	Government Grants	(5,796)
(1,548)	Capital Grants and Contributions	(3,542)
(3,577)	Contribution from NNDR Pool	(3,967)
(5,048)	Demands on the Collection Fund	(5,502)
<u>(16,762)</u>		<u>(18,807)</u>
<u>(869)</u>	<b>(Surplus) or Deficit on Provision of Services</b>	<u>(3,478)</u>
Surplus or deficit on revaluation of fixed assets (Reserve movement not investment)		
(528)		
(715)		
<u>(1,243)</u>	<b>Other Comprehensive Income and Expenditure</b>	<u>10,340</u>
<u>(2,112)</u>	<b>Total Comprehensive Income and Expenditure</b>	<u>6,862</u>

## Group Balance Sheet

<b>As at 31st March 2014</b>		<b>As at 31st March 2015</b>
	<b>£'000</b>	<b>£'000</b>
229,169	Property, Plant & Equipment	238,084
538	Heritage Assets	538
0	Intangible Assets	0
1	Long Term Investments	0
1,706	Long Term Debtors	1,885
<b>231,414</b>	<b>Long Term Assets</b>	<b>240,507</b>
8,173	Short Term Investments	5,614
429	Inventories	399
4,460	Short Term Debtors	6,090
5,229	Cash and Cash Equivalents	11,988
700	Assets held for sale	700
<b>18,991</b>	<b>Current Assets</b>	<b>24,791</b>
(117)	Bank Overdraft	0
(2,033)	Short Term Borrowing	0
(9,476)	Short Term Creditors	(10,051)
(60)	Finance Lease repayable within 12 months	0
(190)	Provisions	(245)
<b>(11,876)</b>	<b>Current Liabilities</b>	<b>(10,296)</b>
(500)	Long Term Creditors	(500)
(60,262)	Pension Liability	(76,110)
(1,990)	Provisions	(1,338)
0	Capital Grants Receipts in Advance	0
(68,884)	Long Term Borrowing	(77,023)
(21)	Deferred Capital Receipts	(21)
<b>(131,657)</b>	<b>Long Term Liabilities</b>	<b>(154,992)</b>
<b>106,872</b>	<b>Net Assets</b>	<b>100,010</b>
<b>Reserves:</b>		
(33,865)	Usable Reserves	(36,206)
(71,657)	Unusable Reserves	(62,461)
(1,350)	Reserves - Group Entities	(1,343)
<b>(106,872)</b>	<b>Total Reserves</b>	<b>(100,010)</b>

## Group Cash Flow Statement

<b>2013/14</b> <b>£'000</b>	<b>2014/15</b> <b>£'000</b>
869      Net surplus or (deficit) on the provision of services	3,478
8,795     Adjustment to surplus or deficit on the provision of services for noncash movements	9,259
(2,731)    Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(4,543)
<hr/>	<hr/>
6,933     Net Cash flows from operating activities	8,194
<hr/>	<hr/>
(10,813)   Net Cash flows from Investing Activities	(7,227)
<hr/>	<hr/>
4,865     Net Cash flows from Financing Activities	5,909
<hr/>	<hr/>
985       Net increase or decrease in cash and cash equivalents	6,876
<hr/>	<hr/>
4,127      Cash and cash equivalents at the beginning of the reporting period	5,112
<hr/>	<hr/>
<u>5,112</u> Cash and cash equivalents at the end of the reporting period	<u>11,988</u>

## **Group Segmental Report**

The results of Ashfield Homes Limited do not form part of the Council's standard management budgetary reports. The results of AHL together with consolidation adjustments are therefore a further reconciling item between the segment report as identified within the single entity accounts and the results as presented within the Group Comprehensive Income and Expenditure Accounts.

	<b>2014/15</b> £'000	<b>2013/14</b> £'000
<b>Cost of Services in Service Analysis</b>	12,672	14,085
Services not included	0	(205)
Amounts not reported to management	(6,559)	(8,847)
Capital items	3,262	4,766
Amounts reported below the Net cost of Service	237	5
Subsidiary Company Results	(82)	(228)
Pension Adjustments under IAS 19	(567)	222
<b>Comprehensive Income and Expenditure Statement</b>	<hr/> <b>8,963</b>	<hr/> <b>9,798</b>

The reconciliation of the Group Segmental Report to the Group Comprehensive Income and Expenditure Account for 2014/15 is set out below

	Total Single Entity £'000	Subsidiary Amounts £'000	Consolidation adjustments £'000	Group Total £'000
<b>Reconciliation to Subjective Analysis</b>				
Fees, Charges & Other Service Income	(31,560)	(11,723)	10,541	(32,742)
Interest and Investment Income	(20)	(18)	0	(38)
Income from Council Tax	(5,502)	0	0	(5,502)
Retained Business Rates	(3,967)	0	0	(3,967)
Government Grants and Contributions	(46,101)	0	0	(46,101)
<b>Total Income</b>	<b>(87,150)</b>	<b>(11,741)</b>	<b>10,541</b>	<b>(88,350)</b>
Employee Expenses	17,525	107	0	17,632
Other Service Expenses	58,921	11,641	(10,541)	60,021
Support Service Recharges	0	0	0	0
Depreciation, Amortisation and Impairment	3,262	0	0	3,262
Interest Payments	3,628	0	0	3,628
Precepts & Levies	231	0	0	231
Payments to Housing Capital Receipts Pool	494	0	0	494
Gain or Loss on Disposal of Fixed Assets	(396)	0	0	(396)
<b>Total operating expenses</b>	<b>83,665</b>	<b>11,748</b>	<b>(10,541)</b>	<b>84,872</b>
<b>Group surplus or deficit on the provision of services</b>	<b>(3,485)</b>	<b>7</b>	<b>0</b>	<b>(3,478)</b>

The reconciliation of the Group Segmental Report to the Group Comprehensive Income and Expenditure Account for 2013/14 for comparative purposes is set out below

	Total Single Entity £'000	Subsidiary Amounts £'000	Consolidation adjustments £'000	Group Total £'000
<b>Reconciliation to Subjective Analysis</b>				
Fees, Charges & Other Service Income	(31,823)	(11,922)	10,364	(33,381)
Interest and Investment Income	(70)	(11)		(81)
Income from Council Tax	(4,995)			(4,995)
Retained Business Rates	(3,733)			(3,733)
Government Grants and Contributions	(45,097)			(45,097)
<b>Total Income</b>	<b>(85,718)</b>	<b>(11,933)</b>	<b>10,364</b>	<b>(87,287)</b>
Employee Expenses	17,852	202		18,054
Other Service Expenses	58,641	11,694	(10,364)	59,971
Support Service Recharges	0			0
Depreciation, Amortisation and Impairment	4,766			4,766
Interest Payments	3,478			3,478
Precepts & Levies	283			283
Payments to Housing Capital Receipts Pool	450			450
Gain or Loss on Disposal of Fixed Assets	(584)			(584)
<b>Total operating expenses</b>	<b>84,886</b>	<b>11,896</b>	<b>(10,364)</b>	<b>86,418</b>
<b>Group surplus or deficit on the provision of services</b>	<b>(832)</b>	<b>(37)</b>	<b>0</b>	<b>(869)</b>

## **Notes to the Group Accounts**

With the exception of the Cash Flow Statement, to provide consistency with the single entity presentation, there are no specific notes provided for the group accounts as they are not materially different from the Council's notes. The accounts of Ashfield Homes Limited along with the notes are available from the address given in note 6 on the Group Accounts Explanatory Foreword.

### **1. Cash Flow Statement Notes:**

#### **a. Net Cash Flows from Operating Activities**

	2014/15 £'000	2013/14 £'000
Net Surplus or (Deficit) on the Provision of Services-	3,478	869
Adjust net surplus or (deficit) on the provision of services for non cash movements:		
Depreciation and Impairment	8,274	7,030
Adjustments for effective interest rates	0	39
Increase/Decrease in Interest Creditors	106	0
Increase/Decrease in Creditors	(317)	(3,897)
Increase/Decrease in Debtors	(1,325)	938
Increase/Decrease in Inventories	30	(13)
Pension Liability	1,992	2,781
Contributions to/(from) Provisions	(597)	869
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	1,096	1,048
	<b>9,259</b>	<b>8,795</b>
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities:		
Capital Grants credited to surplus or deficit on the provision of services	(3,542)	(1,548)
Proceeds from the sale of short and long term investments	0	0
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(1,001)	(1,183)
	<b>(4,543)</b>	<b>(2,731)</b>

	2014/15 £'000	2013/14 £'000
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**b. Net Cash Flows from Operating Activities (Interest)**

Operating activities within the cashflow statement include the following cash flows relating to interest:

Ordinary interest received	20	60
Interest Received	<b>20</b>	<b>60</b>
Interest charge for year		
Adjustments for differences between Effective Interest Rates and actual interest payable	106	40
Other interest:	0	0
Interest Paid	<b>106</b>	<b>40</b>

**c. Net Cash Flows from Investing Activities**

Purchase of Property, Plant and Equipment, investment property and intangible assets	(14,785)	(7,918)
Sale of short and long term investments	2,559	(8,018)
Long term loans granted	381	0
Proceeds from the sale of property plant and equipment, investment property and intangible assets	1,001	1,183
Other capital cash receipts	75	0
Capital Grants Received	3,542	3,940
<b>Total Cash Flows from Investing Activities</b>	<b>(7,227)</b>	<b>(10,813)</b>

**d. Cash Flow - Financing Activities**

Cash receipts of short and long term borrowing	8,000	10,000
Repayment of Short-Term and Long-Term Borrowing	(2,000)	(5,037)
Collection Fund Adjustment Account	18	(92)
Payments for the reduction of a finance lease liability	(109)	(6)
<b>Total Cash Flows from Financing Activities</b>	<b>5,909</b>	<b>4,865</b>

## **Annual Governance Statement**

### **Annual Governance Statement 2014/15**

#### **Introduction**

As part of the arrangements for preparing the Annual Statement of Accounts, the Council is required by law to undertake an annual review of the effectiveness of its system of internal control and produce an annual governance statement. Good practice requires that such a statement should extend beyond a narrow focus on financial controls to cover the way in which the Council determines what its local community wants and needs; decides how those requirements are to be met; and ensures that it delivers what is required without wasting public money. In other words, the statement is about the Council's corporate governance framework.

#### **How has this Statement been prepared?**

The initial review of the effectiveness of the Council's governance framework was conducted by the Council's Internal Audit Team under the oversight of the Deputy Chief Executive (Resources) who is the Council's Section 151 Officer and who has the statutory duty to ensure that the Council has a sound system of internal control. Individual senior managers reviewed the control arrangements operating across their areas of responsibility and have reported on any areas where the control framework needs to be improved. The findings reported by External Audit and other external review bodies; and the work of Internal Audit and other internal assurance providers were also considered. The results of all this review work were set out in a draft Governance Statement.

The Council's Corporate Management Group reviewed the draft Statement and considered whether the improvements proposed represented an appropriate and proportionate response to the significant governance issues identified. That draft Statement, modified to reflect the views of Corporate Management Group, will be considered by the Council's Audit Committee at its meeting on 22<sup>nd</sup> July 2015, at which, this Statement will be formally approved.

## **What is Corporate Governance?**

Corporate governance generally refers to the processes by which organisations are directed, controlled, led and held to account.

The Council's governance framework aims to ensure that in conducting its business it:

- Operates in a lawful, open, inclusive and honest manner
- Makes sure that public money is safeguarded, properly accounted for and used efficiently, effectively and economically
- Has effective arrangements for the management of risks
- Secures continuous improvements in the way that it operates.

The governance framework comprises the culture, values, systems and processes by which the Council is directed and controlled. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.

A key part of the governance framework is the system of internal control: this is designed to manage the risk of failure to achieve policies, aims and objectives to a level which the Council has determined as acceptable. The effectiveness of internal control is subject to regular review by both external and internal audit and the Annual Report of Internal Audit for 2014/15 provides an opinion on the effectiveness of the internal control system over the year ending 31<sup>st</sup> March 2015.

The Council has adopted a Code of Corporate Governance which is consistent with the principles set out as "proper practice" in the CIPFA/SOLACE publication "Delivering Good Governance in Local Government". A high level summary of the principles can be found below.

## **The Principles**

### **A summary**

## **The Council aims to achieve good standards of governance by:**

1. Setting out its purpose and vision
2. Making sure that everyone understands their role
3. Behaving in accordance with its core values
4. Being open and accountable and exercising effective control
5. Working effectively as individuals and as a team
- 6. Engaging with its stakeholders**

## Putting principles into effect

<b>Principle 1</b>	<b>Principle 2</b>	<b>Principle 3</b>	<b>Principle 4</b>	<b>Principle 5</b>	<b>Principle 6</b>
<b>Focusing on the purposes of the Council and on outcomes for the community and creating and implementing a vision for the local area.</b>	<b>Members and Officers working together to achieve a common purpose with clearly defined functions and goals.</b>	<b>Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.</b>	<b>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</b>	<b>Develop the capacity and capability of Members and Officers to be effective</b>	<b>Engage with local people and other stakeholders to ensure robust public accountability.</b>
<b>This will be achieved by:</b>  Exercising strategic leadership by developing and communicating the Council's purpose and vision and its intended outcomes for citizens and service users.  Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning.  Ensuring that the Council makes best use of its resources and that taxpayers and service users receive excellent value for money.	<b>This will be achieved by:</b>  Ensuring effective leadership throughout the Council and being clear about Executive and Non-Executive functions and the roles and responsibilities of the Scrutiny function  Ensuring that a constructive working relationship exists between Members and Officers and the responsibilities of Members and Officers are carried out to a high standard.  Ensuring relationships between the Council, its partners and the public are clear so that each knows what to expect of the other.	<b>This will be achieved by:</b>  Ensuring that Members and Officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.  Ensure that organisational values are put into practice and are effective.	<b>This will be achieved by:</b>  Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.  Having good quality information, advice and support to ensure that services are delivered effectively and are what the Community wants and needs  Ensuring that an effective risk management system is in place.  Using legal powers to the full benefit of citizens and communities in the area.	<b>This will be achieved by:</b>  Making sure that Members and Officers have the skills, knowledge, experience and resources they need to perform well in their roles.  Developing the capability of people with governance responsibilities and evaluating their performance as individuals and as a group.  Encouraging new talent for membership of the Council so that best use can be made of individuals' skills and resources in balancing continuity and renewal.	<b>This will be achieved by:</b>  Exercising leadership through a robust Scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships  Taking an active, planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery  Making the best of human resources by an active and planned approach to meeting responsibilities to Officers.

## **How the Council Works**

The Council consists of 35 elected Councillors and the way in which it operates is prescribed by its Constitution which sets out the roles and responsibilities of the Cabinet, Committees, Panels and other Groups which have been established and specifies the powers and duties that are delegated to those bodies and to individual Councillors and Officers. The Constitution is subject to regular review and is updated to ensure compliance with legal and regulatory requirements and conformance to recognised good practice. The Council has determined that a Cabinet made up of the Leader and Portfolio Holders should have delegated powers to discharge all functions of the Council which are not reserved to other bodies (e.g. Planning and Licensing Committees) or to the Council itself (e.g. setting Council Tax). The Council has also established a Scrutiny Committee and Scrutiny Panels with the power to review decisions made. The management of the Council is the responsibility of the Chief Executive (Head of Paid Services) supported by the Corporate Management Group (CMG) which comprises the Deputy Chief Executive (Section 151 Officer), Assistant Chief Executive (Monitoring Officer) and the three Directors.

The Council's vision for the District is set out in the Ashfield Sustainable Community Strategy while its Corporate Plan sets out current priorities and supports the development of annual business plans for individual Directorates and Services. A Budget and Policy Framework has been established to ensure that budget and policy decisions are taken in an appropriate manner and the Medium Term Financial Strategy – supported by robust budgeting and budgetary control arrangements ensures that the Council's financial position is sustainable and that a balanced budget is set each year. The Council has established a Performance Management Framework: clear performance targets are set for each Service and performance achieved is subject to regular monitoring using objective performance indicators; every employee undergoes an annual Personal Development Review.

The Council's Risk Strategy sets the way in which risks are identified, evaluated and managed. Risk Registers are maintained and reviewed both by CMG and the Cabinet to ensure that appropriate and timely action is taken to deal with the risks that have been identified. The Council's Internal Audit Team carries out a programme of audits annually to provide assurance about the effectiveness of risk management.

## How do we know our arrangements are working?

### The Governance Framework

Assurance Required Upon	Sources of Assurance	Assurances Received	Opportunities to Improve
<ul style="list-style-type: none"> <li>➤ Delivery of Corporate Plan aims and objectives</li> <li>➤ Services are delivered effectively, efficiently and economically</li> <li>➤ Management of risk</li> <li>➤ Effectiveness of internal controls</li> <li>➤ Democratic engagement and public accountability</li> <li>➤ Budget and financial management arrangements</li> <li>➤ Roles and responsibilities of Members and Officers</li> <li>➤ Standards of conduct and behaviour</li> <li>➤ Compliance with laws &amp; regulations, internal policies and procedures</li> <li>➤ Action plans dealing with significant issues approved, actioned and reported on.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Constitution (inc. Statutory Officers, Scheme of Delegation and Procedural Rules)</li> <li>➤ Overview &amp; Scrutiny Committee and the Scrutiny Panels</li> <li>➤ Internal &amp; External Audit</li> <li>➤ Corporate Performance &amp; Improvement Team</li> <li>➤ Independent external reviews</li> <li>➤ Citizen Panels</li> <li>➤ Council, Cabinet and Committees</li> <li>➤ Medium Term Financial Strategy</li> <li>➤ Performance Management Framework</li> <li>➤ Performance Development Reviews</li> <li>➤ Risk Management Framework</li> <li>➤ Codes of Conduct</li> <li>➤ HR Policies &amp; Procedures</li> <li>➤ Whistleblowing and other counter-fraud arrangements</li> <li>➤ Complaints System</li> <li>➤ Corporate Management Group</li> </ul>	<ul style="list-style-type: none"> <li>✓ External Audit Reports</li> <li>✓ Local Government Ombudsman Reports</li> <li>✓ Surveillance Commissioner Reports</li> <li>✓ Report of the Local Government Association on Ethical Governance Arrangements</li> <li>✓ National Fraud Initiative</li> <li>✓ IT Network Security Testing</li> <li>✓ Statement of Accounts</li> <li>✓ Medium Term Financial Strategy</li> <li>✓ Budget Monitoring</li> <li>✓ Annual Report of Internal Audit</li> <li>✓ Internal Audit Reports</li> <li>✓ Internal Scrutiny Reviews</li> <li>✓ Internal Service Reviews</li> </ul>	<ul style="list-style-type: none"> <li>➤ Understanding of the Council's Financial Position</li> <li>➤ Promotion of positive working relationships between Members and between Members and Officers</li> <li>➤ Delivery of a planned programme of Member Training</li> <li>➤ Increase residents' engagement with Members via Surgeries and social media</li> <li>➤ Address deficiencies identified in the Council's website and intranet</li> <li>➤ Make better use of complaints data to improve quality of service</li> <li>➤ Improve training of benefits staff and make better use of resources to reduce levels of error</li> <li>➤ Assure access to specialist skills required for fraud investigations</li> <li>➤ Assure ongoing delivery of a sustainable high-quality internal audit service</li> <li>➤ Complete outstanding work relating to the Single Status Agreement.</li> </ul>

This Statement builds upon those of previous years: many of the key elements of the governance framework remain in place and are referred to in previous Statements which are available on the Council's website together with a summary of the evidence supporting the effectiveness review. It therefore focuses on key changes to and developments within the Council's governance framework during 2014/15 and up to the date of approval of the Statement of Accounts. The significant issues identified during the effectiveness review are highlighted.

To monitor the effectiveness of the Council's Corporate Governance arrangements, a self-assessment exercise was coordinated by Internal Audit and overseen by the Council's Audit Committee. Third-tier managers and their Directors were required to undertake assessments of the governance, risk management and internal control arrangements within their specific areas of responsibility. Those assessments were subject to quality assurance and challenge by Corporate Management Group before being reported to the Audit Committee.

In addition, the Council is subject to regular external review by a range of statutory bodies: the Council's External Auditor gave an unqualified opinion on the Statement for Accounts and reported that the Council, in 2013/14, had demonstrated a robust control environment with effective governance structures and management oversight; the Local Ombudsman, who deals with complaints made by members of the public, reported on 17 investigations completed since 1<sup>st</sup> April 2014 - none of which found the Council to have behaved improperly; and the Office of Surveillance Commissioners, which oversees the way in which the Council exercises the surveillance powers granted under the Regulation of Investigatory Powers Act 2000, concluded after its most recent inspection that "...there is no reason why Ashfield District Council should not feel that its compliance standards have attained a good level..."

Publication of the Statement allows the Council to meet the requirements of the Accounts & Audit Regulations 2015 to prepare and publish an annual governance statement to accompany the 2014/15 Statement of Accounts.

## **Key Changes and Developments 2014/15**

**April**

The Constitution was revised to provide more transparency about decisions taken and to increase Member accountability.

**July**

A Budget Working Group was established to improve Members' understanding of the decisions required to deliver the Medium Term Financial Strategy and enhance engagement in such decisions.

**September**

The Council's External Auditors confirmed that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources during 2013/14.

A Partnership Protocol was adopted which defines the parameters for acceptable behaviour within which the Council and all of its partners must operate.

## **October**

The Council accepted a report of the Local Government Association which concluded that certain aspects of Member conduct and general business engagement across the political spectrum were having an adverse impact on the workings of the Council. The report was referred to Standards & Personnel Appeals Committee for further consideration.

## **November**

Cabinet approved a revised Medium Term Financial Strategy designed to achieve the financial savings required of the Council. This outcome addressed one of the Key Improvement Issues identified in the AGS for 2013/14

## **December**

The Council's External Auditors gave an Unqualified Opinion on the Statement of Accounts for 2013/14. The External Auditor also made reference to pivotal role of Members in ensuring that future strategic decisions support the delivery of necessary financial savings.

The Council approved changes to the Constitution to permit filming and recording of meetings. This was done so that the Council complied with new regulatory requirements about transparency of decision making.

The Council approved an updated Corporate Plan setting out key improvement activity for the next 12 to 24 months. This was done to clarify understanding of the Council's priorities for meeting the needs of local people within its resource limitations and to support effective business planning.

### **KEY IMPROVEMENT ISSUE**

To ensure that a clear understanding of the Council's financial position informs all strategic decisions taken by Members

The Council approved changes to Grievance and Disciplinary Policies in order to reflect current best employment practice and ensure the equitable treatment of all employees

## February

Cabinet endorsed proposals arising from a Scrutiny Panel Review of Member Surgery arrangements designed to improve the democratic engagement of local residents with the Council and Councillors.

### **KEY IMPROVEMENT ISSUE**

To implement proposals both to increase residents' engagement with traditional Member Surgeries and to enhance scope for engagement by electronic means and through the use of social media

Cabinet was notified on progress in risk management. The number of significant risks to which the Council is exposed was reduced from 23 to 14 over a period of 18 months.

## March

Audit Committee considered two internal audit reports which identified significant issues with the development and maintenance of the Council's website. The issues identified impacted upon the Council's ability to provide timely and accurate guidance whether internally to employees or externally to local residents and other interested parties.

### **KEY IMPROVEMENT ISSUE**

To implement recommendations and address recognised deficiencies in the management of the Council's website and intranet.

## March (continued)

Council approved changes to contract procedural rules to reflect the existence of a procurement partnership with Bassetlaw District Council and the Council's policies on ethical procurement in terms of zero hours contracts; the living wage; blacklisting; etc.

CMG received a report detailing widespread non-compliance with Financial Regulations relating to the proper use of Purchase Orders.

**KEY IMPROVEMENT ISSUE**  
To promote consistent, informed compliance with Financial Regulations.

## April

Following the audit of the Council's Benefit Subsidy Claim, the DWP confirmed that because of errors in claim processing – arising from identified problems of staff training and resource management – grant payments totalling £207,000 were to be withheld.

**KEY IMPROVEMENT ISSUE**  
To address the issues of training of staff processing benefit claims and management of resources available to deal with benefits cases identified through the audit process.

## May

Following the whole Council election 18 of the 35 Members returned were elected for the first time. Following the election there were changes to the political leadership of the Council.

A programme of Member Training commenced. Following an induction evening training sessions were delivered on the role and responsibility of Members and on the Planning process and Members' responsibilities. The programme of training is scheduled to run till February 2016 covering all aspects of a Member's duties and responsibilities.

**KEY IMPROVEMENT ISSUE**  
To ensure ongoing Member engagement with the training programme and to ensure that training delivered is effective.

## May (continued)

The Council approved the:

- adoption of a Member Officer Protocol
- adoption of a Members' Code of Conduct
- adoption of new arrangements for dealing with complaints about Member behaviour; and
- the appointment of 2 co-opted Members to the Standards and Personnel Appeals Committee.

These resolutions represented a full response to the issues raised by the LGA and provide basis for ensuring that Member behaviour does not, in future, impact adversely on the workings of the Council.

This outcome addressed one of the Key Improvement Issues identified in the AGS for 2013/14

### KEY IMPROVEMENT ISSUE

To monitor the effectiveness of the Council's response to the LGA report and to provide such support as might prove necessary to develop positive working relationships across the Council.

## June

Following the arrival of a new Chief Executive, the work has begun to understand the key priorities for the new political administration, and to re-focus the Council to meet those priorities. Initial work is beginning to build a new Corporate Plan, to ensure that key projects and programmes are prioritised, which will both support the future sustainability of the organisation, and support improvements in the quality of life enjoyed by residents. This new Corporate Plan should be in place in October 2015.

A review of complaints management arrangements identified scope to improve service quality through more effective analysis of complaints data.

### KEY IMPROVEMENT ISSUE

To develop appropriate and effective arrangements to analyse complaints data and use the information captured to improve services.

## Emerging Issues

The Council has been informed that, following the establishment of the Single Fraud Investigation Service to pursue welfare and benefit fraud, the Council's benefit fraud investigators will be transferred to the DWP in October 2015. This will leave the Council without any trained investigators to deal with fraud in other areas of its budgets. It has been reported that fraud costs local government more than £2 billion each year and the Government has made clear that it expects all local authorities to do more to reduce the level of fraud and to achieve cashable savings.

### KEY IMPROVEMENT ISSUE

To develop alternative means of accessing the specialist resources required to undertake successful fraud investigations

## **Emerging Issues (continued)**

The Council has been working for an extended period to promote a county-wide Internal Audit Consortium as a way of delivering both a robust, high quality service and cashable efficiency savings. It now appears that the other potential partners do not wish to engage in such a partnership. The alternative of retaining an in-house service with a full-time Internal Audit Manager is not judged to be financially viable.

### **KEY IMPROVEMENT ISSUE**

To identify an alternative means of procuring a sustainable, high-quality internal audit service at an acceptable cost to the Council.

## **Significant Governance Issues**

While the effectiveness review and other developments during the year demonstrate that corporate governance arrangements and the internal control framework are fit for purpose and effective, as part of continuing efforts to improve governance arrangements the following issues have been identified for improvement.

<b>Key Improvement Area</b>	<b>Lead Officer</b>	<b>Target Date</b>
To ensure that a clear understanding of the Council's financial position informs all strategic decisions taken by Members	DCE	Oct 2015
To monitor the effectiveness of the Council's response to the LGA report and to provide such support as might prove necessary to develop positive working relationships across the Council.	ACE	Ongoing
To ensure ongoing Member engagement with the training programme and to ensure that training delivered is effective.	ACE	Ongoing
To implement proposals both to increase residents' engagement with traditional Member Surgeries and to enhance scope for engagement by electronic means and through the use of social media	ACE	Ongoing
To implement recommendations and address recognised deficiencies in the management of the Council's website and intranet.	CE	March 2016
To develop appropriate and effective arrangements to analyse complaints data and use the information captured to improve services.	DCE	March 2016
To address the issues of training of staff processing benefit claims and management of resources available to deal with benefits cases identified through the audit process.	DCE	March 2016
To develop alternative means of accessing the specialist resources required to undertake successful fraud investigations	DCE	March 2016
To identify an alternative means of procuring a sustainable, high-quality internal audit service at an acceptable cost to the Council.	DCE	Dec 2015
To complete outstanding work associated with the Single Status Agreement	ACE	Dec 2015
To promote consistent, informed compliance with Financial Regulations.	DCE	Ongoing
To pursue enhancement in the Council's procurement framework.	SD-Env	March 2016

Signed



**Robert Mitchell, Chief Executive**

Date

**30<sup>th</sup> June, 2015**

Signed

**Councillor Cheryl Butler, Leader of the Council**

Date

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## Glossary of Terms and Abbreviations

**Accounting Period** – The period of time covered by the accounts that is normally the year commencing on 1<sup>st</sup> April and finishing on 31<sup>st</sup> March. The end of the accounting period is the balance sheet date.

**Accrual** – An amount included in the accounts to cover income or expenditure relating to an accounting period but for which payment has not yet been made or received. The concept is that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid.

**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 for the last valuation (experience gains and losses), or
- the actuarial assumptions have changed

**Agency Services** – Services, which are performed by the Council, where the authority legally responsible for the service reimburses the Council (the authority doing the work) for the cost of the work.

**Amortisation** – The reduction in the value of an asset over its useful life.

**Arms Length Management Organisation (ALMO)** – A related organisation established to manage a specific activity, in this case to manage the Council's housing stock.

**Ashfield Homes Limited** – An arms length management organisation that manages the Council's housing stock.

**Assets Held for Sale** – Those assets that are actively being marketed with the expectation that disposal will occur within a 12 month period.

**Balance Sheet** – A statement of the recorded assets, liabilities and other balances as they stand in monetary terms, at the end of an accounting period.

**Billing Authority** – A local authority responsible for collecting the Council Tax and National Non-Domestic Rates from within its district boundaries (the Council is a billing authority).

**Budget** – A statement defining the Council's financial plans over a specified period of time (usually an accounting period 1<sup>st</sup> April to 31<sup>st</sup> March).

**Business Rates/ Non Domestic Rates (NDR)** – Income collected from business ratepayers, based on a national rate in the pound set by Central Government multiplied by the rateable value of the premises they occupy. This rate is collected by the billing authority on behalf of Central Government and is redistributed from the billing authority's NNDR pool between itself, Central Government and Nottinghamshire County Council and Nottinghamshire Fire and Rescue Authority.

**Capital Expenditure** – Expenditure on new assets such as land, buildings and other structures or on the enhancement of existing assets so as to significantly prolong their useful life or increase their market value.

**Capital Financing** – The raising of money to pay for capital expenditure. Methods include borrowing, leasing, using capital receipts, government grants or contributions, major repairs reserve or from revenue contributions.

**Capital Financing Charges** – The annual costs to services for the use of assets comprising depreciation, leasing charges and other costs of funding capital expenditure.

**Capital Receipts** – The income from the sale of council houses, buildings, land and other assets. A proportion of capital receipts can be used to finance new capital expenditure, within rules set down by central government, but they cannot be used to finance revenue expenditure.

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

**Code** – The Code refers to the code of practice on local authority accounting. The code of practice is based upon approved accounting standards and provides the accounting standards under which the Statement of Accounts is prepared. From 2010/11 the Code is based on International Financial Reporting Standards.

**Community Assets** – Assets that may have restrictions on their use and disposal. Examples include playing fields and parks.

**Council Tax** – A tax levied by the local Council, which is the billing authority, on households within its area and distributed to the County Council, Police and Fire Authorities, and to the Council's own General Fund.

**Council Tax Bands** – All domestic properties in a Local Authority's area are valued by Central Government's Valuation Office Agency, and placed in one of 8 bands ranging from A to H. Each Band is averaged out in relation to Band D, Bands A to C paying less, and Bands E to H paying more on an increasing scale.

**Council Tax Benefit** – Assistance provided to adults on low incomes to help them pay their council tax bill.

**Current Assets** – The assets held by an organisation at the balance sheet date that will be used in the next accounting period e.g. inventories, cash and trade receivables.

**Current Liability** – The liabilities held by an organisation at the balance sheet date that will be repaid within the next year e.g. creditors, overdrafts.

**Current Service Cost (Pensions)** - The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

**Defined Benefit Scheme** – A pension scheme where the benefits are set independently of the contributions paid and the performance of the investments in the fund.

**De Minimis** – A term generally used to describe something that is too small to be considered.

**Depreciation** – The measure of the reduction in value of a non current asset due to age, consumption or other reduction in useful life during the accounting period.

**Discretionary Benefits** – Retirement Benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers.

**Earmarked Reserves** – Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.

**Expected Rate of Return on Pension Assets** – For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

**Fair Value** – The amount for which an asset could be exchanged; or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

**Financial Instruments** – Contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another.

**Finance Lease** – A lease that transfers all of the risks and rewards of ownership of an asset to the lessee.

**Formula Grant** - The main grant paid by central government to a local authority towards the costs of all its services.

**General Fund** – The main revenue fund of the Council. Day to day spending on services is met from this fund. The exception to this is for the provision of Council dwellings which is met from the Housing Revenue Account.

**Housing Benefit** – Allowances paid to persons on low income to meet, in whole or part, their rent. The Local authority pays the benefit but most of the cost is refunded by central government through rent allowances for private sector tenants and the rent rebate element of housing subsidy for the Council's own tenants.

**Housing Revenue Account / (HRA)** – This is a statutory account which covers all revenue expenditure and income related to the provision of Council dwellings. It includes an optional sub – division, the Housing Repairs Account.

**Housing Subsidy** – The Government grant paid to housing authorities towards the cost of providing, managing and maintaining Council dwellings.

**Impairment** – The reduction in the market value of a non current asset due to significant changes in the market (i.e. Introduction of new technology), obsolescence, or damage, etc.

**Intangible Assets** – Assets that do not have physical substance but are identifiable and controlled by the Council, e.g. IT software.

**Interest Cost (Pensions)** – For defined benefit schemes, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

**IFRS** – International Financial Reporting Standards. Guidelines and rules set by the International Accounting Standards Board (IASB) that companies and organisations can follow when compiling financial statements.

**Long Term Borrowing / investment** – Borrowing / investments repayable after more than one year.

**Long Term Receivables** – Amounts due to the council more than one year after the Balance Sheet date.

**Minimum Revenue Provision (MRP)** – The minimum amount that must be charged against the Council's revenue accounts each year, as a provision to repay borrowing and finance leases.

**Manage and Operate Partnership (MOP)** – the agreement to undertake highways work in partnership with neighbouring Authorities and Nottinghamshire County Council.

**Net Book Value** – The amount at which non-current assets are included in the balance sheet, i.e. their historic value or current valuation less depreciation.

**Net Realisable Value** – The open market value of an asset in its existing use.

**Non Current Assets** – Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year, for example, land, buildings and equipment.

**Non – Distributed Costs** – Overheads for which no specific user benefits and are not apportioned to services.

**Non – Operational Assets** – Non-current assets held but not currently used by the Council in delivering services; for example property surplus to requirements or land awaiting sale or redevelopment.

**Operating Lease** – An operating lease is a rental agreement that places all of the risks and rewards of ownership of an asset with the lessor.

**Operational Assets** – Non-current assets held and used in delivering services.

**Past Service Cost** - For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

**Precept** – The amounts of tax that the Council is required to raise through Council Tax on behalf of other authorities for services they provide in the Billing Authority's area.

**Precepting Authorities** – Those Authorities who are not Billing Authorities, e.g. “major” Authorities such as the County Council and Police and Fire Authorities and “local Precepting Authorities” such as Parish, Town or Community Councils.

**Projected Unit Method** - An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is one in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners, deferred pensioners and their dependents, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

**Provision** - An amount set aside to provide for a liability that it is likely will be incurred but the exact amount and the date on which it will arise are uncertain.

**Public Works Loan Board (PWLB)** – A Central Government agency, that provides loans to Local Authorities.

**Related Party Transactions** – A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

**Reserve** – An amount set-aside for a specific purpose in one financial year and used to meet expenditure in future years. There are two types of reserves, usable and unusable reserves. Usable reserves are those reserves that can be applied to fund expenditure or reduce local taxation. Unusable reserves are other reserves, such as the revaluation reserve, that arise from accounting requirements

**Residual Value** – the net realisable value of an asset at the end of its useful life.

**Retirement Benefits** – All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

**Revenue Expenditure Funded from Capital under Statute (REFCUS)** – Spending on items normally classed as revenue but which are defined by statute as capital e.g. improvement grants.

**Revenue Expenditure** – Spending on day-to-day items, including, salaries and wages, premises costs and supplies and services.

**Revenue Support Grant (RSG)** – Contribution from Central Government towards the cost of local authority services.

**Scheme Liabilities** – The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities are measured using the projected unit method to reflect the benefits that the employer is committed to provide for service up to the valuation date.

**Service Reporting Code of Practice (SeRCOP)** – The SeRCOP provides refers to the code of practice on local authority financial reporting to stakeholders. The SeRCOP is based on International Financial Reporting Standards.

**Short Term Borrowing/ Investments** – Borrowing and investments repayable on demand or within one year.

**Statement of Recommended Practice (SORP)** – The previous accounting standards prior to the adoption of IFRS that governed the Statement of Accounts within Local Authority Accounting in the United Kingdom.

**Tangible Assets** – Assets with physical substance.

**Trade Payables (Creditors)** – An amount owed by the Council for work done, goods received or services provided but for which payment has not yet been made.

**Trade Receivables (Debtors)** – An amount owing to the Council but for which money has not yet been received.

**Useful Life** – The period over which the local authority will derive benefits from the use of a tangible non-current asset.

**Vested Rights** – In relation to a defined benefit scheme, these are:

- for active members, benefits to which they would unconditionally be entitled on leaving the scheme
- for deferred pensioners, their preserved benefits
- for pensioners, pensions to which they are entitled

They include where appropriate the related benefits for spouses or other dependants.

**Work In Progress / WIP** – the cost of work done on an uncompleted project as at the Balance Sheet date.