



# Statement of Accounts

2019/2020

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## **Narrative Report**

### **1. Background to the Narrative Report**

The Accounts and Audit (England) Regulations 2015 introduced a requirement for Local Authorities to publish an annual narrative report to accompany its Statement of Accounts. The purpose of the narrative report, which replaced the explanatory forward in the Statement of Accounts, is to comment on the Council's financial performance and economy, efficiency and effectiveness in its use of resources over the financial year. The Narrative Report summarises what Ashfield District Council spent in 2019/20, how it was spent and what has been achieved in line with the Corporate Priorities. It provides a narrative context to the accounts by presenting a clear and simple summary for residents, of Ashfield's financial position and performance for the year and its prospects for future years.

## **2. Introduction to the Narrative Statement by the Corporate Finance Manager (Section 151 Officer)**

I am pleased to present Ashfield District Council's Statement of Accounts for the year ending 31<sup>st</sup> March 2020. The Statement aims to provide information to all stakeholders (residents, local businesses, Councillors, partners, members of the public) so that they can:

- Understand the overall financial position of the Council and the Outturn for 2019/20
- Have confidence that the Council has used and accounted for public money in an appropriate manner
- Be assured that the financial position of the Council is sound and secure

This Statement of Accounts has been prepared and published in accordance with the Code of Practice on Local Authority Accounting 2019/20 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Accounts and Audit Regulations 2017.

This Narrative Report also includes details of the operational performance and key achievements of the Council during the financial year as well as details of financial performance for 2019/20. Also included is an explanation of the various financial statements within the Statement of Accounts to aid navigation through what is quite a technical document, the format and content of which is prescribed by the Code which applies and interprets adopted International Financial Reporting Standards to Local Authority accounts.

The Statement of Accounts should be read in the context of continuing demand and cost pressures on the services provided by the Council, and the level of resources available to fund them. There remains significant uncertainty about the level of future Government funding pending the outcome, timing and impact of the delayed Spending Review, Fair Funding Review, the future level of Business Rates retention and the Business Rates re-set, and the future of New Homes Bonus funding. The Government has already indicated that 2021/22 is now likely to be a one-year settlement and whilst this is understandable given current circumstances, it does severely hamper longer term financial planning. This funding uncertainty is further compounded by the uncertainty of the future financial impact of the Covid-19 pandemic on our local economy and the national approach the Government will take to recover from the significant financial consequences of the Covid-19 pandemic.

The pressures on Council services will continue to rise and the future financial position of the Council will be dependent on its ability to manage demand with reducing resources. The Council is progressing implementation of its Digital Services Transformation Strategy, which along with review of current services and service level provision, and the identification of opportunities for additional income generation, will be critical to the

Council's ongoing financial sustainability. Ashfield is not unique in this regard – all Councils face this funding uncertainty.

We know that further challenges lie ahead and the elected Administration working with senior management are making early plans to address these challenges. The 2019/20 accounts demonstrate the Council's success in delivering quality services within budget and this will put the Council in a good position in respect of addressing future financial challenges.

*Pete Hudson ACMA, CGMA*

*Corporate Finance Manager (S151 Officer)*

### **3. Introduction to the District of Ashfield**

Ashfield is situated within North Nottinghamshire and serves a population of approximately 127,151 residents (ONS 2018 mid-year estimates) covering an area of 42 square miles across three towns (Kirkby-in-Ashfield, Sutton-in-Ashfield and Hucknall) and a number of rural villages. The area boasts a mix of beautiful countryside, complemented by award winning urban and country parks. Ashfield is one of seven District Councils in Nottinghamshire.

Ashfield has excellent transport links through the M1 motorway, bus, rail and tram links which makes the area an ideal business location. The District is also within one hour's drive of East Midlands Airport and Doncaster Sheffield Airport.

Ashfield has traditionally relied on the manufacturing sector for local employment but recognises the need to move to a more diverse local economy offering 'high value added' services as well as manufacturing. In 2019 the unemployment rate was 3.3% which is lower than the East Midlands average (3.7%) and the national average (3.9%), however, those in employment on average earn less (£501 per week gross) than the average weekly pay in Great Britain (£587).

The Council is working with its partners to address the skills gap and promote the area as a place to invest, particularly for Creative, Business, Professional Financial Services, Advanced Manufacturing and Knowledge Based Industries; and to connect local people to local jobs.

The Council remains committed to providing good quality housing and has continued to invest in its housing stock. During 2019/20 £4.3m was spent to maintain Council houses to the Decent Homes Standard. As at the 31<sup>st</sup> March 2020 the Council has 6,666 Council dwellings.

Although the rate of building new homes in the District has declined in the last 18 months, new properties do continue to be built and the Council Tax base continues to grow. The majority of properties within the District are categorised at the lowest levels for Council Tax billing purposes, Band A to Band C. Band A: 46%, Band B: 22% and Band C: 18%. Of the £66.345m of Council Tax raised in 2019/20, the Council received £6.221m (9.4%) to help provide residents with the services on which they rely.

#### 4. Governance & Risk

There have been no significant changes in governance arrangements during 2019/20. Details of the Council's governance arrangements, its identified potential risks and the planned mitigation of those risks is set out in the Annual Governance Statement (AGS) which has been reviewed and updated in light of the impacts and response to the COVID-19 pandemic.

The key corporate risks and planned mitigation are shown in the table below:

Corporate Risk	Risk Mitigation
Future financial sustainability	Robust balanced budget for 2019/20. Ongoing work programme with Cabinet/CLT to identify savings and income generating opportunities to address the estimated funding gap: Commercialisation agenda, Digital Services Transformation agenda, service reviews, review of fees and charges, procurement review.
Failure to adopt a Local Plan	A Member Working Group has been meeting regularly. Consultants, where appropriate have been engaged in order to develop the evidence base. Ongoing support from Members to engage in a timely way in the process and their support for the consultation process. Championing from the Chief Executive and Director. A revised timeframe will be needed as a result of delays caused by COVID-19 in particular in relation to the work of consultants in producing the evidence base.
EU Exit	Internal Officer Working Group monitoring impact and headline assessments of potential impacts. Maintenance of a Service Area issues log. Regular briefings to CLT. Input and participation in LRF contingency planning. Largely on hold currently due to the ongoing exit deal discussions and COVID-19. Once a deal is in place, the risks and planning will recommence.
Procurement of new Kirkby Leisure Centre	Working with partners (Sport England and the Local Enterprise Partnership) to secure match funding. Planning Application being considered by Committee on 17 June followed by a report to Cabinet on 30 June to agree to proceed to RIBA stage 4 and seek Council authority for funding.
Delivery of Digital Services Transformation Programme	Temporary external specialists engaged. Internal project delivery resources identified and effective project management in place. Means of funding the various projects is in place. Member Champion



	identified and aligned with Scrutiny Committee work plan.
Investment in Commercial Properties	Regular updates to CLT, Leadership and Audit Committee to monitor existing and new properties. Consultants engaged to provide specialist knowledge regarding the investment market and also to assist with the monitoring of the portfolio. Monitoring through Commercial Investment Working Group (officer group). Member training has been provided. Risks as a consequence of the COVID -19 pandemic will need to be assessed and where appropriate further mitigation work identified.
Data Matching and National Fraud Initiative	A Data Matching Sub Group of the Anti-Fraud Officer Working Group has been established to specifically focus on Data Matching. The Sub Group has an action plan for embedding and improving the Council's Data Matching processes and this will be monitored by the main group. Annual reports to CLT and Audit Committee. The work plan will need to be reviewed in light of the COVID-19 pandemic to identify and catalogue fraud related issues/data matching processes, such as for the payment of business grant monies.
COVID-19 pandemic – risk to be developed as part of recovery work but will cover communities, business, Council finances and ways of working.	Recovery work has commenced which will identify the risk to the Council and the Communities further. Internal structures have been established to oversee the local recovery work as well as play a part in the Local Resilience Forum (LRF) recovery work. An initial Recovery Strategy will be reported to Cabinet on 30 June 2020.

## 5. Corporate Plan

The current Corporate Plan covers the period 2019 to 2023 and was approved by Cabinet in September 2019.

### Vision

The purpose of the Council as set out in the current Corporate Plan is to:

- a. Serve the Communities and Residents of Ashfield;
- b. Provide good quality, value for money services; and
- c. To act strategically and plan for the future, working with others to bring about sustainable improvements in people's lives.

### Priorities

The Council's Priorities as set out in the current Corporate Plan are:

- a. Health & Happiness;
- b. Homes & Housing;
- c. Economic Growth & Place;
- d. Cleaner & Greener;
- e. Safer & Stronger; and
- f. Innovate & Improve

Each Directorate has a number of service areas and each has a Service Plan which supports effective delivery of the Corporate Plan priorities.

### Overall Performance

Corporate Plan progress is monitored through both the successful delivery of key projects and initiatives, and performance achieved against the corporate scorecard.

Overall, the corporate scorecard outturn for April 2019 to March 2020 and despite the outbreak of the Covid-19 pandemic during March indicates the following:-

- 74% of measures achieved or exceeded target, or were within a 10% variance of target.
- 64% of measures indicated an improved position compared to the previous year, or were within 5% of previous year's performance levels.

## 6. Operational Performance / Achievements 2019/20

- Kirkby Leisure Centre - the project is underway to provide a new facility on the Festival Hall site, including a swimming pool, leisure water, sports/ events hall, café and climbing wall.
- The 'Big Ashfield Spring Clean' was delivered during the year resulting in over 2000 tonnes of additional waste being collected, a service very popular with our residents.
- Lammas Leisure Centre won the UK Active Kids Award 2019 and the Lammas Health Hub has been launched, and is being accessed by many groups, supporting individuals living with dementia, autism, and long term health conditions. Free usage of the Health Hub is available to groups that support vulnerable residents.
- Town Centres – Kirkby and Sutton were included in the Government's Towns Fund initiative to access up to £25m each. A bid for Future High Streets funding for Sutton town centre has progressed to the second round, with a draft business case submitted.
- Six Green Flag Awards have been retained for our parks and open spaces, four play areas have been refurbished and a new multi-games area and scooter park installed.
- The first community orchard, the Moorhouse Orchard' was developed on the Lawn at Sutton.
- Hucknall Rotary Community Games event was delivered in partnership with Hucknall Rotary Club: 24 Care leavers have accessed free leisure centre use since July 2019. 3 Carers Roadshows have also been delivered with 122 conversations and 22 referrals.
- Through our Community Engagement Volunteer Policy we now have 185 volunteers registered.
- Feel Good families was launched in May 2019. To date 532 families have signed up, including 1,037 children.
- Non-decent housing stock has remained at 0.18% for the year. This is well below the target of 0.40%.
- We have continued throughout the year to consistently support 100% of our tenants to remain in their tenancy for 6 months or more following completion of their support package.
- The Kirkby Town Centre Masterplan was completed in February of this year.

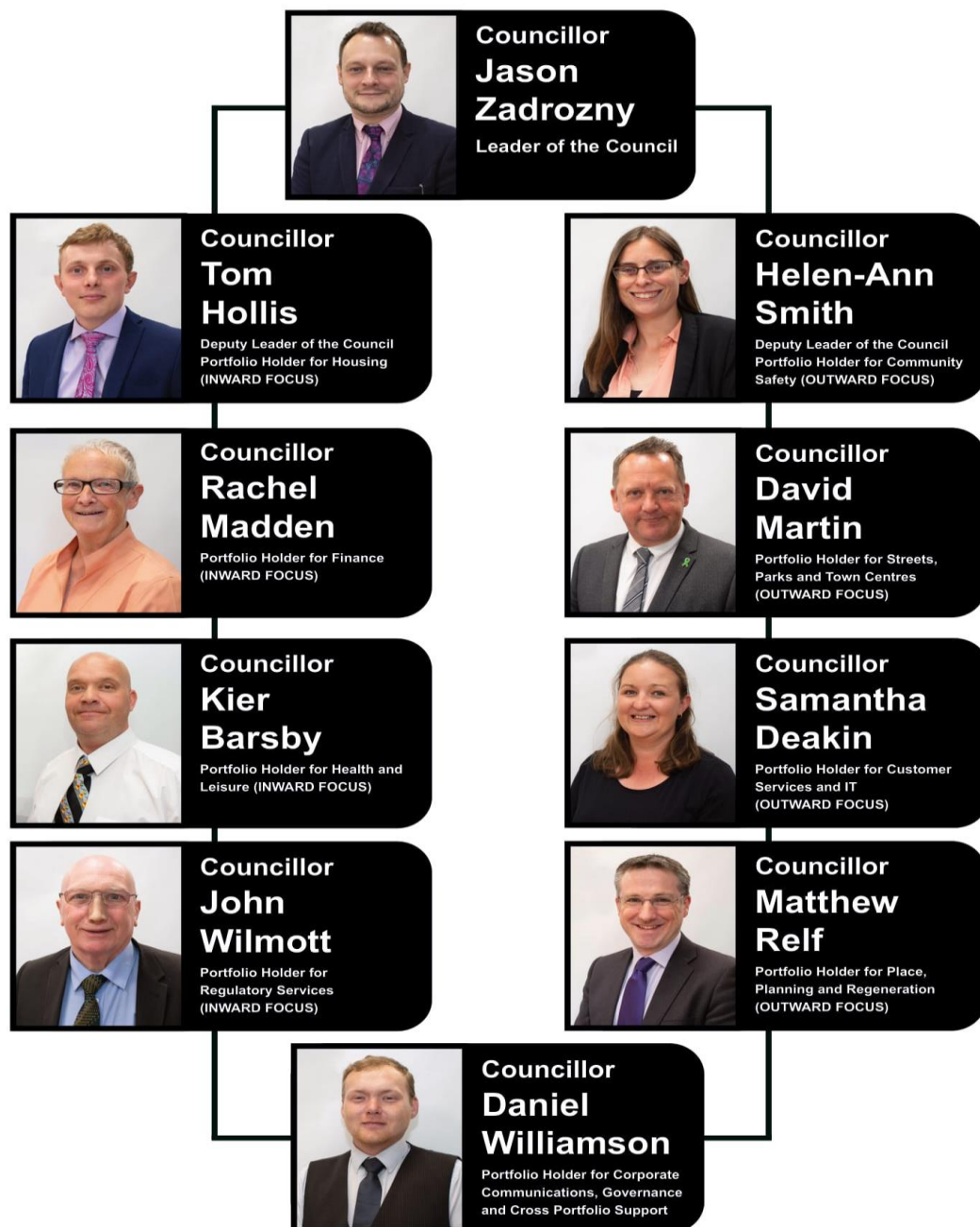
- The Kirkby and Sutton Towns Funding consultations have now completed, with over 1,400 responses in total, with results being published in the near future.
- Idlewells indoor market occupation has significantly increased to almost 100% pre-Covid-19 pandemic.
- The HLF funded project for Kings Mill Reservoir progresses, the dredging contract has now been completed and demobilised. Work to decommission protective cages has been added which will be implemented Jan – Feb 2021. The café refurbishment has been completed with some remedial works still to complete.
- Planning applications continue to be processed well above nationally prescribed standard targets, with all major applications being processed within 13 weeks.
- All dilapidated commercial buildings on the DEP list have received some form of intervention over the year.
- The number of resident generated reports of dog fouling during the year has seen another 10.7% reduction compared to last year.
- 2019/20 has seen a reduction in fly tipping incidents by 11.5% compared to last year, which is a first following a five year rise of incidents Districtwide.
- Anti-social behaviour - Work is taking place with Nottinghamshire Victim Care to make Ashfield District Council a victim case hub. Local Area Tasking Meetings have been taking place to increase identification and active targeting of offenders and hotspot locations.
- CCTV – Police and Crime Commissioner Funding was approved for re-deployable CCTV in Ashfield with three new cameras having been purchased.
- We have successfully acquired £61.77m of commercial investment property to date, delivering much needed annual (gross) income of £4m to support the delivery of key services within our 2020/21 budget and MTFS.
- The success of the Customer and Digital Transformation Programme continues to show. The average call waiting time has continued to decrease over the year. Online payments continue to show a significant increase, 10% compared to last year.
- Our new online payment 'e-store' was launched in January 2019. The e-store offers customers the choice of online payment for over 160 of the Council's paid for services. Nearly half of businesses across the District are now signed up for e-billing, a 30% increase on last year.
- Ashfield was the only Council Landlord named in Housing24's Top 50 UK Landlords 2019.
- Our Housing Service achieved upper quartile performance when benchmarked against other housing providers in re-letting void properties, minimising arrears and overall customer satisfaction.

## 7. Organisational Delivery

### Political Structure

The Council consists of 35 Councillors, controlled by the Ashfield Independents (30) with 3 Conservative and 2 Labour Councillors. In May two of the former Ashfield Independent Councillors became non-aligned Independent Councillors. The Council's Cabinet comprises of ten Councillors:

## Cabinet Structure



Within Ashfield there are two parishes, Selston Parish Council and Annesley & Felley Parish Council who provide additional services to residents within their respective boundaries. The JUS-t Neighbourhood Plan was made for a substantial part of the Parish of Selston following a referendum in October 2017. Currently no neighbourhood plan has been adopted by Annesley & Felley Parish Council.

The Teversal, Stanton Hill and Skegby Neighbourhood Forum brought forward a Neighbourhood Plan for Teversal, Stanton Hill and Skegby, which was also made in October 2017. The Forum has been re-designated for a further five years following a decision of the Cabinet on 27<sup>th</sup> January 2020.

### **Management Structure and Workforce**

The Council's management structure – the Corporate Leadership Team (CLT) is documented in the Council's Constitution and is comprised of the Chief Executive, four Directors and the Corporate Finance Manager (& Section 151 Officer). The CLT is responsible for implementing the Council's strategic goals as determined by elected Members, and for the effective operational delivery and management of Council services.

As at 31<sup>st</sup> March 2020 the Council's workforce comprised 589 employees in post (536.35 full time equivalent posts on the approved staffing establishment).

Since the outbreak of the Covid-19 pandemic in mid-March there has been a significant increase in the number of staff who have been working remotely. Operational staff have ensured that our Tier 1 and 2 (essential) services have continued to be provided and where necessary and appropriate this has included redeployment of some staff into other roles. At the time of writing (12 June 2020) we have not seen an increase in sickness levels adversely impacting service delivery.

During 2019/20 the Council had 18 staff who were trade union officials. During the year these staff spent between 1% and 50% of their working hours on Facility Time. The cost of this was £11,200 and represents 0% (0.07%) of the total pay bill. Time spent on paid trade union activities, as a percentage of total paid 'facility time' was 0%.

### **Key Partnering Arrangements**

Ashfield District Council has key working relationships with the following organisations:

- Mansfield District Council and Newark & Sherwood District Council for owning and operating the Mansfield Crematorium.
- Mansfield District Council for delivering shared services across both authorities (Human Resources & Payroll and Legal Services).
- Broxtowe Borough Council sharing an Estates Manager, whilst Ashfield provides Business Rates processing support.

- J. Tomlinson Ltd, our delivery partner for completing capital improvements to the Council's housing stock.
- Sport & Leisure Management Ltd for operating the Council's leisure centres.
- Nottingham City Council for provision of Procurement services.
- Nottingham City Homes for provision of our outsourced Lifeline (Call Monitoring) Service
- Central Midlands Audit Partnership (CMAP) for the provision of our Internal Audit function.

## 8. Financial Performance 2019/20

### General Fund Revenue Outturn

The General Fund supports the day to day running of the Council's services, excluding Council Housing provision. The table below shows the Outturn by subjective analysis and by Directorate.

	Revised Budget £'000	Outturn £'000	Variance £'000	Note
<b><u>Subjective Analysis:</u></b>				
Employee Expenses	16,985	16,628	(357)	1
Premises Expenses	1,436	1,506	70	2
Transport Related Expenses	905	825	(80)	3
Supplies & Services	5,629	7,350	1,721	4
Transfer Payments	25,761	25,809	48	5
Income	(34,984)	(39,314)	(4,330)	6
Recharges (Net)	(3,241)	(2,979)	262	7
<b>Sub Total</b>	<b>12,491</b>	<b>9,825</b>	<b>(2,666)</b>	
<b><u>Directorate Analysis:</u></b>				
Chief Executive	527	556	29	
Resources & Business Transformation	1,574	511	(1,063)	
Legal & Governance	1,897	1,864	(33)	
Place & Communities	9,382	8,184	(1,198)	
Housing & Assets	2,352	1,689	(663)	
Recharges	(3,241)	(2,979)	262	
<b>Sub Total</b>	<b>12,491</b>	<b>9,825</b>	<b>(2,666)</b>	
<b><u>Financing and Investment Income &amp; Expenditure</u></b>				
Net Interest	111	(143)	(254)	8
Minimum Revenue Provision	1,683	1,362	(321)	9
Capital Expenditure Financed from Revenue	165	70	(95)	10
<b>Sub Total</b>	<b>1,959</b>	<b>1,289</b>	<b>(670)</b>	
<b>TOTAL EXPENDITURE</b>	<b>14,450</b>	<b>11,114</b>	<b>(3,336)</b>	
<b><u>Funding</u></b>				
Government Grants	(1,801)	(1,801)	0	
Business Rates	(4,732)	(5,472)	(740)	11
Council Tax	(6,228)	(6,228)	0	
<b>TOTAL FUNDING</b>	<b>(12,761)</b>	<b>(13,501)</b>	<b>(740)</b>	
<b>Net General Fund Deficit / (Surplus) for the year before transfers to/ (from) Earmarked Reserves</b>	<b>1,689</b>	<b>(2,387)</b>	<b>(4,076)</b>	



Net Contribution to / (from) Earmarked Reserves	(1,556)	1,790	3,346	
<b>Net General Fund Deficit / (Surplus) for the year after transfers to/ (from) Earmarked Reserves</b>	<b>133</b>	<b>(597)</b>	<b>(730)</b>	

Explanations of variances to budget by subjective analysis:

1) Employee Expenses (£357k underspend)

Employee staffing budgets were £992k underspent due to vacancies across the Authority, however, this was partly offset by Agency costs which were £546k higher than budget. Additional training costs of £94k were fully met by income from the Apprenticeship Levy (see below). A number of other small variances accounted for the remaining £5k favourable variance.

2) Premises Expenses (£70k overspend)

The Premises repairs budget was overspent by £54k. Charges for National Non Domestic Rates (NNDR) were £13k higher than budget. A number of other variances made up the remaining £3k overspend.

3) Transport Related Expenses (£80k underspend)

Fuel costs were £32k less than budget, and car mileage and associated lump sum costs were £46k less than budget. Other transport related costs were also £2k below budget.

4) Supplies & Services (£1.721m overspend)

The main reason for this overspend was related to payments to contractors (overspent by £1.217m), however, much of this was met either by grant income and contributions (see below), or by approved allocations from earmarked reserves. These funded overspends included the Rough Sleepers initiative (£400k), the Rapid Rehousing Pathway (£395k), Insurance payments (£123k), and Parliamentary and European Elections (£347k). Other supplies and services budgets were underspent by £48k.

Grants and contributions were also overspent by £526k, but again much of this (support for Domestic Violence prevention £463k) was met by grant income. Other budgets within supplies & services were underspent by £22k.

#### 5) Transfer Payments (£48k overspend)

There was a slight overspend compared to budget for Housing Benefit and Discretionary Housing Payments where the Council paid out more funding than it received from Government. This represents a 0.18% variance on a budget of £25.8m.

#### 6) Income (£4.330m additional income)

The net income over-recovery compared to budget was mainly due to the following:

- Government grants received were in excess of the level budgeted (£2.737m) – Apprenticeship Levy income, Rapid Rehousing Pathway, Elections and Domestic Violence prevention, Future High Streets Fund and Towns Fund grants were received during the year, the majority of this will be spent in 2020/21.
- Additional Planning services income (£229k).
- Contributions to Rough Sleeper initiative (£520k).
- Rental income from Investment and other Council properties (£902k greater than budget).
- Building Control under-achieved income (-£50k)
- Other income variances (-£8k).

7) The net recharges budget under-recovery is due to being unable to recover budgeted levels of recharges due to the reduced cost of services to the Capital Programme and external customers.

#### 8) Net Interest – (£254k underspend)

This is due to an underspend on interest payable of £289k due to less borrowing being undertaken than budgeted due to utilising internal borrowing capacity and due to new loans being taken at lower interest rates than budgeted prior to the recent 1% rate increase in Public Works Loan Board (PWLb) loans. £39k over achievement of interest receivable due to changes in investment balances, and the interest rates compared to budget. This is partially offset by a £74k overspend on interest payable on balances due to changes in balances and interest rates.

#### 9) Minimum Revenue Provision (£321k underspend)

This is the revenue charges that are a consequence of the historic and existing capital programme. This underspend is due to reduced MRP charges in-year, due to slippage on the capital programme in 2018/19 (MRP charges commence the year after the capital expenditure is incurred).

#### 10) Capital Expenditure Financed from Revenue (£95k underspend)

This is due to delays on works for the Kings Mill Reservoir Scheme which was to be funded from reserves which has not been used in 2019/20, now to be used in future years. In addition there was an underspend of on the Retail Improvement Scheme which is funded by S106 Revenue Grants and a small underspend on Brand Lane / Wharf Road Open Space Improvements which is funded by reserves.

#### 11) Business Rates – £740k overachievement of income

This is comprised of:

- £622k estimated returned surplus from the Nottinghamshire NNDR pool for 2019/20 greater than the budgeted returned surplus of £25k;
- £13k returned surplus levy from MHCLG; and
- £461k increase in retained growth.

This is being partially offset by the planned use of £356k from the NNDR equalisation reserve.

#### General Fund Usable Reserves Summary

From 2018/19 to 2019/20 the Council's earmarked reserves increased by £1.785m to £9.670m and the Council's General Reserve increased by £597k to £6.713m.

## Housing Revenue Account (HRA)

The HRA is a ring-fenced landlord's account for the management and maintenance of the Council's housing stock. This account funds both day to day revenue costs as well as funding borrowing costs for capital works to maintain and improve council properties.

The table below shows the 2019/20 Outturn compared to the approved revised budget for the HRA.

	<b>Revised Budget £'000</b>	<b>Outturn £'000</b>	<b>Variance £'000</b>	<b>Note</b>
<b><u>Income</u></b>				
Rents, Charges & Contributions	(24,260)	(24,452)	(192)	1
Interest & Investment Income	(210)	(222)	(12)	2
<b>Total Income</b>	<b>(24,470)</b>	<b>(24,674)</b>	<b>(204)</b>	
<b><u>Expenditure</u></b>				
Borrowing & Capital Financing Charges	3,602	3,807	205	3
Repairs & Maintenance	7,779	7,079	(700)	4
Supervision & Management	4,845	4,674	(171)	5
Interest Payable & Appropriations	3,547	3,547	0	
Other Expenditure	298	214	(84)	6
Direct Revenue Financing	1,483	831	(652)	7
Transfer to / (from) Major Repairs Reserve	1,422	470	(952)	7
<b>Total Expenditure</b>	<b>22,976</b>	<b>20,622</b>	<b>(2,354)</b>	
<b>Surplus for the Year</b>	<b>(1,494)</b>	<b>(4,052)</b>	<b>(2,558)</b>	
<b>Net contribution to / (from) Earmarked Reserves</b>	<b>(202)</b>	<b>(168)</b>	<b>34</b>	<b>8</b>
<b>Net HRA Deficit / (Surplus) for the year AFTER transfers to/from Earmarked Reserves</b>	<b>(1,696)</b>	<b>(4,220)</b>	<b>(2,524)</b>	

The Outturn for the HRA shows an in-year surplus of £4.052m before movement in reserves, bringing the total HRA balance at 31<sup>st</sup> March 2020 to £36.817m.

### Income

- (1) Additional income of (£192k) compared to budget was received from tenants for rental income and chargeable damage and repair works.
- (2) The interest and investment income received is £12k greater than budget due to the slightly higher balances throughout the year in the HRA than budgeted.

## Expenditure

(3) Borrowing & Capital Financing Charges are £205k higher than budgeted mainly due to depreciation charges being £147k greater than planned due to increase in property valuations compared to the when the budget was set in 2019/20. All transport charges were previously charged to the HRA as a consolidated amount (Contract Hire). This is now being accounted for as separate charges of which the depreciation (£58k) is one element. The opposite credit entry will show in Repairs and Maintenance (below in note 4).

(4) Repairs and maintenance budgets are underspent by £700k mainly due to:

- Reduced use of subcontractors in delivering the planned maintenance schemes during the year (£90k).
- Due to the nature of works being undertaken, charging of subcontractors to capital works rather than day to day repairs (£142k)
- Vacancy staff savings within the Housing Repairs operative team, Estate Officer and Energy Performance departments (150k).
- Reduced housing vehicle charges (£121k) partly offset in borrowing and capital financing charges (see note 3 above).
- Reduced use of material expenditure in the day to day repairs (£53k).
- Direct Resource Scheduler and Total Mobile project delayed with some costs passing in to 2020/21 (£103k).
- Reduced waste transfer costs, equipment maintenance and purchase (£32k).
- Other (£9k).

Some of the above reductions in expenditure are attributable to a reduction in repairs in the month of March due to the Coronavirus pandemic.

(5) Supervision and Management costs are £171k less than budget mainly due to:

- Reduced costs of operating and managing Community Centres (£29k)
- Reduced repairs, maintenance and utility costs of Housing Court Schemes (£37k)
- Reduced running costs of the Brook Street office (£24k)
- Reduced printing, postage and telecommunication costs (£36k)
- Vacancy savings in Tenancy Services and Procurement departments (£48k)
- Total Mobile project delayed with no maintenance and support costs incurred in 2019/20. (£30k).
- Reduction in independent support payments (£14k)
- Other (£3k).
- The above underspends were partially offset by £50k unbudgeted spend on the Affordable Housing Delivery Strategy which is financed from the earmarked reserve grant received in 2018/19. (See point 8 below).

(6) Other Expenditure is £84k less than budget due to:

- Refunds on empty properties being charged Council Tax (£17k)
- Reduction in bad debt provision (£45k)
- Housing Subsidy calculation for the financial year was such that the Rent Rebate Subsidy Limitation set aside of £20k is not required.
- Other (£2k).

(7) Direct Revenue Financing was £652k less than budget and the use of the Major Repairs Reserve was £952k less than budget, both due to delays in the implementation of some capital programme schemes and financing of capital through greater than budgeted capital receipts and depreciation.

(8) The transfer from earmarked reserves represents the use of the £50k Affordable Housing Grant (see note 5 above), £171k for the Digital Transformation projects within housing and a transfer of £53k to the HRA Insurance reserve.

#### Capital Programme 2019/20

Details of the main 2019/20 Capital Scheme works and how they were funded are shown in the table below. The notes below the table provide explanations for key variances compared with the revised 2019/20 budgets.

Capital Scheme	Revised Budget	Outturn	Variance	Note
	£'000	£'000	£'000	
<b>Housing Revenue Account</b>				
Management Fee	557	544	(13)	
Catch Up and Future Major Works	4,506	3,956	(550)	1
Service Improvements	65	44	(21)	
Contingent Major Repairs	20	13	(7)	
Exceptional Extensive Works	469	364	(105)	2
Disabled adaptations - Major adaptations	87	95	8	
Disabled adaptations - Minor adaptations	354	366	12	
Investment in New or Existing Dwellings	1,350	799	(551)	3
Housing Vehicles	417	223	(194)	4
Other Housing Revenue Account Schemes (less than £100k)	122	48	(74)	
<b>Total Housing Revenue Account</b>	<b>7,947</b>	<b>6,452</b>	<b>(1,495)</b>	

<b>General Fund</b>				
Kings Mill Reservoir (The King and Miller to Kingfisher)	1,403	778	(625)	5
Piggins Croft Car Park	154	1	(153)	6
Hucknall Leisure Centre	60	63	3	
Leisure Transformation Programme	200	200	0	
Kirkby Leisure Centre	646	378	(268)	7
Friezeland Recreation Ground - Scooter Park	118	118	0	
Investment Properties	45,585	39,091	(6,494)	8
Improvement Grants 1996 Act Disabled Facility Grant (DFG)	900	780	(120)	9
Purchase of Vehicles	2,529	1,924	(605)	10
Titchfield Park Brook	385	66	(319)	11
Kirkby Footpaths/Cycle Ways	131	100	(31)	12
Other General Fund Schemes (less than £100k)	746	453	(293)	13
<b>Total General Fund</b>	<b>52,857</b>	<b>43,952</b>	<b>(8,905)</b>	
<b>Total Expenditure</b>	<b>60,804</b>	<b>50,404</b>	<b>(10,400)</b>	
<b>Funding</b>				
Major Repairs Reserve	4,978	4,237	(741)	
Borrowing	49,549	37,367	(12,182)	
Government Grants and Other Contributions	3,076	2,180	(896)	
HRA Revenue Contributions	1,483	831	(652)	
Reserve Contributions	232	70	(162)	
Capital Receipts	1,486	5,719	4,233	
<b>Total Funding</b>	<b>60,804</b>	<b>50,404</b>	<b>(10,400)</b>	

- (1) Delays in progressing works due to inability to access some dwellings, tenant refusals, access licences delays etc; some scheme costs (net) less than anticipated.
- (2) Again, delays in progressing works due to inability to access some dwellings, tenant refusals, access licences delays etc; some scheme costs (net) less than anticipated.
- (3) Suitable properties are only purchased as they are identified at an appropriate price.
- (4) Replacement programme stalled during Housing review and the review of size of vehicles required. Further delays whilst the Nottinghamshire Transport Consortium reviewed and awarded the van supply contract. Further delayed by the impact of the Covid-19 pandemic during March.

- (5) The work programme for the project is over two years. The Covid-19 pandemic restrictions has delayed further procurement and contract work.
- (6) Project underspent due to the project being postponed to await the potential impact from another regeneration project.
- (7) Japanese Knotweed works were less than budget and spend on professional team fees was less than anticipated during the financial year.
- (8) Suitable properties are only purchased as they are identified at an appropriate price.
- (9) The DFG team completed 14 more schemes in 2019/20 compared to the previous year. However, the average value of these schemes was lower.
- (10) Delivery of a couple of vehicles has been delayed due to the Covid-19 pandemic. They remain in the bodybuilders while the Dealership remains closed. Several, further vehicles have been identified for replacement but ordering has been delayed due to the process of awarding the van supply contract through the Transport Consortium and then the successful dealership being closed since the 23rd March due to the Covid-19 pandemic.
- (11) The capital spend has been delayed due to complications in securing planning / flood risk approval.
- (12) Underspend is due to delays caused by three back to back storms in the run up to year end.
- (13) The majority of the works on these schemes have been deferred to 2020/21.



## Balance Sheet

### **Property, Plant & Equipment (PPE)**

The value of PPE has decreased by £0.125m to £297.374m as at 31<sup>st</sup> March 2020. This small decrease is due to increases in revaluations and new additions being more than offset by depreciation, disposals and impairment in the year.

Council dwellings are valued utilising the East Midland Adjustment Factor, as required by Government. This Adjustment Factor reduces the value 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.

### **Investment Properties & Assets Held for Sale**

The Council acquired 5 further Investment Properties during 2019/20 increasing the balance sheet portfolio value by £36.013m; this included an in-year valuation decrease of £3.077m largely due to the write down in value of costs of purchase costs. The former Asset Held for Disposal in Glenrothes was sold during 2019/20 with net disposal proceeds of £5.539m.

### **Long Term Provisions**

The value of Long Term provisions increased by £480k from £1.824m to £2.304m at the end of March 2020. The main provision within this is £1.970m in respect of Business Rates appeals.

### **Pension Liability**

The Council is a member of the Nottinghamshire County Council Pension Fund. The Pension Liability decreased by £1.846m to £92.892m at 31<sup>st</sup> March 2020 largely due to changes to the financial and demographic assumptions as advised by Barnett Waddingham, the Council's Pensions Actuary, and to reflect the pension payments made during 2019/20.

## 9. Outlook

### Budgets and Funding

There is significant uncertainty about the level of funding the Council will receive beyond 2020/21 pending the outcome and impact of the following:

- The impact of the Covid-19 pandemic
- The next Spending Review – now expected to be for one year only as a consequence of the pandemic
- Fair Funding Review
- Business Rates – future levels of retention and clarification of what will happen around the baseline re-set
- Future of New Homes Bonus funding and distribution methodology

It is anticipated that a key outcome of the above will be a redistribution of resources to address the national social care pressure in both Adults' and Children's services and as District Councils do not provide these services, District Councils' resources will reduce.

Ashfield District Council, like most Councils, receives support from Local Government Futures (LG Futures) and has used their resource forecasting model and the Council's own forecast expenditure requirements to estimate the anticipated funding gap for the next two financial years. Notwithstanding the uncertainty brought about by the aforementioned factors, the estimated funding gap for 2021/22 is £1.1m and for 2022/23 is £1.2m.

As set out in the Council's 2020/21 Budget Setting Report robust plans are in place to identify options and implement actions to address the future estimated financial challenge. This includes a line by line review of all of the Council's budgets and Medium Term Financial Strategy (MTFS) assumptions, a review of fees and charges and income generating opportunities, a review of procurement and contracting arrangements, a review of services and future service delivery options and delivery of financial efficiencies from the investment in technology via the Council's Digital Transformation Strategy. Work has already commenced with the Council's Cabinet to progress this work.

The Council has a strong track record of setting a balanced and deliverable budget and this robust approach will continue with the future development of the Medium Term Financial Strategy to ensure the Council's ongoing financial sustainability.

The Medium Term Financial Strategy will be updated and re-presented to Cabinet in Autumn 2020 to reflect the 2019/20 Outturn and progress on identifying savings to help close the estimated funding gap.

Since the implementation of Universal Credit across Ashfield, the Council like other Councils, has noticed an increase in the level of rent arrears. The impact of the Covid-19 pandemic has adversely impacted the financial circumstances of many residents with increasing numbers accessing Universal Credit support. This may further affect levels of rent arrears. The Council has been proactive and has put resources in place to support tenants to help them avoid falling into arrears and thereby aim to optimise levels of rent collection.

We hope that the Government will fund in full the additional costs and lost income brought about by the Covid-19 pandemic, however, in the event that this is not the case, the Council has a healthy reserves position to help mitigate this (subject to level of unfunded pressures and the duration of the pandemic).

### Capital Investment

The Council has three key elements included in the capital programme. The first is the plan to invest up to £20m in suitable Investment Properties to generate a rental income stream to help support the continued delivery of Council services to residents. The second is the planned investment in a new Leisure Centre for Kirkby which is now progressing at pace and it is anticipated that a detailed business case will be presented to Council for approval in the summer. The third key area is the continued investment into our Housing stock to maintain dwellings to Decent Homes Standards.

## **10.Explanation of the Financial Statements**

The Statement of Accounts is for the financial year 31<sup>st</sup> March 2020 and as required by the Code, comprises of Core and Supplementary Statements, together with Disclosure Notes. The style and format of the Accounts complies with the local authority accounting standards.

### The Core Financial Statements

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

This Statement records all of the Council's income and expenditure for the year. It includes both the amounts spent on local taxpayer services and also local rent payer services. The top half of the statement provides analysis of spend by Directorate on services that the Council is required to undertake by law (statutory duties such as street cleansing, planning and registration) and discretionary services focussed on local priorities and need. The bottom half of the statement deals with corporate transactions and funding.

#### **Movement in Reserves Statement (MiRS)**

This statement summarises the movement in year on the Council's different reserves. These reserves are analysed into 'useable reserves' (i.e. those that can be used to fund expenditure or reduce local taxation) and 'unusable reserves' which are not available for use to support service delivery (as they relate to gains and losses on statutory adjustment accounts).

#### **Balance Sheet**

The Balance Sheet is a 'snapshot' of the Council's financial position at the end of March 2020. It shows the Council's assets, liabilities, cash balances and reserves at 31<sup>st</sup> March 2020.

#### **Cash Flow Statement**

The Cash Flow Statement shows the reasons for changes in the Council's cash balances during the year, and whether the change is due to operating activities (day to day costs), new investments, or financing activities (such as repayment of borrowing and other long term liabilities).

### The Supplementary Financial Statements

#### **Housing Revenue Account (HRA)**

This Account separately identifies expenditure incurred in the provision, management and maintenance of the Council's housing stock and demonstrates how this has been funded from rents, service charges and other income. In accordance with the Local Government

and Housing Act 1989 this is maintained as a separate account and must operate with a positive working balance.

### **The Collection Fund**

The Collection Fund details all monies due from Council Tax and Non Domestic Rate payers and redistribution of some of these payments to other organisations on whose behalf the Council collects these taxes including the County Council and the Nottinghamshire Police and Crime Commissioner and Fire & Rescue Authorities.

### Annual Governance Statement (AGS)

This Statement sets out the Council's governance structures and its key internal controls.

### Other Key Sections in the Statement of Accounts

#### **Statement of Responsibilities**

This Statement sets out the respective responsibilities of the Council and the Chief Financial Officer.

#### **Accounting Policies**

These Policies explain the treatment and basis of the figures in the accounts in accordance with proper accounting practices.

#### **Notes to the Financial Statements**

These provide additional information on important points included in the Core Financial Statements.

#### **Expenditure and Funding Analysis (EFA)**

This Statement shows how annual expenditure is used and funded from Council resources in comparison with how those resources are consumed or earned by the Council. It also shows how this expenditure is allocated for decision making purposes across the Council's Directorates.

#### **Glossary of Terms and Abbreviations**

Key terms used throughout this Statement of Accounts are more fully explained.

**Further Information**

If you require further information concerning the Council's Accounts please contact:

The Corporate Finance Manager,  
Ashfield District Council  
Urban Road,  
Kirkby in Ashfield,  
Nottinghamshire  
NG17 8DA

Telephone: 01623 457362 or Email: [P.Hudson@ashfield.gov.uk](mailto:P.Hudson@ashfield.gov.uk)

## **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 Corporate Finance Manager;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

I confirm that the Financial Statements were approved by the Audit Committee meeting held on 19th October 2020. Signed on behalf of Ashfield District Council:



Councillor D. Walters  
Chairman of the Audit Committee

### **Responsibilities of the Corporate Finance Manager**

The Corporate Finance Manager 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 2019/20 ("the Code of Practice").

In preparing this Statement of Accounts, the Corporate Finance Manager 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 Corporate Finance Manager 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 2020.



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P. Hudson, ACMA, CGMA  
Corporate Finance Manager & Section 151 Officer  
11th December 2020

## Audit Certificate and Opinion

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

#### Report on the financial statements

##### Opinion

We have audited the financial statements of Ashfield District Council ('the Council') for the year ended 31 March 2020, which comprise the Council Comprehensive Income and Expenditure Statements, the Council Movement in Reserves Statements, the Council Balance Sheets, the Council Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Ashfield District Council as at 31<sup>st</sup> March 2020 and of the Council's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

##### Basis for opinion

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

##### Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of land, buildings, investment properties and Pension fund assets

We draw attention to note 2 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's land and buildings and the valuation of the Council's share of Nottinghamshire Fund's property assets. As disclosed in note 2 of the financial statements, the Council's and Pension Fund's valuers included a 'material valuation uncertainty' declaration within their report as a result of the Covid-19 pandemic creating a shortage of relevant market evidence upon which to base their judgements. Our opinion is not modified in respect of this matter.

##### Conclusions relating to going concern

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

- the Corporate Finance Manager's (& Section 151 Officer) use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporate Finance Manager (& Section 151 Officer) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

##### Other information



The Corporate Finance Manager (& Section 151 Officer) is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

### **Responsibilities of the Corporate Finance Manager (& Section 151 Officer) for the financial statements**

As explained more fully in the Responsibilities of the Chief Finance Officer, the Corporate Finance Manager (& Section 151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Corporate Finance Manager (& Section 151 Officer) is also responsible for such internal control as the Corporate Finance Manager (& Section 151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Corporate Finance Manager (& Section 151 Officer) is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Corporate Finance Manager (& Section 151 Officer) is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

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

We have nothing to report in these respects.

## **Conclusion on Ashfield District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Ashfield District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

### **Basis for conclusion**

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

### **Responsibilities of the Council**

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

### **Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

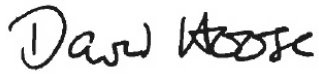
We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating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

### **Use of the audit report**

This report is made solely to the members of Ashfield District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

## **Certificate**

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

A handwritten signature in black ink, appearing to read 'David Hoose'.

**David Hoose**

Partner

For and on behalf of Mazars LLP

Park View House

58 The Ropewalk

Nottingham

NG1 5DW

11 December 2020

## Statement of Accounting Policies

### **1. General Principles**

The Statement of Accounts summarises the Council's transactions for the financial year 2019/20 and its position at the year-end 31st March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed; where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest 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 highly liquid investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the cash flow statement, cash and cash equivalents are shown net of 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 on assets 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 raise 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. These 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 Nottinghamshire Pension Fund 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 net 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) Re-measurement 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 Nottinghamshire Pension Fund - Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement this means that there are 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, which 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.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge 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.

### **b. Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

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

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

### Financial Assets measured at amortised costs

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. 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.

#### **c. Expected Credit Loss Model**

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

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

## **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 (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

### 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. For example, New Homes Bonus funding.

## **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.

During 2019/20, no Council assets met the 'Intangible Assets' definition.

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

The Council has no 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.

### (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 the current year's 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.

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

Inventories are included on the balance sheet at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

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**

The Council does hold properties for investment purposes.

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **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.

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

##### The Council as Lessor

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

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

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

## 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 is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not 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
Investment Properties	Fair value to reflect market conditions at the end of the reporting period
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.

Costs of dismantling assets such as roofs, windows and heating systems in Council Dwellings are included in the costs paid to the main contractor. The main contractor is responsible for the disposal of the dismantled assets. The dismantled assets have been assessed by the valuer as only having a negligible value.

### 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 District. 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 that 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 forerunners 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 are 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.

## **24. Fair Value Measurement**

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

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

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

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

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

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

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