

# BROXTOWE BOROUGH COUNCIL ANNUAL STATEMENT OF ACCOUNTS 2017/18

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## NARRATIVE STATEMENT BY THE CHIEF FINANCE OFFICER

### 1. Introduction - the shape of Broxtowe

Broxtowe Borough Council’s vision is that the borough should be

***“A great place to live, work and enjoy spending leisure time.”***

Near to the city of Nottingham, and with excellent communication and transport links as well as thriving business areas, local Universities and amenities, the Borough is well-placed to fulfil this vision.



Broxtowe is one of the most densely populated districts in the East Midlands with a population of around 110,000 living in an area of 81 square kilometres (approximately 31 square miles). The district is characterised by a largely urban south with the separate settlements of Beeston, Chilwell, Bramcote, Stapleford, Attenborough, Toton and part of Trowell comprising over 60% of the borough’s population. The north of the borough is more rural, with the largest settlements being the towns of Eastwood and Kimberley.

Nearly two thirds of the land in Broxtowe is open countryside with a number of areas preserved as conservation areas. The Council’s Green Infrastructure Strategy, published in 2016, identified 25 green corridors and a wealth of greenspace assets, including urban and rural parks, natural and semi-natural open spaces, allotments and cemeteries along with a rich mix of waterways, lakes and wildlife including the nationally designated Site of Special Scientific Interest, Attenborough Nature Reserve, and parts of the Trent and Erewash Valley river corridors.



The Council’s corporate plan 2016-20, seeks to make the most of these natural assets and transport links focusing on key five priorities to enhance the lives of people living in Broxtowe:

## Our priorities



Our objectives are:



### Housing

- Increase the rate of housebuilding on brownfield sites
- Become an excellent service provider
- Improve the quality and availability of the private sector stock to meet local housing need



### Business Growth

- Increase the number of new businesses starting in Broxtowe
- Help our town centres to compete and attract more visitors
- Complete the regeneration of Beeston Town Centre and seek opportunities to regenerate town centres throughout Broxtowe Borough Council



### Community Safety

- Reduce the amount of anti-social behaviour in Broxtowe
- Reduce domestic violence in Broxtowe



### Health

- Increase the number of people who have active lifestyles
- Work with partners to improve the health of the local population
- Reduce alcohol related harm in Broxtowe



### Environment

- Reduce fly tipping to make Broxtowe cleaner
- Maintain and improve the green infrastructure of Broxtowe
- Increase recycling and composting and energy renewables/efficiency projects as resources allow

Key developments during the year affecting these intended outcomes included:

- 1,098 new houses given planning permission and 324 built in 2017/18 – the highest number since 2008.
- The appointment of a Project Manager to support progress on the Beeston Square Phase 2 development.
- A 13.57% reduction in fly tipping (following a 16% reduction in the previous year) as a result of our successful litter and fly tipping action plan.
- Significant capital improvements to 5 parks and open spaces in Broxtowe with £500,000 agreed for further improvements over the next 2 years.
- Achievement of white ribbon accreditation - confirming the quality of action the Council is taking to reduce domestic violence in Broxtowe.
- Development of a new spa at Bramcote Leisure Centre and 3,372 children booked onto weekly swimming lessons.
- Updates of the Medium Term Financial Strategy and the Business Strategy with a view to identifying potential efficiencies and income generation opportunities to enable a balanced budget to be set.

The Council's income and expenditure is directed towards the support of the Corporate Plan objectives and aims. After a long period of uncertainty over funding, the Council has a clearer path towards a future of self-sufficiency following the Government's decision to provide a four year settlement from 2016/17. By 2019/20 we will receive no Revenue Support Grant directly from central government and be entirely dependent on council tax, business rates and our own income-generation to fund the essential services on which our communities rely. A Fair Funding Review is being undertaken to assess the relative needs and resources of local authorities and determine a new distribution mechanism before local authorities retain 75% of business rates from 2020/21 as opposed to 50% at present. In addition, the Government have announced plans for a Comprehensive Spending Review in 2019.

Addressing this changing landscape will present significant challenges but also bring exciting opportunities for the Council and the residents of the borough. To reflect the format of the Corporate Plan we have structured the financial information underlying the accounts statements in line with these priorities so that it is clear where our resources and efforts to improve performance have been directed during the past financial year.

In overall terms the statements presented within the Council's accounts demonstrate a healthy position for the Borough Council. Despite the challenges during the year, we have maintained our prudent and sensible approach to financial management and we will continue to do so as we move forward with the Corporate Plan.

## 2. Governance – The Changing Shape of the Council

### Governance Structures

In order to strengthen its capacity to meet its key objectives, the Council changed its governance structures in May 2016 with the Cabinet and Scrutiny model replaced with a committee structure. A main Policy and Performance Committee and a Finance and Resources Committee were created to govern policy development, performance and spending. There are four policy committees which, alongside the Planning Committee and the Licencing and Appeals Committee, are designed to drive progress on the key objectives in the Corporate Plan:

- The Housing Committee oversees management of the Council's retained social housing stock of 4,458 properties and ensures that development is managed in a complementary way with the planning function and in partnership with the private sector.
- The Community Safety Committee is tasked with developing, adopting and implementing any policy (other than those policy documents reserved to the full Council or within the remit of any other committee) relating to antisocial behaviour, food hygiene, taxi licensing and public protection strategies.
- The Jobs and Economy Committee focuses on business development and enhancing the town centres within the Borough.
- The Leisure and Environment Committee determines policies to promote artistic, sporting and cultural activities. It is also tasked with organising and implementing twinning and friendship activities, policy on waste management and functions under the Environmental Protection Act 1990.

More details about the operation of the new governance structures of the Council are provided in the Governance Statement which accompanies the Statement of Accounts.

### Liberty Leisure



Liberty Leisure was incorporated on 1 October 2016 and is a wholly-owned company of Broxtowe Borough Council. The Company is overseen by a Board of Directors which consists of one Broxtowe Borough Council elected Member, three Broxtowe Borough Council officers and the Managing Director of the company. Liberty Leisure was established, amongst other things, to:

- provide leisure, sports, cultural and heritage services for the benefit of the public
- ensure sustainability of services by maximising income and by seeking all possible avenues of funding for the services
- promote, maintain and improve access to suitable services, activities and facilities

- improve health and well-being, by promoting increased participation to reduce obesity, anti-social behaviour and the health inequality gap
- promote jobs and strengthen the local economy

The company includes management of, and delivery of services at, Bramcote Leisure Centre and two leisure centres at Kimberley and Chilwell owned jointly with local schools. Ownership of the assets themselves (fully for Bramcote Leisure Centre and jointly for the other two centres) has been retained by the Council.

The company also manages the Council's culture offer through management of the DH Lawrence Museum and events and is responsible for sports development. The Council maintains control over the company through retained decision-making powers and through the scrutiny of the Leisure and Environment Committee which reviews the financial and operational performance of the Company.

As Liberty Leisure is a wholly-owned company of Broxtowe Borough Council, the accounts for the company have been consolidated into the Council's own accounts to form separate group accounts. However, separate financial accounts for the company are filed at Companies House in accordance with the regulations governing Limited Companies. In 2017/18 the company achieved a pre-tax surplus of £0.226m (excluding pension liabilities).

### **Jointly-Owned Operation**

Broxtowe's accounts also include financial information relating to the Bramcote Crematorium Joint Committee.

Bramcote Crematorium is jointly owned by Broxtowe and Erewash Borough Councils. Its operation is overseen by the Bramcote Bereavement Services Joint Committee although the management of all operations is undertaken by Broxtowe Borough Council. The Joint Committee pays a management fee for this arrangement.

In accordance with International Accounting Standard 31, which deals with investments in joint ventures, 50% of the relevant financial transactions of the Bereavement Services Joint Committee have been included in these accounts.

Income decreased during 2017/18 by 2.0% compared to 2016/17 to £1.876m. Expenditure decreased by 26.0% to £0.949m but this was primarily due to reductions in capital charges and central support costs. After deducting financing and investment income, there was a surplus for the year of £0.372m. The levels of usable and unusable reserves at 31 March 2018 increased by £0.224m and £0.148m to £0.666m and £2.856m respectively. The financial statements of the Joint Committee are published separately and were presented to the Joint Committee Meeting of 21 June 2018.

## Pensions

The Council makes payments into the Nottinghamshire County Council Pension Fund, which, in turn, provides members with benefits related to their previous pay and service with the Council. In 2017/18 the Council (including Liberty Leisure) made a contribution equivalent to 14.4% of pensionable pay (plus an additional £0.691m) into the Pension Fund to help ensure there are sufficient resources with the Pension Fund to meet future liabilities.

The Council took advantage of the opportunity offered by the Pension Fund to pay the lump sum element for the years from 2017/18 to 2019/20 in a single payment of £2.07m in April 2017 rather than the total £2.122m due over the three year period. The sum paid will be allocated over the three year period in the Council's accounts.

The contribution rate is determined by the Pension Fund's Actuary based on an actuarial valuation every three years. The latest revaluation took place in 2016. Details about how the costs are identified and financed are given in note 43 to the accounts while the value of the Council's net liability in the Pension Fund is detailed within the Balance Sheet. The extent to which this liability will impact on council tax and rent levels is reflected in the latest actuarial valuation of the Pension Fund. Based on the actuarial valuation as at 31 March 2016, the Council will make a contribution of 14.4% of pensionable pay plus an additional £0.707m into the Nottinghamshire County Council Pension Fund in 2018/19.

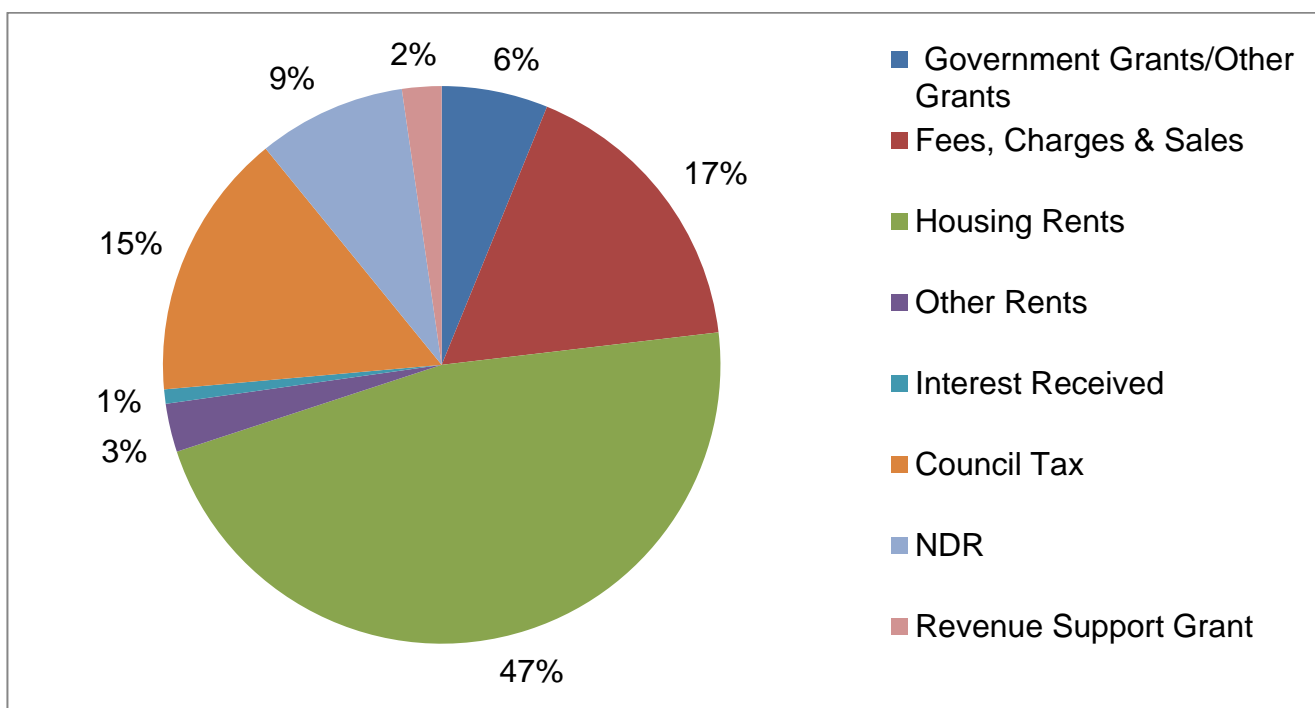
## 3. Spending and performance

This section provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main characteristics of the Council's financial and business performance over the year.

### Income and Expenditure on Services

The biggest pressure on Council incomes is the continued reduction of Revenue Support Grant, which reduced by 43% between 2016/17 and 2017/18 and is set to fall to zero by 2019/20. This means that the Council is now far more dependent on income from its business operations, Council Tax, and business rates. Income from housing rents forms the largest source of income but this is reserved for spending on housing only. Figure 1 shows the overall balance of income in 2017/18. As in 2016/17, 17% of the Council's income was derived from fees, charges and sales.

Figure 1: Sources of income 2017/18



Changes on spending highlight the increased focus in 2017/18 on the corporate objectives but also reflects the extent to which the Council is generating income from new sources or from enhancements to existing services: income from trade waste and garden waste collection, for example, and rental income from the Beeston Square Phase 1 development.

Table 1 shows the balance of spending on corporate priorities compared to 2016/17. The most significant change is in respect of Health where the Council has from 1 October 2016 paid a management fee to Liberty Leisure for the provision of leisure and cultural services rather than provide this itself.

Table 1: Changes in gross expenditure 2016/17 to 2017/18

<b>Gross expenditure</b>	<b>Actual 2017/18 (£)</b>	<b>Actual 2016/17 (£)</b>	<b>Change (£)</b>
Strategic Housing	601,835	593,364	8,471
Housing	2,490,106	596,434	1,893,672
Housing – Exceptional Item	0	(32,436,063)	32,436,063
Environment	6,878,046	6,967,200	(89,154)
Business Growth	1,826,063	1,955,339	(129,276)
Community Safety	2,428,281	2,317,818	110,463
Health	2,679,727	4,765,877	(2,086,150)



Further explanations of the increase in Housing gross expenditure can be found below and details of the 2016/17 exceptional item can be found on page 99.

The management of the Council's finances in 2017/18 means that we have retained sufficient balances to help meet our financial challenges over the coming years while maintaining spending at the levels required to deliver the desired standard of service. At 31 March 2018 the Council has general reserves of £6.054m and earmarked reserves of £0.245m, which amounts to £6.299m in total. This compares to a total of £5.548m as at 31 March 2017.

The Council's Medium Term Financial Strategy as presented to the Finance and Resources Committee on 15 February 2018 indicated that savings of £1.000m per annum would be required from 2019/20 to 2021/22 if the Council were to maintain adequate balances through to the end of that period. The 2017/18 outturn as set out below along with the savings commitments that have been identified in the Business Strategy and employee savings programme provide a firm basis for addressing the Council's financial challenge. An updated Medium Term Financial Strategy incorporating the 2017/18 and other recent changes will be presented to the Finance and Resources Committee on 11 October 2018.

## **Financial Performance**

The outturn presented to the Council's Finance & Resources Committee on 12 July 2018 reports a net revenue budget under-spend of £2.159m on services. This represents a positive outcome, particularly considering the decline in direct funding of £5.048m between 2010/11 and 2017/18 that the Council has had to address.

There has been a small negative movement on Non-Domestic Rates income although this will be offset by an increased surplus on the Collection Fund for subsequent years. While this appears to be an unfavourable variance, it is the result of timing differences rather than a decrease in business rates income. In 2017/18 Broxtowe experienced a reduction in business rates income from anticipated levels such that the Council paid a growth contribution of £500,050 compared to an anticipated growth contribution of £543,350.

Since April 2013 the Council has had a more direct relationship with local businesses through the retention of a greater share of business rates generated locally. However this increases the risks to the Council's finances as changes in the amount of business rates collectable can have a significant impact on our income. To help mitigate such risks and to maximise funding opportunities, the Council is a member, along with other Nottinghamshire local authorities, of the Nottinghamshire Business Rates Pool. The pool generated a surplus during the year which will provide Broxtowe with an additional £153,950 income that was not budgeted for and also generated income of £2,695,000 for investment in economic development initiatives across Nottinghamshire.

Tight financial control along with the continued implementation of measures in the Business Strategy during the year has resulted in reduced costs and/or increased income across the five priority areas during 2017/18. Table 2 shows the actual net spend compared to the budgeted spend.

Table 2 – General Fund financial performance 2017/18

<b>General Fund (excluding Bramcote Bereavement Services)</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Difference</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Net Expenditure on Services	10,676	8,517	(2,159)
Funded by:			
Collection Fund	(5,362)	(5,362)	0
Revenue Support Grant	(802)	(808)	(6)
Non Domestic Rates	(2,779)	(3,012)	(233)
Council Tax Collection Fund surplus	(85)	(85)	0
	(9,028)	(9,267)	(239)
Net Balance for Year	1,648	(750)	(2,398)
Transfer to/(from) Other Reserves	(570)	(558)	12
Balance Brought Forward	(4,746)	(4,746)	0
Balance Carried Forward	(3,668)	(6,054)	(2,386)

The main savings/underspendings against the revised budget resulted from:

- an underspend of £1.085m on minimum revenue provision for outstanding debt following a review that identified an overprovision in previous years and opportunities to adopt an annuity as opposed to equal instalment approach under the approved asset life method.
- income of £0.323m from the Council's wholly owned trading company (Liberty Leisure) for the use of central support services that had not been allowed for in 2017/18. This has been allowed for going forward in the 2018/19 budget.
- income from certain activities being higher than the budget including an additional £0.094m from interest on investments as well as an additional £0.059m and £0.032m from planning fees and garden waste respectively.
- Government grants to reflect additional burdens placed on local authorities including £0.065m for Planning and £0.107m for Electoral Services.

- items that were in progress at the year-end but where the projects will not be completed until 2018/19 including £0.080m on the examination of the Part 2 Local Plan and £0.050m for the production of a house building delivery plan.

These were partly offset by:

- expenditure of £0.145m on specialist advice and support in respect of an external investigation. Given the areas examined by the external investigation, £0.109m of these costs has been met from the Housing Revenue Account for which the 2017/18 outturn is summarised below.
- expenditure of £0.136m on one-off costs.

In addition to spending on strategic housing through the Council's general resources, the Council also operates a Housing Revenue Account (HRA) which captures all rental income and spend on managing the council's housing stock and looking after tenants. Whilst there was a net overspending of £0.284m in 2017/18 when compared with the revised estimate for the year, there was an overall surplus of £1.388m in 2017/18 which will ensure that more resources are available for funding improvements in the housing stock in the coming years. Table 3 shows the financial performance on the HRA for the year:

Table 3: Housing Revenue Account financial performance 2017/18

HOUSING REVENUE ACCOUNT	Revised budget 2017/18	Actual 2017/18	Variance from budget	
	£	£	£	%
Expenditure	10,883,265	11,996,330	1,113,065	10.2
Income	(16,359,000)	(16,408,814)	(49,814)	(0.3)
Other HRA Operating Expenditure and Income	3,804,150	3,024,849	(779,301)	20.5
<b>Deficit/(Surplus)</b>	<b>(1,671,585)</b>	<b>(1,387,635)</b>	<b>283,950</b>	<b>16.9</b>

The main savings/underspendings against the revised budget resulted from:

- an underspend of £0.537m on revenue contributions to planned capital expenditure that was due to take place in the year but will now be delivered in 2018/19.
- an underspend of £0.204m on borrowing costs due to a greater than anticipated use of short-term loans at low rates of interest and to a required regulatory change in the methodology for allocating borrowing costs between the General Fund and the HRA.
- An underspend of £0.072m on premises costs, particularly at Retirement Living schemes.

These were more than offset by

- an overspend of £0.162m on employee costs due primarily to the appointment via an agency of Senior Housing Management, one-off costs and the use of sub-contractors to cover for vacant Housing Repairs posts.
- an overspend of £0.104m on supplies and services, including £0.129m on the write off of invoices for former tenants arrears and rechargeable works that are no longer considered collectable.
- an additional £0.137m grounds maintenance recharge following detailed analysis intended to ensure that the recharge reflects more accurately reflect the resources dedicated to this activity.
- additional capital charges of £408,050 which are almost entirely a consequence of the revaluation of the housing stock at 31 March 2017.

### **Business performance**

In terms of business performance, we did well against our five priorities in terms of our critical success indicators and key performance indicators. The Council is always seeking continuous improvement in the delivery of services and the Corporate Plan is designed to encourage this by focusing on key areas of activity. This will require investment in, for example, the regeneration of Beeston Town Centre, the expansion of services to support healthy lifestyles through Liberty Leisure, the development of new affordable homes and in improvements to the Council's parks and open spaces.

Some performance highlights for 2017/18 were:

- Council Tax collection rates have continued to improve. Over the last two years we have seen an improvement from 98.40% (2015/16) to 98.54% (2017/18)
- NNDR collection is, at the end of 17/18, at its highest rate ever of 98.76%
- Over recent years benefits processing times have significantly improved with a reduction from 21 days to 12.6 days over a three year period in New Claims. Change in Circumstances processing has also improved from 7 to 5 days in the same period
- Rent arrears reduced by 13.64% when comparing April 2017 and April 2018
- 100% of food safety inspections were completed in the year, a significant improvement on the previous year's performance
- 29,247 more people attended leisure facilities during the year than in the previous year – an indication of success in increasing the number of people with active lifestyles in Broxtowe
- 21.64 fewer kilos of waste per head of population were collected in 17/18 compared with the previous year

- 495 more households subscribed to the garden waste collection service compared with the previous year and an additional £32,989 was generated in trade waste income thanks to an increase in businesses served by our scheme

There were a few areas where performance has not been as good as targeted – including employee absence rates, where an exceptional increase in long term sickness rates resulted in figures of 11 days per head absence and average council house re-let times rose from 25.8 days to 35.4 days. This was mostly due to some retirement living properties proving harder to let. Figures relating to levels of crime and disorder in Broxtowe are provided by the Police, however, since methods of recording crime have changed significantly the figures for 17/18 are not directly comparable with the previous year.

In addition under the Housing priority nearly all policies have been reviewed and updated. The results of a major review of the Retirement Living service are being evaluated and a house building delivery plan is to be established. Under Business Growth, plans for a major development of Beeston Town Centre are progressing and the Part 2 Local Plan will be subject to examination in 2018/19. Under Environment, the Green Infrastructure Strategy continues to be implemented.

Progress against these and the indicators for all priorities will continue to be monitored in 2018/19.

More detail on performance relating to the Council's five priorities is available in a pull-out section of Broxtowe Matters, published in June 2018. Copies are available on the Council's website at [www.broxtowe.gov.uk/councilpublications](http://www.broxtowe.gov.uk/councilpublications).

## 4. Spending on assets in 2017/18

The Council's capital spending is on items which are of use beyond the year being accounted for, such as improvements to council dwellings, housing renovation grants, improvements to recreation grounds, environmental improvements, vehicles and plant, computer equipment and industrial development. Further details can be found in note 15 to the accounts.

In 2017/18 the Council funded capital items to the value of £6.503m. This compares with a budget of £7.700m after taking account of items carried forward from 2016/17. The net underspending of £1.197m (15.5%) was mainly due to expenditure on schemes being carried forward into the following year, many of which were outside the Council's control.

In 2017/18, £0.157m of capital receipts (including items brought forward from 2016/17) were used to finance capital expenditure, the balance of the expenditure being matched by funding from the Housing Revenue Account Major Repairs Reserve (£3.900m), borrowing (£0.444m), direct revenue funding (£1.263m) and other grants (£0.739m).

Total loans repayable by the Council to external parties at 31 March 2018 for capital spending (including accrued interest but excluding loans relating to Bramcote Bereavement Services) amounted to £98.698m. This included £66.446m in respect of the one-off debt settlement that arose from the introduction of self-financing within the Housing Revenue Account in March 2012.

In overall terms, capital expenditure decreased in comparison with 2016/17 by around £11.288m. This was primarily due to the £7.586m purchase in 2016/17 of the lease for Beeston Square from Henry Boot PLC.

This Council's share of capital expenditure in respect of Bramcote Bereavement Services amounted to £0.067m in 2017/18. This represented a small reduction on the expenditure of £0.073m in 2016/17, The 2017/18 capital expenditure was mainly incurred on a refresh of the flower viewing walls (£0.024m) and improvements to the memorialisation area (£0.023m). This capital expenditure was financed entirely from internal funds.

In order to reflect changing property prices the Council's property assets are revalued on the basis of a 5-year revaluation programme – which is to say that all assets are revalued at least once every five years.

Council dwellings are valued on the existing use value - social housing (EUV-SH) basis using an appropriate discount factor. The discount factor used to value Council dwellings at 31 March 2018 was 42% as set out in the updated Guidance on Stock Valuation for Resource Accounting published in November 2016. The valuation of the housing stock at 31 March 2018 resulted in a total gain of £6,966m whilst the valuation of other property assets at 31 March 2018 resulted in upward revaluations of £0.371m and downward revaluations of £0.134m. Further details on these revaluations can be found in notes 15 and 41 to the accounts.

The increase in the value of other property asset was primarily due to a revaluation of the buildings at Beeston Square. This resulted in an increase in value of £0.166m. There were also increases in the value of the buildings at the cemetery chapels at Stapleford (£0.064m), Beeston (£0.041m) and Chilwell (£0.026m).

There was a reduction of £0.035m in the value of the cemetery chapel at Eastwood and of £0.069m in the value of the site at 32, Stoney Street, Beeston adjacent to the Sainsbury supermarket.

## 5. Outlook

On 15 February 2018 an updated Medium Term Financial Strategy (MTFS) was presented to the Finance and Resources Committee that highlighted a potential shortfall in resources of £1.530m from 2018/19 through to 2021/22. This was based upon a number of significant assumptions including the achieving of unidentified savings of £1.000m per annum from 2019/20 onwards as well as generating a further £0.300m per annum from savings on vacant posts over the duration of the MTFS.

One of the measures taken by the Council in response to this was to commission the Local Government Association Council to undertake a brief desktop review in order to assess the situation and suggest areas for further review to assist the Council in addressing the challenging financial environment that it faces. The review focused upon the General Fund as the Housing Revenue Account is considered to be in a reasonably healthy position. It was undertaken by Alan Gay OBE (a former Finance Director and Section 151 Officer at Leeds City Council) and his findings were presented to the Finance and Resources Committee on 26 April 2018. He identified the following seven areas that the Council should consider to

determine whether savings could be achieved through reductions in expenditure or increases in income:

- Minimum Revenue Provision (MRP) Policy
- HRA/General Fund Review
- Review of Charges/New Charges
- Capital Receipts
- Council Tax
- Collaboration
- Benchmarking

Each of these areas are being examined in detail by Council officers and an update is to be provided to the Finance and Resources Committee on 12 July 2018.

One of the areas identified by Alan Gay OBE that has produced immediate benefits for the Council has been a review of the MRP policy. The Council engaged its treasury management advisors (Arlingclose) to examine the provision made in previous years for the repayment of principal associated with the Council's borrowings and whether an alternative approach could be adopted in future years. The Council's external auditors have been consulted on this.

The Arlingclose analysis found that a significant over-provision for MRP had been made in previous years in respect of borrowing for capital expenditure incurred prior to the introduction of new regulations in 2008 due to not applying a reducing balance approach. This in association with a move to an annuity based as opposed to equal instalment approach to more accurately reflect the time value of money resulted in an underspend in 2017/18 of £1.085m as set out above. The adoption of the reducing balance and annuity based approaches, consistent with the MRP Policy for 2018/19 approved by the Finance and Resources Committee on 15 February 2018 and by Council on 7 March 2018, should result in further savings in 2018/19 and the years immediately following this.

The allocation of costs between the General Fund and the Housing Revenue Account (HRA) has been carefully scrutinised as part of the production of the 2017/18 final accounts to ensure that the basis for these allocations is both transparent and appropriate. One activity where an increased charge has been made to the HRA is grounds maintenance to more accurately reflect the resources dedicated to this.

As the Council now has its own trading company for the provision of leisure and cultural activities in Liberty Leisure, the company utilises a number of the Council's central support services and pays for these accordingly. This has produced additional income of £0.323m in 2017/18 and these central support services will continue to work with Liberty Leisure to ensure that the services provided to the company represent value for money in 2018/19 onwards.

Further positive gains have been made from Bramcote Bereavement Services. The accounts show a revenue account balance of £402,630 at 31 March 2018 which represents an increase of £197,488 on the balance at 31 March 2017. This has enabled the distribution to the Council from Bramcote Bereavement Services to increase from £280,000 in 2017/18 to £400,000 in 2018/19.

Liberty Leisure also achieved a positive outturn for 2017/18 in its first full year of operation. The management fee paid by the Council to the company for 2018/19 will be £1.030m as opposed to £1.161m in 2017/18 and it is anticipated that the continuation of positive outturns for Liberty Leisure should create opportunities to reduce the management fee even further in future years.

The Council has a Business Strategy designed to ensure that the Council is:

- Lean and fit in its assets, systems and processes
- Customer focused in all its activities
- Commercially-minded and financially viable
- Making best use of technology

The Business Strategy is comprised of a range of initiatives across all areas of the Council to either reduce costs or generate additional income and designed to ensure that the best use is being made of available resources. An updated Business Strategy was presented to the Policy and Performance Committee on 21 November 2017. This is presently being refreshed to reflect recent developments and a revised version was presented to the Finance and Resources Committee on 12 July 2018.

The Council appointed a Commercial Manager in February 2017 and she has played a key role in the production of the Commercial Strategy 2017 – 2020 and accompanying Action Plan that were approved by the Policy and Performance Committee on 3 October 2017. This is aligned with the Corporate Plan 2016-2020 and the Business Plans that are approved by the respective committees each year as well as with the Economic Regeneration Strategy.

The Council will be carefully monitoring developments as the move to greater localisation of business rates in April 2020 comes closer. The Council is a member of the Nottinghamshire Business Rates Pool and, in association with the other Nottinghamshire local authorities, will be looking to apply to be a pilot for 100% localisation of business rates from 2019/20.

The General Fund balance at 31 March 2018 was £6.054m. This was significantly greater than the figure projected of £4.016m as reported in February 2018 and reflects measures taken to address the Council's financial position. The Medium Term Financial Strategy will be updated to reflect the 2017/18 outturn and other recent changes including those set out above. This will be presented to the Finance and Resources Committee on 11 October 2018.

Work will continue to be undertaken across all areas to ensure that the Council is equipped to meet the challenges ahead and can do so in a sustainable manner based upon a sound financial footing.



## 6. The Statement of Accounts

The Council's statutory accounts for the year 2017/18 are set out on pages 31 to 36. They have been compiled in accordance with accounting policies that comply with the relevant recommended accounting practices and are set out in the notes to the accounts from page 37 onwards.

The financial statements consist of:

- the Statement of Responsibilities – which sets out the responsibilities on the authority and the Interim Deputy Chief Executive (as the chief financial officer).
- the Movement in Reserves Statement – which shows the movement in the year on the different reserves held by the authority, analysed between those that are usable and other reserves.
- the Comprehensive Income and Expenditure Statement - the summary revenue account, covering income and expenditure on all services and showing how they have been financed. This shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. However, the Council is required to raise council tax on a different accounting basis.
- the Balance Sheet - which sets out the financial position of the Council as at 31 March 2018.
- the Cash Flow Statement - which summarises the total movement of the Council's funds.
- the Housing Revenue Account - which shows income and expenditure on council housing.
- the Collection Fund - which includes income received by the fund from council tax payers, business rate payers and central government and the payments made by the fund to Broxtowe Borough Council, Nottinghamshire County Council, Nottinghamshire Police Authority, Nottinghamshire Fire Authority and Parish/Town Councils.
- Group accounts incorporating the financial performance of Liberty Leisure Ltd which is wholly owned by the Council.

These accounts are supported by the Statement of Accounting Policies and various notes to the accounts, both of which follow the Cash Flow Statement. In addition, an Annual Governance Statement, presented to the Governance, Audit and Standards Committee on 26 March 2018, has been included. The accounts for 2017/18 are presented in a form that is based upon the best accounting practices recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The accounts include all of the Council's financial activities and also incorporate 50% of the activities of the Bramcote Bereavement Services Joint Committee.

The Council's accounts for 2017/18 were initially issued and certified by Zulfiqar Darr (Interim Deputy Chief Executive) on 31 May 2018 for submission to the auditors. The final audited accounts were presented for approval to the Governance, Audit and Standards Committee on 23 July 2018 in accordance with the Accounts and Audit (England) Regulations 2015.

## 7. Further Information

Further information about the accounts is available from the Interim Deputy Chief Executive, Council Offices, Beeston. This is part of the Council's policy of providing full information about the Council's affairs.

## ANNUAL GOVERNANCE STATEMENT

### Corporate Values

The Council’s governance arrangements are reflected in our corporate values which are:

- Integrity and professional competence
- A strong caring focus on the needs of communities
- Continuous improvement and delivering value for money
- Valuing employees and enabling the active involvement of everyone
- Innovation and readiness for change.

### Competency Framework and Employee Performance Appraisal

These values are consistent with the SOLACE/CIPFA governance code and act as the basis for the Council’s competency framework and the assessment of individual employee performance appraisal.

### The Constitution, Standing Orders and Delegated Authority

The Council’s Constitution sets out the roles of members and officers and the terms of reference of the Council’s committees. Officer’s delegated powers to take decisions are set out in this document, as are the protocols and codes of conduct regulating the way employees and members should behave and relate to each other, and how debate is conducted at Council meetings. Limits of financial expenditure are set out in standing orders and in standing orders relating to contracts.

The main checks and balances on the respective power of officers and members is summarised in the table below. The table provides some of the key ways in which officers and members are held accountable to local residents. Website links are made to where you can find further information.

<b>Officer checks/balances</b>	<b>Member checks/balances</b>	<b>Accountability to residents</b>
<ul style="list-style-type: none"> <li>• Officer delegations within Constitution</li> <li>• Pay Policy underpinned by Job evaluation policy</li> <li>• Disciplinary Policy</li> <li>• Employee Code of Conduct</li> </ul>	<ul style="list-style-type: none"> <li>• Elections</li> <li>• Independent Remuneration Panel</li> <li>• Members Allowances scheme</li> <li>• Governance Audit and Standards Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Broxtowe Matters Annual Report</li> <li>• Public Questions at Council Meetings</li> <li>• Petitions at Council Meetings</li> <li>• Community Trigger for Anti-social Behaviour</li> </ul>

Officer checks/balances	Member checks/balances	Accountability to residents
<ul style="list-style-type: none"> <li>• Statutory Officers (Chief Executive head of paid service; deputy chief executive section 151 officers; Monitoring Officer; Chief Information Officer-Interim Strategic Director</li> <li>• Financial standing orders within Constitution</li> <li>• Contract standing orders within Constitution</li> <li>• Fraud Prevention Policy</li> <li>• Treasury Management policy</li> <li>• Business Continuity Plans</li> <li>• Whistleblowing Policy</li> <li>• Strategic Risk Register</li> <li>• Risk Management Policy</li> <li>• Health &amp; Safety Policy; Procedures; Health and Safety Group</li> <li>• Information Management Arrangements</li> <li>• Staff engagement exercises</li> <li>• Complaints and compliments procedure</li> <li>• Licensing and Appeals Committee (employment and grievance appeals)</li> <li>• Statement of Internal Control (SIC)</li> </ul>	<ul style="list-style-type: none"> <li>• Statutory Officers (Chief Executive head of paid service; deputy chief executive section 151 officers; Monitoring Officer; Chief Information Officer-Interim Strategic Director</li> <li>• Questions to Committee chairs at Council meetings</li> <li>• Member code of conduct</li> <li>• Reports at Council by Members of Outside Bodies at Council meetings</li> <li>• Ward Member reports at Council meetings</li> <li>• Public Consultations</li> <li>• Register of Members Interests</li> <li>• Community Action Team Meetings</li> <li>• Declaration of interests at all meetings</li> <li>• Protocol for Councillor/Officer Relationships</li> </ul>	<ul style="list-style-type: none"> <li>• Communications Strategy 2015-18</li> <li>• Open Data</li> <li>• Transparency framework</li> <li>• Publication scheme</li> <li>• Publication of Committee decisions</li> <li>• Tenant and Leaseholder Matters</li> <li>• Broxtowe Parks Standard</li> <li>• Public satisfaction surveys</li> <li>• External audit annual letter to Governance at Audit committee</li> <li>• Internal and external audit progress reports at Governance and Audit Committee</li> <li>• Periodic external inspections e.g. EFLG/IIP/IIE/LGA</li> <li>• Peer review</li> <li>• Benchmarking through APSE/ CIPFA/SOCITIM/ Housemark</li> <li>• Finance Data online</li> <li>• Licensing and Appeals Committee ( Taxi, alcohol, licensing matters)</li> <li>• Commenting on Planning applications and speaking to Planning Committee</li> </ul>

## Corporate Plan and Business Plans

The Council's Corporate Plan sets out the Council's Vision and Priorities.

The Council's vision is "*Broxtowe... a great place where people enjoy living, working and spending leisure time.*"

The Council has five priorities each of which are set out below, each with a number of objectives:

- 1. Housing 'A good quality affordable home for all residents of Broxtowe'**
  - *Increase the rate of house building on brownfield sites*
  - *Become an excellent housing provider*
  - *Improve the quality and availability of the private sector housing stock to meet local housing need*
  
- 2. Environment 'The environment in Broxtowe will be protected and enhanced for future generations'**
  - *Reduce litter and fly tipping to make Broxtowe cleaner*
  - *Maintain and improve the green infrastructure of Broxtowe*
  - *Increase recycling, composting, renewables and energy efficiency projects as resources allow and reduce residual waste*
  
- 3. Community Safety 'Broxtowe will be a place where people feel safe and secure in their communities'**
  - *Reduce domestic violence in Broxtowe*
  - *Reduce the amount of anti-social behavior in Broxtowe*
  
- 4. Business Growth 'New and growing businesses providing more jobs for people in Broxtowe and improved town centres'**
  - *Increase the number of new businesses starting in Broxtowe*
  - *Help our town centres to compete and attract new visitors*
  - *Complete the regeneration of Beeston Town Centre and seek opportunities to regenerate town centres throughout Broxtowe.*
  
- 5. Health 'People in Broxtowe enjoy longer active and healthy lives'**
  - *Increase the number of people who have active lifestyles*
  - *Work with partners to improve the health of the local population*
  - *Reduce alcohol related harm in Broxtowe*

## Strategy and Policy Framework

Within each priority area, a range of strategies and policies are devised to guide the decision making of officers and members. These are approved by the respective committees (see below) apart from those which are reserved for full Council for determination.

## Decision-making Structures

The Council has adopted a committee system, which means that all the political parties are represented within the decision making committees. Neither the Leader of the Council or the Chairs of Committees have executive power, which enables decision making to take place in a democratic fashion with scrutiny taking place as part and parcel of decision making. The Council may set up task and finish or working group arrangements to come forward with proposals for policy development or on topics which members consider require further investigation and enquiry.

- The full Council decides upon policy and certain other specialist functions that cannot be delegated elsewhere, including the setting of the Council Tax.
- The Policy and Performance Committee, which includes the Chairs of all other policy committees, has overall responsibility for developing and delivering policies of the Council and monitoring progress against the objectives of the Corporate Plan.
- The Finance and Resources Committee has responsibility for reviewing the Council's budget and financial management and makes recommendations to Council with regard to the setting of Council Tax.
- Committees mirror the Council's main priority themes of Community Safety; Housing, Jobs and Economy, and Leisure and Environment. These are allocated authority by the Council to develop and deliver policy within their specific remit set out in the constitution.
- Separate quasi-judicial committees exist for Planning, Licensing and Appeals, Alcohol and Entertainments.
- Matters relating to governance and standards are dealt with by the Governance, Audit and Standards Committee. The role of this committee is particularly relevant to the operation of the SOLACE/CIPFA code and is set out in more detail below:

## Role of the Governance, Audit and Standards Committee

The role and operation of the Governance, Audit and Standards Committee is in line with a toolkit and publication produced by CIPFA entitled Audit Committees – Practical Guidance for Local Authorities. Specific functions delegated to this Committee include:

- Overseeing the arrangements for the maintenance of the Council's internal control environment and to receive reports of the Monitoring Officer and Chief executive in relation to whistleblowing and complaints
- Undertaking the functions conferred in relation to standards of conduct by the Local Government Act 2000 and the Localism Act 2011 and associated legislation
- Reviewing and approving the Council's published accounts and associated documents
- Overseeing the Council's arrangements for risk management

- Monitoring and making recommendations regarding the Council's corporate governance arrangements
- Determining employment policies
- Considering matters in relation to elections, polling districts and ward boundaries.

In addition, the Committee reviews Internal Audit Plans and the work of Internal Audit and receives summary reports on the findings from completed audit assignments.

- Two joint committees exist – the Economic Prosperity, which consists of the Leaders of all councils in Nottinghamshire to consider countywide development matters; and the Bramcote Bereavement Service Joint Committee which oversees the operation of Bramcote Crematorium, which is jointly owned with Erewash Borough Council.
- Two internal committees recommend changes to employee policy pay and conditions – the Local Joint Consultative Committee which considers employee related matters and the Independent Remuneration Panel, which considers matters relating to the remuneration of members. The Independent Remuneration Panel reviewed members' allowances in January 2018 and took into account the changes in the role of members under the new structure. The panel recommended increases in basic allowances and review of allowances for some specific roles. Full Council received the report of the panel's findings on 7 March 2018 but did not accept the recommendations, which would, if adopted, have increased allowances.

Delegation arrangements to officers are set out in detail within the Constitution. In order to ensure that decisions are made in compliance with the law and approved policy, Chief Officers are charged with operation of controls within their areas of responsibility and for statutory functions as necessary responsibility for the. They make an annual declaration of compliance through the annual statement of internal control.

Regular meetings take place between relevant senior officers and members of the Council to discuss and propose policy.

The Constitution also includes sections on the conduct of meetings, Financial Regulations, Financial Regulations (Contracts) and Codes of Conduct for members and officers.

An external investigation was commissioned by the Policy and Performance Committee to look into integrity concerns relating to officer conduct (16 November 2016). An Ad Hoc Committee was set up to consider further action following the external investigation.

The Council established a wholly owned leisure services company, Liberty Leisure Limited, from October 2016. These arrangements have delivered cost reductions and increased income though the company operating as a commercial entity and opportunities to better fulfil the Council's aims through increased flexibility in day-to-day operations. Full control of the company is maintained by the Council through the governance arrangements that are in place, with the Leisure and Environment Committee maintaining an oversight of the company. Liberty Leisure Limited has continued to provide a wide range of leisure and cultural activities and generates a surplus trading position.

A Shared Services Board, chaired by the Chief Executive, meets regularly to keep shared service arrangements under review. Steps were taken to tighten control over shared services arrangements in 2017/18 and an annual report highlighting the value of these arrangements is presented to the Policy and Performance Committee.

### Strategies, Policies and Business Plans

The Council has a suite of strategies, policies and business plans which mirror its corporate priority themes and ensures that service delivery follows a clearly set out, politically approved and strategically led approach.

### Electoral Arrangements

In 2017/18 there was a parliamentary election, in addition to elections to the County Council.

The Council made representations to the Boundary Commission for England on its proposals for a review of parliamentary constituency boundaries which will seek to reduce the number of constituencies from 533 to 501 and the number of MPs from 650 to 600. Commissioners will decide whether to revise the initial proposals in light of comments received during the two consultation stages. The Commission is due to publish its final report in September 2018, with the new arrangements coming into effect for the next scheduled parliamentary elections.

Efforts continued to increase the number of registered electors, particularly the under-represented groups, and also the accuracy of the register through data matching. Work has commenced on a new engagement strategy to increase registration further.

### Statutory Officers

The Council's statutory officers are the Chief Executive (as the 'Head of Paid Service'), the Interim Deputy Chief Executive (as the 'Section 151 Officer') and the Interim Monitoring Officer. All three officers are members of the General Management Team and have the authority to place reports in front of an appropriate member body where an aspect of concern and within their statutory remit comes to their attention. In particular, they are responsible for ensuring that the Council acts within the law and in accordance with established policies and procedures. The Section 151 Officer is specifically responsible for the proper discharge of financial arrangements and must advise the Council where any proposal might be unlawful or where expenditure is likely to exceed resources.

Regular discussions are held at weekly meetings of the General Management Team about issues where governance is of concern and periodically a specific discussion takes place to identify areas of concern on the horizon, whether these may arise from such as legislative changes, changing service demands, political matters or financial problems, risk assessment that has been undertaken and any changes in the risk environment in which the Council is operating, and matters to be reported to future committees.

The Interim Deputy Chief Executive is the appointed Section 151 Officer and is a key member of the General Management Team (GMT). Being part of GMT, together with meeting with leading members and attending full Council, Policy and Performance



Committee, Finance and Resources Committee and other appropriate committees, as required, ensures that the Section 151 Officer can provide corporate financial advice to the Council at the appropriate level and that financial implications and risks are properly taken into account.

All reports to decision making committees incorporate a statement on financial implications where appropriate which are subject to review by the Section 151 Officer and the Head of Finance Services. As such the Council's financial arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

The Section 151 Officer's responsibilities include ensuring that GMT and senior members are made aware of any financial issues at the earliest opportunity and making sure that these are acted upon as appropriate.

The Interim Monitoring Officer also attends GMT. Part of their responsibilities include ensuring that any legislative changes are known about and implemented as appropriate, together with monitoring that the Council does not act unlawfully.

Chief Officers are responsible for ensuring that legislation and policy relating to service delivery and health and safety are implemented in practice. Each Chief Officer signs a Statement of Internal Control to acknowledge responsibility in maintaining and operating functions in accordance with the Council's procedures and practices that uphold the internal control and assurance framework.

In 2017/18 the Statements of Internal Control were reviewed to determine whether any further strengthening of the control environment can be achieved. Any areas identified have been addressed or are part of ongoing development of increased controls to be implemented during 2018/19.

### Audit and Control

The Chief Audit and Control Officer is the Council's designated 'Head of Internal Audit' and is under the management of the Interim Deputy Chief Executive. Whilst the Chief Audit and Control Officer is not a member of the General Management Team, in all other respects the role is in accordance with guidance as laid down in the Public Sector Internal Audit Standards and the CIPFA Statement on the Role of the Head of Internal Audit, including attendance at the Governance, Audit and Standards Committee and presenting reports in their own name.

Internal Audit is responsible for the review of the systems of internal control and for giving an opinion on both the corporate and service specific standards in place. The Internal Audit Charter covers all activities of the Council at a level and frequency determined using a risk management methodology. The approach is designed to be risk-based so that it can focus resources on the key areas of risk facing the Council. The current arrangements include sharing Internal Audit management resources with Erewash Borough Council.

In advance of each financial year the Governance, Audit and Standards Committee is responsible for approving the Internal Audit Plan that governs each year's activity. Upon completion of each audit assignment, a report is produced for management with agreed

actions for improvement. Regular progress reports on Internal Audit activity are submitted to the Governance, Audit and Standards Committee for scrutiny. This Committee can request further reviews to be undertaken and can request other committees to further investigate matters arising from any activities within their remit.

### External Audit

The external auditor reviews the Council's arrangements for:

- preparing accounts in compliance with statutory and other relevant requirements
- ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice
- securing economy, efficiency and effectiveness.

The external auditor gives their opinion on the Council's accounts and whether or not proper arrangements exist to secure value for money.

The Annual Governance Report presented to the Council in September 2017 recommended that further measures be taken to develop arrangements, including reviewing working practices, to improve the final accounts preparation process.

The Council continues to examine the use of its financial systems to help produce information for financial management, the capacity of the Finance Services teams and the financial reporting processes used to advise Members during the course of the year.

### Fraud and Corruption

The Department of Work and Pensions (DWP) established a Single Fraud Investigation Service (SFIS) to manage benefit fraud investigation on a national basis. Officers employed by the Council to investigate benefit fraud transferred to SFIS in November 2015.

The Chief Audit and Control Officer acts as the central contact for non-benefit fraud allegations. The role of Internal Audit has been extended to act as a co-ordinating and investigating service for all non-benefit related fraud and corruption reports and to manage the Council's response to such reports. Internal Audit is supported in this by procuring specialist fraud investigation services as required from local partners, including Erewash Borough Council.

### Partnerships

The Governance, Audit and Standards Committee has the responsibility to examine further procurement and collaborative working opportunities with the private sector and other local authorities. All of the policy committees have included in their remit the power to direct the work of any delivery vehicles established to deliver services within their remit. This may include partnership arrangements, including those with the voluntary and community sector. Where grants are provided to voluntary sector organisations, conditions are applied regarding the reporting of the activities of the grant receiving body and its financial standing. In particular, where grant funding exceeds a given value a service level agreement may be used to gain assurance over the use of funds.

**Implementation of Previous Action Plan**

The actions identified in the previous year have been implemented as stated above and summarised in the table below:

Action	Progress
1. Update the Local Code of Corporate Governance in line with the revised principles of the CIPFA/SOLACE Framework.	Completed.
2. Implement the policies and strategies published during 2016/17 as identified in this Statement.	Completed and ongoing.
3. Complete a new People Strategy and ICT Strategy; review the Economic Regeneration Strategy; complete a new Leisure Facilities Strategy; and complete the Local Plan part 2 and Neighbourhood Plans.	The ICT Strategy and the Economic Regeneration Strategy have both been completed. The Local Plan Part 2 is awaiting examination. The draft People Strategy has not yet been adopted. The Leisure Facilities Strategy and the Neighbourhood Plans are both In progress.
4. Continue to address budget challenges and financial pressures by completing a new Business Strategy and Commercial Strategy and revising the Asset Management Strategy to identify and implement efficiencies and commercial opportunities, making the best use of the Council's assets and by continuing to investigate and pursue opportunities for shared services and increased collaborative working with other authorities where these are of benefit to the Council.	An updated Business Strategy and the refreshed Medium Term Financial Strategy were approved by the Finance and Resources Committee on 15 February 2018. The Commercial Strategy has been completed.
5. Take appropriate action to respond to the findings of the external auditor as set out in their Annual Governance Report, Audit Opinion Plan and Certification of Claims and Returns Annual Report.	Completed and will be reviewed as part of the 2017/18 external audit.
6. Continue to implement the improvement plan in respect of housing rents recovery procedures.	Better joint working between the Housing and Revenues and Benefits teams has resulted in good progress in reducing rent arrears.
7. Strengthen controls over gas safety procedures.	Gas Safety Policy approved by the Housing Committee, with new procedures now in place. Substantial assurance from Internal Audit and external audit reports.

Action	Progress
8. Review procurement and contract management arrangements in respect of the Housing Management Software upgrade.	New project management arrangements in place.
9. Revise whistleblowing procedures.	New Whistleblowing Policy approved.
10. Improve budgetary control over staff and agency costs.	This is reviewed monthly by General Management Team and the Chair of Finance and Resources Committee.
11. Update Business Continuity Plans.	Departmental plans have been updated, and the corporate Business Continuity Plan has been reviewed.
12. Address the findings of the external investigation, including reviews of the employee Code of Conduct, the disciplinary policy and the trade union recognition and consultation procedures.	New employee Code of Conduct, Whistleblowing and disciplinary policies approved.
13. Ensure that appropriate governance arrangements are in place for trading companies.	The Liberty Leisure Board established and reports to the Leisure and Environment Committee.

### Significant Governance Issues – Action Plan

Action	Lead Officers/Target Date
1. Further communicate, embed and reinforce the Council's values and ethical standards through conducting ethical workshops for employees in 2018/19.	Chief Executive March 2019
2. The Council has developed an online training module for the new Code of Conduct which will be introduced during 2018/19 and will be a requirement for every employee to complete.	Chief Executive September 2018
3. Improve the extent to which the Council monitors the ethical standards demonstrated and risks presented by external providers of services. The new Procurement and Contracts Officer will lead efforts to improve this in 2018/19.	Deputy Chief Executive March 2019
4. Conduct a learning disabilities customer journey to understand the experience of people with learning disabilities in interacting with Council services.	Chief Executive March 2019
5. Set up a task and finish group to explore the experience of people with mental health difficulties in interacting with Council services.	Chief Executive December 2019
6. Conduct a budget consultation with residents in 2018/19.	Deputy Chief Executive February 2019
7. Further update the Business Strategy in preparation for the 2019/20 budget round.	Deputy Chief Executive February 2019

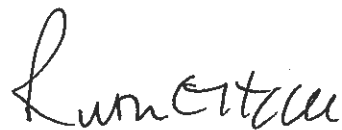
Action	Lead Officers/Target Date
8. Continue to work with the local community regarding the future of the Town Hall in Beeston.	Deputy Chief Executive Ongoing in 2018/19
9. Engage and consult the community regarding the future of Beeston Town Centre.	Deputy Chief Executive Ongoing in 2018/19
10. Develop a new Communications and Engagement Strategy.	Interim Strategic Director December 2018
11. Review and amend the Council's Constitution.	Monitoring Officer December 2018
12. Develop a new Customer Service Strategy.	Deputy Chief Executive March 2019
13. Approve a new Contaminated Land Strategy.	Chief Executive Approved April 2018
14. Update the Leisure Facilities Strategy.	Deputy Chief Executive March 2019
15. Adopt the Local Plan Part 2 and submit for examination.	Chief Executive July 2018
16. Continue to support the development of Neighbourhood Plans.	Chief Executive Ongoing in 2018/19
17. Adopt a new House Building Delivery Plan having received advice from selected experts.	Chief Executive October 2018
18. Report back the consultation results of the Retirement Living review options and adopt an option for implementation.	Chief Executive June 2018
19. Continue preparations for the introduction of Universal Credit in November 2018 in partnership with the relevant agencies.	Deputy Chief Executive November 2018
20. Receive community led bids regarding the future of the Town Hall in Beeston Town Hall and agree a way forward.	Deputy Chief Executive July 2018
21. Review and potentially extend the Council's approach to sharing services.	Chief Executive Ongoing in 2018/19
22. Adopt a new People Strategy.	Interim Strategic Director September 2018
23. Examine further the Housing Repairs service to identify cost and quality improvements.	Chief Executive March 2019
24. Review and implement recommendations consequent upon an external review of the Council's financial position.	Deputy Chief Executive March 2019
25. Consider opportunities for a peer review of the Council or a service area later in 2018/19.	Deputy Chief Executive March 2019
26. Implement the GDPR Action Plan.	Interim Strategic Director Ongoing in 2018/19
27. Complete a fraud risk assessment exercise in conjunction with Chief Officers/senior management, taking into account published guidance from central government, CIPFA, National Fraud Initiative (NFI) and other relevant organisations to develop a fraud risk register to identify fraud risks.	Deputy Chief Executive/ Chief Audit and Control Officer March 2019

Action	Lead Officers/Target Date
28. Integrate the requirements of the code into our governance checks for shared service arrangements.	Chief Executive March 2019
29. Improve the comparability of information in financial statements with other similar organisations.	Deputy Chief Executive March 2019
30. Conclude the work of the Ad Hoc Committee following the external investigation commissioned by Policy and Performance Committee.	Chief Executive March 2019

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.



**Councillor R Jackson**  
**Leader of the Council**  
**Broxtowe Borough Council**  
**23 July 2018**



**R Hyde**  
**Chief Executive**  
**Broxtowe Borough Council**  
**23 July 2018**

**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS****The Authority's Responsibilities**

The authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Deputy Chief Executive
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- to approve the statement of accounts.

**The Deputy Chief Executive's Responsibilities**

The Deputy Chief Executive is responsible for the preparation of the authority'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 (the Code of Practice).

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

- Selected suitable accounting policies and then applied them consistently;
- Made judgments and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

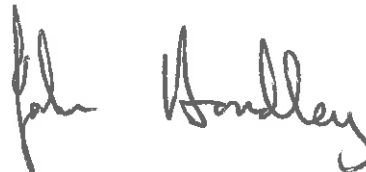
The Deputy Chief Executive has also:

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

This statement of accounts is that upon which the auditor should enter his certificate and opinion and has been prepared under the Local Government Finance Act 2003. It gives a true and fair view of the financial position of the authority at 31st March 2018 and its income and expenditure for the year then ended.



**Z Darr**  
Interim Deputy Chief Executive  
23 July 2018



**Councillor J Handley**  
Chair - Governance, Audit and Standards Committee  
23 July 2018

**EXPENDITURE AND FUNDING ANALYSIS**

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

2016/17				2017/8		
Net Expenditure Chargeable to the General Fund and HRA balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Corporate Priority	Net Expenditure Chargeable to the General Fund and HRA balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
117	169	286	Housing	286	0	286
2,882	1,285	4,167	Environment	3,438	183	3,621
1,065	48	1,113	Business Growth	961	(148)	813
1,390	578	1,968	Community Safety	1,543	478	2,021
1,907	1,019	2,926	Health	1,601	655	2,256
1,008	63	1,071	Revenues, Benefits and Customer Services	1,193	(172)	1,021
(3,015)	4,955	1,940	Resources	(932)	1,827	895
(192)	192	0	ICT and Business Transformation	(109)	109	0
0	(32,436)	(32,436)	Housing Revenue Account - Exceptional Item	0	0	0
(5,760)	(10,350)	(16,110)	Housing Revenue Account	(3,982)	(7,234)	(11,216)
<b>(598)</b>	<b>(34,477)</b>	<b>(35,075)</b>	<b>Net Cost of Service</b>	<b>3,999</b>	<b>(4,302)</b>	<b>(303)</b>
(58)	966	908	Other Income and Expenditure	(6,248)	3,718	(2,530)
<b>(656)</b>	<b>(33,511)</b>	<b>(34,167)</b>	<b>Surplus or Deficit</b>	<b>(2,249)</b>	<b>(584)</b>	<b>(2,833)</b>
<b>7,588</b>			<b>Opening General Fund and HRA balances at 1 April</b>	<b>8,245</b>	The respective increase/decrease on the General Fund and HRA are detailed in the Movement on Reserves Statement on page 34.	
<b>657</b>			<b>Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year</b>	<b>2,249</b>		
<b>8,245</b>			<b>Closing General Fund and HRA Balance at 31 March</b>	<b>10,494</b>		



## CORE FINANCIAL STATEMENTS 2017/2018

## COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

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

Year Ended 31 March 2017				Year Ended 31 March 2018			
Gross Expend £'000	Income £'000	Net Expend £'000		Gross Expend £'000	Income £'000	Net Expend £'000	Notes
593	(307)	286	Housing	602	(316)	286	
6,968	(2,801)	4,167	Environment	6,878	(3,257)	3,621	
1,956	(843)	1,113	Business Growth	1,826	(1,013)	813	
2,318	(350)	1,968	Community Safety	2,428	(407)	2,021	
4,764	(1,838)	2,926	Health	2,680	(424)	2,256	
23,531	(22,460)	1,071	Revenues, Benefits & Customer Services	22,386	(21,365)	1,021	
4,246	(2,306)	1,940	Resources	3,300	(2,405)	895	
26	(26)	0	ICT & Business Transformation	199	(199)	0	
(32,436)	0	(32,436)	Local Authority Housing (HRA) - Exceptional Item	0	0	0	15
595	(16,705)	(16,110)	Local Authority Housing (HRA)	5,193	(16,409)	(11,216)	
<b>12,561</b>	<b>(47,636)</b>	<b>(35,075)</b>	<b>Cost of Services – Continuing Operations</b>	<b>45,492</b>	<b>(45,795)</b>	<b>(303)</b>	
		7,328	Other Operating Expenditure			4,990	12
		4,203	Financing and Investment Income and Expenditure			4,103	13
		(10,623)	Taxation and Non-Specific Grant Income			(11,623)	14
		<b>(34,167)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(2,833)</b>	
		(49)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			(358)	
		9,534	Measurements of the Net Defined Benefit Liability/(Asset)			(6,177)	43
		143	Surplus or deficit on revaluation of available for sale financial assets			(75)	
		(2)	Any Other (Gains)/Losses			0	
		<b>9,626</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(6,610)</b>	
		<b>(24,541)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(9,443)</b>	

### MOVEMENT IN RESERVES STATEMENT

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

	General Fund (GF) & Earmarked Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Bramcote Bereav't Services £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
<b>Balance at 31 March 2016 Carried Forward</b>	<b>(4,987)</b>	<b>(2,294)</b>	<b>(1,280)</b>	<b>0</b>	<b>0</b>	<b>(307)</b>	<b>(8,868)</b>	<b>(29,415)</b>	<b>(38,283)</b>
<b>Movement in Reserves during 2016/17</b>									
Surplus or (deficit) on the provision of services	4,442	(38,689)	0	0	0	79	(34,168)	0	(34,168)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	9,627	9,627
<b>Total Comprehensive Income and Expenditure</b>	<b>4,442</b>	<b>(38,689)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>79</b>	<b>(34,168)</b>	<b>9,627</b>	<b>(24,541)</b>
Adjustments between accounting basis & funding basis under regulations (Note 10)	(5,004)	38,508	520	0	0	7	34,031	(34,031)	0
<b>Net increase/decrease before Transfers to Earmarked Reserves</b>	<b>(562)</b>	<b>(181)</b>	<b>520</b>	<b>0</b>	<b>0</b>	<b>86</b>	<b>(137)</b>	<b>(24,404)</b>	<b>(24,541)</b>
Transfers to/from Earmarked Reserves (Note 11)	0	0	0	0	0	0	0	0	0
<b>Increase/decrease in 2016/17</b>	<b>(562)</b>	<b>(181)</b>	<b>520</b>	<b>0</b>	<b>0</b>	<b>86</b>	<b>(137)</b>	<b>(24,404)</b>	<b>(24,541)</b>
<b>Balance at 31 March 2017 Carried Forward</b>	<b>(5,549)</b>	<b>(2,475)</b>	<b>(760)</b>	<b>0</b>	<b>0</b>	<b>(221)</b>	<b>(9,005)</b>	<b>(53,820)</b>	<b>(62,825)</b>
<b>Movement in Reserves during 2017/18</b>									
Surplus or (deficit) on provision of services	990	(3,637)	0	0	0	(186)	(2,833)	0	(2,833)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(6,610)	(6,610)
<b>Total Comprehensive Income and Expenditure</b>	<b>990</b>	<b>(3,637)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(186)</b>	<b>(2,833)</b>	<b>(6,610)</b>	<b>(9,443)</b>
Adjustments between accounting basis & funding basis under regulations (Note 10)	(1,740)	2,250	(2,251)	0	0	74	(1,667)	1,667	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(750)</b>	<b>(1,387)</b>	<b>(2,251)</b>	<b>0</b>	<b>0</b>	<b>(112)</b>	<b>(4,500)</b>	<b>(4,943)</b>	<b>(9,443)</b>
Transfers to/from Earmarked Reserves (Note 11)	0	0	0	0	0	0	0	0	0
<b>Increase/decrease in 2017/18</b>	<b>(750)</b>	<b>(1,387)</b>	<b>(2,251)</b>	<b>0</b>	<b>0</b>	<b>(112)</b>	<b>(4,500)</b>	<b>(4,943)</b>	<b>(9,443)</b>
<b>Balance at 31 March 2018 Carried Forward</b>	<b>(6,299)</b>	<b>(3,862)</b>	<b>(3,011)</b>	<b>0</b>	<b>0</b>	<b>(333)</b>	<b>(13,505)</b>	<b>(58,763)</b>	<b>(72,268)</b>

**BALANCE SHEET**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories, usable and unusable. Usable reserves are those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). Unusable reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

31-Mar-17 £'000		31-Mar-18 £'000	Notes
213,784	Property, Plant & Equipment	214,489	15
335	Heritage Assets	328	16
213	Intangible Assets	291	18
69	Assets Held for Sale	0	23
1,855	Long Term Investments	1,964	
96	Long Term Debtors	146	21
<b>216,352</b>	<b>Long Term Assets</b>	<b>217,218</b>	
3,031	Short Term Investments	7,990	
182	Inventories	186	20
5,044	Short Term Debtors	3,798	21
4,334	Cash and Cash Equivalents	3,401	22
0	Assets Held for Sale	0	23
<b>12,591</b>	<b>Current Assets</b>	<b>15,375</b>	
(13,300)	Short Term Borrowing	(15,388)	19
(6,214)	Short Term Creditors	(5,893)	24
(281)	Provisions	(424)	25
<b>(19,795)</b>	<b>Current Liabilities</b>	<b>(21,705)</b>	
0	Long Term Creditors	0	
(1,209)	Provisions	(550)	
(85,023)	Long Term Borrowing	(82,964)	19
(59,501)	Net Pension Liability	(54,208)	43
(590)	Capital Grants Receipts in Advance	(898)	37
<b>(146,323)</b>	<b>Long Term Liabilities</b>	<b>(138,620)</b>	
<b>62,825</b>	<b>Net Assets</b>	<b>72,268</b>	
(9,005)	Usable Reserves	(13,505)	26
(53,820)	Unusable Reserves	(58,763)	27
<b>(62,825)</b>	<b>Total Reserves</b>	<b>(72,268)</b>	



Z Darr BSc, CPFA, MBA – Interim Deputy Chief Executive

23 July 2018

**CASH FLOW STATEMENT**

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>	<b>Notes</b>
<b>34,167</b>	<b>Net surplus or (deficit) on the provision of services</b>	2,833	
(23,618)	Adjustments to net surplus or deficit for non-cash movements	6,691	
(2,171)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(3,729)	
<b>8,378</b>	<b>Net cash flows from operating activities</b>	<b>5,795</b>	<b>28</b>
(16,580)	Investing activities	(6,917)	<b>29</b>
10,444	Financing activities	189	<b>30</b>
<b>2,242</b>	<b>Net increase or (decrease) in cash equivalents</b>	<b>(933)</b>	
2,092	Cash and cash equivalents at the beginning of the reporting period	4,334	
<b>4,334</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>3,401</b>	

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1 Accounting Policies

#### (i) General Principles

The Statement of Accounts summarises the authority's transactions for the 2017/18 financial year and its position at the year end of 31 March 2018. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting 2017/18 supported by International Financial Reporting Standards (IFRS), International Accounting Standards and statutory guidance issued under section 12 of the Local Government Act 2003.

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.

The Statement of Accounts has been prepared on a going concern basis. As required by IAS 1, it has been assumed that the Council will continue in operation for the foreseeable future.

#### (ii) Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses
- 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. A minimum value of £500 is applied to all such debtor and creditor accruals. 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.

An exception to the above relates to electricity and other similar quarterly payments which are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

As regards private sector housing benefits, payments can relate to periods partly in advance and partly in arrears. The cut off date applied to such payments is as near to the year end as possible and ensures consistency with the figures used to calculate government subsidy received on such payments.

Council housing rents become chargeable on the Monday of each week for the week ahead. Rent income is accounted for up to and including the last Monday in the financial year. This can therefore include an element relating to the following year for which no adjustment is made.

#### (iii) Acquisitions and Discontinued Operations

The nature of any acquired or discontinued operations identified during the year, together with details of any outstanding liabilities in respect of any discontinued operations will be disclosed within Note 31 of the Statement of Accounts.

**(iv) Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

**(v) Exceptional Items**

When items of income and expense are material, their nature and amounts 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.

**(vi) Prior Year 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 effects 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. See note 2 for more details.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. See note 6 for more details.

**(vii) Charges to Revenue for Non-Current Assets**

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

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

Where an impairment loss is charged to the Comprehensive Income and Expenditure Statement, but there were accumulated revaluation gains in the Revaluation Reserve for that particular asset, an amount up to the value of that loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

The Council is not required to raise council tax or council housing rents to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. This is known as the Minimum Revenue Provision (MRP).

Depreciation, revaluation and impairment losses and amortisations are therefore reversed out of the General Fund (and Housing Revenue Account (HRA)) and replaced by the MRP. This is completed with an adjusting transaction with the Capital Adjustment Account within the Movement in Reserves Statement for the difference between the two. This ensures that depreciation, revaluation and impairment losses and amortisations have no overall effect on council tax or housing rent levels.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, require local authorities to approve an MRP policy at the beginning of each financial year on setting aside a sum of money from revenue for the repayment of principal on outstanding debt. From 2012/13 onwards the Council has approved a policy such that, for capital expenditure incurred before 1 April 2008, the MRP is based on 4% of the authority's Capital Financing Requirement for the General Fund. For General Fund capital expenditure incurred after 1 April 2008, the MRP is based upon the estimated life of those assets where the financing was provided by borrowing. The Council has also decided that no voluntary provision for the repayment of debt relating to the HRA should be

made in 2017/18.

### **(viii) Employee Benefits**

#### Benefits Payable During Employment

Short term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and sick leave and are recognised as an expense for service in the year in which employees render service to the Council.

#### 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 and are charged on an accruals basis to the "Non-Distributed Costs" line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund or Housing Revenue Account 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.

#### Post Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Nottinghamshire County Council. The scheme is a defined benefit scheme in that it provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

#### The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Nottinghamshire County Council 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 about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate that reflects the time value of money and the characteristics of the liability.
- The assets of the Nottinghamshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value

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

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year (allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked).
  - 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 the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Resources).
  - Net interest on the net defined benefit liability or asset (i.e. the net interest expense for the Council) – the change during the period in the net defined liability or asset that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in 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 or asset at the beginning of the period after taking into account any changes in the net defined benefit liability or asset during the period as a result of

- contribution and benefit payments.
- Re-measurements comprising:
  - The return on plan assets (excluding amounts included in net interest on the net defined benefit liability or asset) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses (changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Nottinghamshire County Council 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 and Housing Revenue Account balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund and Housing Revenue Account 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 authority 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.

#### **(ix) Events after the Balance Sheet Date**

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

#### **(x) Financial Instruments**

##### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument, and are initially assessed at fair value and are carried at 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 rate of interest for the 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 recognised.

All borrowings shown in the Balance Sheet consist of the outstanding principal repayable plus accrued interest. Annual interest is charged to the Comprehensive Income and Expenditure Statement in accordance with the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment income and expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.



Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement or the Housing Revenue Account, regulations allow the impact on the General Fund and Housing Revenue Account Balance respectively to be spread over future years. The Council 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 or the Housing Revenue Account to the net charge required against the General Fund or Housing Revenue Account Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### Financial Assets

Certain reserves are kept to manage the accounting processes for non-current fixed assets and retirement benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies below.

Financial assets are classified into two types:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available for Sale Assets – assets that have a quoted market price and/or do not have any fixed or determinate payments.

### Loans and Receivables

Loans and receivables include long term debtors, debtors (sometimes referred to as accounts receivable), payments in advance, investments and cash either in hand or at the bank. They are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment income and expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

The Council has provided a number of “soft loans” to employees at less than market rates for the purchase of motor vehicles. These should be correctly shown in the Balance Sheet at fair value. However, the value of these loans is not considered to be material. Accordingly the value as shown in the Balance Sheet represents the value of any loans made less any repayments that have been received.

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

### Available for Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, 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 amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the authority. Assets are maintained in the Balance Sheet at fair value.

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available for Sale Reserve.

**(xi) 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 by 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.

**Community Infrastructure Levy**

The Council has not charged a Community Infrastructure Levy (CIL) in 2017/18. In October 2015 members agreed to receive a report on options for preparing a CIL charging schedule once work on the Part 2 Local Plan was sufficiently progressed.

**(xii) Heritage Assets**

The Council's Heritage Assets consist of the DH Lawrence Birthplace Museum building and a painting by Dr Ala Bashir, a respected sculptor and painter, of DH Lawrence which is linked to his most famous novel, Lady Chatterley's Lover. The museum building is held for its historical and artistic significance and to promote knowledge and culture. The DH Lawrence Birthplace Museum is recognised and measured (including the treatment of depreciation and revaluation gains and losses) in accordance with the Authority's accounting rules on property, plant and equipment. The building was revalued at 31 March 2017 in accordance with the Council's 5 year revaluation cycle for such assets. The painting was donated to the Council in 2008.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment. For example, this may be where the asset has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

**(xiii) Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

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

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the

Council meets this criterion and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

#### **(xiv) Interests in Companies and Other Entities**

The authority has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. Liberty Leisure Ltd is a wholly owned subsidiary of the authority which manages the provision of leisure and culture services and its accounts are consolidated with the authority's in accordance with IAS 27. See also policy xvii below.

#### **(xv) Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at cost. Whilst the Code of Practice on Local Authority Accounting 2017/18 requires inventories to be shown at the lower of cost and net realisable value, a departure from this is permitted under IFRS due to:

- the value of inventories not being considered to be material.
- the cost of analysing inventories between cost and net realisable value outweighing the value to the user of the accounts.

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.

#### **(xvi) Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are re-valued 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 and expenditure line in the Comprehensive Income and Expenditure Statement 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.

#### **(xvii) Jointly Controlled Operations and Jointly Controlled Assets**

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

Jointly controlled assets are items of property, plant and equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

Whilst the Council does not strictly have any jointly controlled operations and jointly controlled assets in line with the definitions above, the Council has a 50% interest in the Bramcote Bereavement Services Joint Committee with the other 50% relating to Erewash Borough Council. Whilst the Bramcote Bereavement Services Joint Committee is a separate entity in its own right, its decision making and operational arrangements fulfil many of features associated with a jointly controlled operation. Therefore the Council recognises 50% of the assets and liabilities of the Joint Committee on its Balance Sheet and debits and credits the Comprehensive Income and Expenditure Statement with 50% of the expenditure and income of the Joint Committee. This is also recognised in the Movement in Reserves Statement and the Cash Flow Statement as appropriate.

### **(xviii) Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings 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 upon the use of specific assets.

#### **The Council as Lessee**

##### **(i) Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception. The asset recognised is matched by a liability for the obligation to pay the lessor. Contingent rents are charged as expenses in the periods in which they are incurred. All assets acquired through finance leases have been fully written down at the Balance Sheet date.

##### **(ii) Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

#### **The Council as Lessor**

##### **(i) Finance Leases**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal.

##### **(ii) Operating Leases**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease.

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

**(xix) Overhead and Support Services**

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

- Corporate and Democratic Core – costs relating to the authority's status as a multi-functional, democratic organisation
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early

These two cost categories are defined in the Service Reporting Code of Practice but are accounted for under Resources in the Comprehensive Income and Expenditure Statement.

**(xx) Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

The Council operates a de minimis level in valuing assets. Any assets valued at less than £5,000 are excluded from Balance Sheet values.

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 add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price.
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings - fair value, determined using the basis of existing use value for social housing (EUV-SH)
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both) are involved, depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from a reversal of a loss previously charged to a service).

Where decreases in value are identified, they are accounted for by:

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

### Impairment

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

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

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

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

### Depreciation

Depreciation is provided on all property, plant and equipment assets held by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight line allocation over the useful life of the property.
- Vehicles, plant, furniture and equipment – straight line allocation over the useful life of the asset. New specialist vehicles may also have an additional depreciation provision made from the year following acquisition as advised by a suitably qualified officer.
- Infrastructure - straight line allocation over 40 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. This applies particularly in respect of council house dwellings.

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

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

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale) and their recoverable amount at the date of the decision not to sell.

#### Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of the disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

If part of an asset is replaced with a similar identifiable component, the carrying amount of the replaced or restored component is derecognised with the carrying amount of the new component being recognised. Any gain or loss arising from this process is credited or debited to the Comprehensive Income and Expenditure Statement as appropriate.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The Council has committed to a government scheme whereby, as from 2012/13, housing capital receipts from right to buy sales can only be used towards new affordable council housing, and within three years of their receipt, otherwise they become payable to the government. The balance of receipts held is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment on council housing or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

#### **(xxi) Private Finance Initiative and Similar Contracts**

The Council has no such contracts in existence.

#### **(xxii) Provisions, Contingent Liabilities and Contingent Assets**

##### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured as the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

A provision exists in relation to outstanding insurance claims, based upon information supplied by the Council's insurers. All insurance claims transactions during the course of the year are passed through the provision with the appropriate charge being made against the service lines within the Comprehensive Income and Expenditure Statement.

#### 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. Further details can be found in note 44 to the accounts.

#### Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

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. Further details can be found in note 45 to the accounts.

#### **(xxiii) 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 or Housing Revenue Account balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund or Housing Revenue Account balance in the Movement in Reserves Statement so that there is no net charge against council tax or housing rents for the expenditure.

#### **(xxiv) Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund or Housing Revenue Account balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax or council house rents.

#### **(xxv) VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

#### **(xxvi) Collection Fund**

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

#### Non Domestic Rates

From April 2013 the business rates included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. Any difference between the income in the Comprehensive Income and Expenditure Statement and the estimated share of income is taken to the Collection Fund Adjustment Account and included as



an adjusting item in the Movement in Reserves Statement. As the collection of business rates is conducted on an agency basis, there is a debtor or creditor position between the Council and the major precepting authorities and central government.

### Council Tax

The Local Council Tax Support Scheme is reviewed by the Finance and Resources Committee prior to the commencement of the financial year and any amendments are approved by full Council.

## **2 Accounting Standards that have been Issued but not yet Adopted**

The 2017/18 Code of Practice requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The Code also requires the Authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant year.

The additional disclosures that may be required in the 2017/18 and 2018/19 financial statements in respect of accounting changes that are introduced in the 2018/19 Code of Practice relate to:

- IFRS 9 Financial Instruments - introduces extensive changes to the classification and measurement of financial assets and a new "expected credit loss" model for impairing financial assets.
- IFRS 15 Revenue from Contract with Customers - presents new requirements for the recognition of revenue.
- Amendments to IAS 12 Income Taxes - applies to deferred tax assets related to debt instruments measured at fair value.
- Amendments to IAS 7 Statement of Cash Flows - will require some additional analysis of cash flows from financing activities.

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

## **3 Critical judgements in applying Accounting Policies**

In applying the accounting policies set out earlier in this document the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is some uncertainty about future levels of funding, particularly for the General Fund beyond 2017/18, although this uncertainty was reduced by the announcement of a four-year Local Government finance settlement in December 2015. The Finance and Resources Committee on 19 September 2016 agreed to accept this settlement. Further details are awaited regarding the future of business rates retention and this will be influenced by the Fair Funding Review and Spending Review due to take place in 2019.
- Failure to provide sufficient value of work in a number of partnership procurement contracts could lead to claims against the authority. It is felt that there is not a material risk of this occurring at present subject to the caveat about overall funding levels above.
- Municipal Mutual Insurance Limited (MMI) ceased accepting new business on 30 September 1992 following financial difficulties and has since been running off its liabilities in respect of policies issued prior to that date. As at 31 March 2018 the estimate for the two claims outstanding is £10,001. The Council received notice that MMI was unlikely to have sufficient funds to enable the run off to come to a conclusion without issuing a levy against relevant local authorities to clawback some of the amounts previously paid out. A levy of 25%, equivalent to £137,621, has been repaid to MMI up to 31 March 2018. If the aggregated levy proves to be insufficient then further sums may be reclaimed back from the Council. The situation is being kept under review. With regard to the outstanding claims, 75% of any claims substantiated should initially be met by MMI from its run off with the balance falling on the insurance provision.
- The Council has been dealing with a legal claim made in respect of the charges made previously for personal searches. This is part of a national issue and the Local Government Association is involved in co-ordinating the defence of this Council and others against lodged claims. An earmarked reserve has been set up using funds previously provided by the government in respect of this issue. The value of the earmarked reserve was £136,892 at 31 March 2018. It is presently anticipated that the reserve contains sufficient funds to meet any subsequent claims

#### 4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made by taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to some assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for Other Land and Buildings would increase by £12,686 for every year that useful lives of these assets were to be reduced.
Insurance	The Council has received a number of insurance claims that remain unresolved at 31 March 2018. This gives rise to a potential liability for the Council if all of these claims were to be upheld.	A provision of £0.429m at 31 March 2018 has been established to meet the potential liability of insurance claims that are still to be settled. If claims were to be settled at amounts above this provision, then there would be an additional cost to the General Fund or Housing Revenue Account appropriately.
Land Charges	The Environmental Information Regulations now require that personal searches of the local land charges register are not chargeable. There is a possibility that a number of retrospective claims for the recovery of these fees will be made against the Council.	A reserve of £0.137m is in place at 31 March 2018 to meet a potential liability from such claims. This matter is being pursued nationally by the Local Government Association.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For example, a 0.1% increase in the discount rate assumption and an increase of one year in the mortality age rating assumption would result in a decrease of £2.843m and an increase of £5.834m respectively in the present value of the defined benefit obligation.
Council house rent arrears	At 31 March 2018, council house rent arrears (including former tenants) amounted to £0.395m. With the difficult economic conditions that currently exist and anticipated welfare changes, it is possible that collection rates may deteriorate from those achieved in recent years.	If collection rates were to deteriorate, a doubling of the amount required to meet doubtful debts would require an additional £0.252m to be set aside as an allowance within the Housing Revenue Account.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

## **5 Material Items of Income and Expense**

All material items have been disclosed on the face of the Comprehensive Income and Expenditure Statement.

## **6 Prior Period Adjustment**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made by taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

No prior period adjustments were made for the 2016/2017 figures within this statement.

## **7 Events After the Reporting Period**

The Statement of Accounts was authorised for issue by the Deputy Chief Executive on 31 May 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 8 Note to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note A) £'000	Net change for the Pensions Adjustments (Note B) £'000	Other Differences (Note C) £'000	Total Adjustments £'000
<b>2016/17</b>				
Housing	0	169		169
Environment	1,106	179		1,285
Business Growth	(3)	51		48
Community Safety	552	26		578
Health	961	58		1,019
Revenues, Benefits & Customer Services	0	63		63
Resources	968	3,987		4,955
ICT & Business Transformation	176	16		192
HRA - Exceptional Item	(32,436)	0		(32,436)
HRA	(10,350)	0		(10,350)
<b>Net Cost of Services</b>	<b>(39,026)</b>	<b>4,549</b>	<b>0</b>	<b>(34,477)</b>
Other income and expenditure from the Expenditure and Funding Analysis	1,781	(2,184)	1,369	966
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(37,245)</b>	<b>2,365</b>	<b>1,369</b>	<b>(33,511)</b>
<b>2017/18</b>				
Housing	0	0		0
Environment	666	(483)		183
Business Growth	(4)	(144)		(148)
Community Safety	603	(125)		478
Health	662	(7)		655
Revenues, Benefits & Customer Services	0	(172)		(172)
Resources	428	1,399		1,827
ICT & Business Transformation	146	(37)		109
HRA - Exceptional Item	0	0		0
HRA	(6,803)	(431)		(7,234)
<b>Net Cost of Services</b>	<b>(4,302)</b>	<b>0</b>	<b>0</b>	<b>(4,302)</b>
Other income and expenditure from the Expenditure and Funding Analysis	2,295	2,280	(857)	3,718
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(2,007)</b>	<b>2,280</b>	<b>(857)</b>	<b>(584)</b>

**Note A**

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

- Other operating expenditure - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets
- Financing and investment income and expenditure – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

**Note B**

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

- For services this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

**Note C**

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

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

## 9 Expenditure and Income Analysed by Nature

2017/18	Housing £'000	Environment £'000	Business Growth £'000	Community Safety £'000	Health £'000	Revenues, Benefits & Customer Services £'000	Resources £'000	ICT & Business Transformation £'000	Housing Revenue Account £'000	HRA Exceptional Item £'000	Corporate Items £'000	Total £'000
<b>Expenditure</b>												
Employee Benefits Expenses		4,269	1,203	1,080	56	1,537	2,010	356	3,938			14,449
Expenditure on Joint Associates		361										361
Other Services Expenses	602	1,582	627	745	1,983	20,849	806	(303)	4,158			31,049
Depreciation, Amortisation & Impairment		666	(4)	603	641		484	146	(2,903)			(367)
Interest Payments											2,937	2,937
Precepts and Levies											796	796
Payments to Housing Capital Receipts Pool											581	581
(Gain)/Loss on the Disposal of Assets											3,613	3,613
Pensions Interest Cost											1,567	1,567
Expenditure on Trading Undertakings											63	63
<b>Total Expenditure</b>	<b>602</b>	<b>6,878</b>	<b>1,826</b>	<b>2,428</b>	<b>2,680</b>	<b>22,386</b>	<b>3,300</b>	<b>199</b>	<b>5,193</b>	<b>0</b>	<b>9,557</b>	55,049
<b>Income</b>												
Fees, Charges and Other Service Income	(214)	(2,359)	(948)	(368)	(317)	(282)	(2,282)	(188)	(16,409)			(23,367)
Income on Joint Associates		(898)					353					(545)
Interest and Investment Income											(289)	(289)
Income from Council Tax & Non Domestic Rates											(10,081)	(10,081)
Government Grants & Contributions	(102)		(65)	(39)	(107)	(21,083)	(476)	(11)			(1,542)	(23,425)
Income from Trading Undertakings											(175)	(175)
<b>Total Income</b>	<b>(316)</b>	<b>(3,257)</b>	<b>(1,013)</b>	<b>(407)</b>	<b>(424)</b>	<b>(21,365)</b>	<b>(2,405)</b>	<b>(199)</b>	<b>(16,409)</b>	<b>0</b>	<b>(12,087)</b>	(57,882)
<b>Surplus or Deficit on Provision on Services</b>	<b>286</b>	<b>3,621</b>	<b>813</b>	<b>2,021</b>	<b>2,256</b>	<b>1,021</b>	<b>895</b>	<b>0</b>	<b>(11,216)</b>	<b>0</b>	<b>(2,530)</b>	(2,833)

<b>2016/17 Restated</b>	Housing £'000	Environment £'000	Business Growth £'000	Community Safety £'000	Health £'000	Revenues, Benefits & Customer Services £'000	Resources £'000	ICT & Business Transformation £'000	Housing Revenue Account £'000	HRA Exceptional Item £'000	Corporate Items £'000	Total £'000
<b>Expenditure</b>												
Employee Benefits Expenses	265	4,286	905	559	1,371	1,489	4,818	413	3,641			17,747
Expenditure on Joint Associates		642										642
Other Services Expenses	270	1,064	959	1,743	2,128	22,042	(1,475)	(552)	3,819			29,998
Depreciation, Amortisation & Impairment	58	976	92	16	1,265	0	903	165	(6,865)	(32,436)		(35,826)
Interest Payments											2,836	2,836
Precepts and Levies											760	760
Payments to Housing Capital Receipts Pool											339	339
(Gain)/Loss on the Disposal of Assets											6,229	6,229
Pensions Interest Cost											1,635	1,635
Expenditure on Trading Undertakings											60	60
<b>Total Expenditure</b>	<b>593</b>	<b>6,968</b>	<b>1,956</b>	<b>2,318</b>	<b>4,764</b>	<b>23,531</b>	<b>4,246</b>	<b>26</b>	<b>595</b>	<b>(32,436)</b>	<b>11,859</b>	<b>24,420</b>
<b>Income</b>												
Fees, Charges and Other Service Income	(306)	(1,844)	(843)	(321)	(1,838)	(290)	(1,471)		(16,705)			(23,618)
Income on Joint Associates		(957)										(957)
Interest and Investment Income											(152)	(152)
Income from Council Tax & Non Domestic Rates											(8,383)	(8,383)
Government Grants & Contributions	(1)			(29)		(22,170)	(835)	(26)			(2,240)	(25,301)
Income from Trading Undertakings											(176)	(176)
<b>Total Income</b>	<b>(307)</b>	<b>(2,801)</b>	<b>(843)</b>	<b>(350)</b>	<b>(1,838)</b>	<b>(22,460)</b>	<b>(2,306)</b>	<b>(26)</b>	<b>(16,705)</b>	<b>0</b>	<b>(10,951)</b>	<b>(58,587)</b>
<b>Surplus or Deficit on Provision on Services</b>	<b>286</b>	<b>4,167</b>	<b>1,113</b>	<b>1,968</b>	<b>2,926</b>	<b>1,071</b>	<b>1,940</b>	<b>0</b>	<b>(16,110)</b>	<b>(32,436)</b>	<b>908</b>	<b>(34,167)</b>

## 10 Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

### General Fund Balance

The General Fund is the statutory fund into which all the receipts of the authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. However the balance is not available to be applied to funding HRA services.

### Earmarked General Fund Reserves

The Council has taken the decision to separate out part of the General Fund Balance into several earmarked reserves which it is intended to use for more specific purposes. The balances on these reserves show the resources available to spend at the financial year end. It is within the power of the Council to transfer the balances on these reserves back into the General Fund should it so wish.

### Housing Revenue Account Balance

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

### Major Repairs Reserve

The Council is required to maintain a Major Repairs Reserve. Depreciation charges made to the HRA are matched with accompanying credits to the Major Repairs Reserve. These are then used to assist in the financing of HRA capital expenditure.

### Capital Receipts Reserve

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

### Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has not yet met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

### Bramcote Bereavement Services

The Bramcote Bereavement Services Account holds a 50% share of the balance relating to the Bramcote Bereavement Services Joint Committee, the other 50% being held by Erewash Borough Council. The Joint Committee is a separate entity but is regarded by the Council as a jointly controlled operation such that a 50% share of the accounts has been incorporated into those of this Council. The balance on the account is 50% of the available resources of the Joint Committee at the financial year end but the use is restricted to that approved by the Joint Committee.



2017/18	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Major Repairs Reserve £'000	Bramcote Crematorium £'000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>							
Charges for depreciation and impairment of non current assets	(1,826)	6,803		(3,900)		(35)	(1,042)
Amortisation of intangible assets	(49)						49
Capital grants and contributions applied	740						(740)
Revenue expenditure funded from capital under statute	(621)						621
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(90)	(6,512)					6,602
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
Statutory provision for the financing of capital investment	(183)						183
Capital expenditure charged against the General Fund and HRA balances	510	753				109	(1,372)
<b>Adjustments involving the Capital Grants Unapplied Account:</b>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement							0
Application of grants to capital financing transferred to the Capital Adjustment Account							0
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	836	2,153	(2,989)				0
Use of the Capital Receipts Reserve to finance new capital expenditure			157				(157)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals							0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(581)		581				0
Transfer of deferred capital receipts upon receipt of cash							0
<b>Adjustment involving the Major Repairs Reserve:</b>							
Use of MRR to finance new capital expenditure				3,900			(3,900)
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>							
Proportion of premiums incurred and discounts received in previous financial years to be charged against balances in 2017/18 in accordance with statutory requirements	36	1					(37)
<b>Adjustments involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,432)	(948)					5,380
Employer's pensions contributions and direct payments to pensioners payable in the year	3,100						(3,100)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements.	820						(820)
<b>Total Adjustments</b>	<b>(1,740)</b>	<b>2,250</b>	<b>(2,251)</b>	<b>0</b>	<b>0</b>	<b>74</b>	<b>1,667</b>

2016/17	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Major Repairs Reserve £'000	Bramcote Crematorium £'000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>							
Charges for depreciation and impairment of non current assets	(3,015)	42,786		(3,485)		(110)	(36,176)
Amortisation of intangible assets	(39)						39
Capital grants and contributions applied	827						(827)
Revenue expenditure funded from capital under statute	(713)						713
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(91)	(7,483)					7,574
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
Statutory provision for the financing of capital investment	580						(580)
Capital expenditure charged against the General Fund and HRA balances	317	3,063				117	(3,497)
<b>Adjustments involving the Capital Grants Unapplied Account:</b>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement							0
Application of grants to capital financing transferred to the Capital Adjustment Account							0
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	550	795	(1,345)				0
Use of the Capital Receipts Reserve to finance new capital expenditure			1,526				(1,526)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals							0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(339)		339				0
Transfer of deferred capital receipts upon receipt of cash							0
<b>Adjustment involving the Major Repairs Reserve:</b>							
Use of MRR to finance new capital expenditure				3,485			(3,485)
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>							
Proportion of premiums incurred and discounts received in previous financial years to be charged against balances in 2016/17 in accordance with statutory requirements	36	1					(37)
<b>Adjustments involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,895)	(654)					4,549
Employer's pensions contributions and direct payments to pensioners payable in the year	2,184						(2,184)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements.	(1,406)						1,406
<b>Total Adjustments</b>	<b>(5,004)</b>	<b>38,508</b>	<b>520</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>(34,031)</b>

## 11 Transfer to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and Housing Revenue Account (HRA) balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2017/18.

	Balance at 31 March 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance at 31 March 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance at 31 March 2018 £'000
<b>General Fund:</b>							
Renewals Reserve	(588)	295	(295)	(588)	588		0
Land Searches Reserve	(142)	11	(6)	(137)			(137)
Elections Reserve			(30)	(30)		(30)	(60)
Local Council Tax Support Reserve	(87)	87		0			0
Local Authority Mortgage Scheme Reserve	(26)		(12)	(38)			(38)
Other small balances	(9)		(1)	(10)			(10)
<b>Total</b>	<b>(852)</b>	<b>393</b>	<b>(344)</b>	<b>(803)</b>	<b>588</b>	<b>(30)</b>	<b>(245)</b>

Apart from a small amount held on a charities account within "other small balances", all of the above reserves shown under the General Fund can be used to fund any General Fund expenditure. The prime intent of each of the reserves is given below:

- Renewals Reserve. This reserve was used to provide for replacement of vehicles and plant. These are now funded directly from the General Fund.
- Land Searches Reserve. This reserve was created from an allocation of funds received from the government and is earmarked for use in helping to meet any costs that may be awarded against the Council as a result of legal action that is taking place on a national scale and which challenges the charges made for certain land searches in the past.
- Elections Reserve. This reserve was created in 2011/12 and yearly amounts are to be paid into the reserve in order to spread out the high costs of council elections when they occur once every four years.
- Local Council Support Tax Reserve. This reserve was created in 2012/13 from unused government grant towards implementation of a local council tax support scheme. The funds are earmarked to help support the scheme in future years.
- Local Authority Mortgage Scheme (LAMS) Reserve. This reserve was set up in 2013/14 and holds any additional premium interest earned on the deposit with Lloyds Bank. This will be used to offset the cost of any mortgage defaults that may occur.
- Other small balances. This relates to a small balance held on a charities account.

**12 Other Operating Expenditure**

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>
760	Parish Council Precepts	796
339	Payments to the Government Housing Capital Receipts Pool	581
6,229	Gains/losses on the disposal of non-current assets	3,613
<b>7,328</b>	<b>Total</b>	<b>4,990</b>

**13 Financing and Investment Income and Expenditure**

<b>2016/17 Restated £'000</b>		<b>2017/18 £'000</b>
2,909	Interest payable and similar charges	2,937
1,635	Net interest on the net defined benefit liability/(asset)	1,567
(225)	Interest receivable and similar income	(289)
(116)	(Surplus)/Deficit on trading undertakings	(112)
<b>4,203</b>	<b>Total</b>	<b>4,103</b>

**14 Taxation and Non Specific Grant Income**

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>
(4,750)	Council tax income	(6,201)
(3,633)	Non-Domestic Rates (NDR)	(3,874)
(1,413)	Grant (RSG)	(802)
(827)	Capital grants and contributions	(740)
0	Other Grants	(6)
<b>(10,623)</b>	<b>Total</b>	<b>(11,623)</b>

## 15 Property, Plant and Equipment

<b><u>Movements in 2017/18</u></b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant &amp; Equipment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Valuation:</b>								
At 1 April 2017	179,658	27,330	4,027	4,834	312	75	0	216,236
Additions	4,606	26	483	0	0	0	0	5,115
Revaluation increases/(decreases) recognised in the Revaluation Reserve	163	188	0	0	0	9	0	360
Revaluation increases/(decreases) recognised in the Surplus/Deficit on	2,982	40	0	0	0	0	0	3,022
Derecognition – Disposals	(6,513)	0	0	0	0	0	0	(6,513)
Derecognition – Other	0	(383)	(624)	0	0	0	0	(1,007)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0
Other movements in Cost or Valuation	0	0	0	0	0	0	0	0
<b>At 31 March 2018</b>	<b>180,896</b>	<b>27,201</b>	<b>3,886</b>	<b>4,834</b>	<b>312</b>	<b>84</b>	<b>0</b>	<b>217,213</b>
<b>Accumulated Depreciation and Impairment:</b>								
At 1 April 2017	0	440	(1,876)	(951)	(65)	0	0	(2,452)
Depreciation charge	(3,821)	(509)	(649)	(121)	0	0	0	(5,100)
Depreciation written out	0	383	624	0	0	0	0	1,007
Derecognition – Disposals	0	0	0	0	0	0	0	0
Derecognition – Other	0	0	0	0	0	0	0	0
Other movements in Depreciation and Impairment	3,821	0	0	0	0	0	0	3,821
<b>At 31 March 2018</b>	<b>0</b>	<b>314</b>	<b>(1,901)</b>	<b>(1,072)</b>	<b>(65)</b>	<b>0</b>	<b>0</b>	<b>(2,724)</b>
<b>Net Book Value:</b>								
<b>At 31 March 2018</b>	<b>180,896</b>	<b>27,515</b>	<b>1,985</b>	<b>3,762</b>	<b>247</b>	<b>84</b>	<b>0</b>	<b>214,489</b>
<b>At 31 March 2017</b>	<b>179,658</b>	<b>27,770</b>	<b>2,151</b>	<b>3,883</b>	<b>247</b>	<b>75</b>	<b>0</b>	<b>213,784</b>

<b><u>Movements in 2016/17</u></b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant &amp; Equipment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Valuation:</b>								
At 1 April 2016	140,038	23,108	4,892	4,816	313	0	15	173,182
Additions	7,711	7,974	837	18	0	0	0	16,540
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	2,005	0	0	0	0	0	2,005
Revaluation increases/(decreases) recognised in the Surplus/Deficit on	39,377	(3,672)	0	0	0	0	0	35,705
Derecognition – Disposals	(7,483)	0	0	0	0	0	0	(7,483)
Derecognition – Other	0	(1,937)	(1,702)	0	0	0	0	(3,639)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0
Other movements in Cost or Valuation	15	(148)	0	0	(1)	75	(15)	(74)
<b>At 31 March 2017</b>	<b>179,658</b>	<b>27,330</b>	<b>4,027</b>	<b>4,834</b>	<b>312</b>	<b>75</b>	<b>0</b>	<b>216,236</b>
<b>Accumulated Depreciation and Impairment:</b>								
At 1 April 2016	0	(1,160)	(2,814)	(830)	(65)	0	0	(4,869)
Depreciation charge	(3,409)	(340)	(764)	(121)	0	0	0	(4,634)
Depreciation written out	0	1,937	1,702	0	0	0	0	3,639
Derecognition – Disposals	0	0	0	0	0	0	0	0
Derecognition – Other	0	0	0	0	0	0	0	0
Other movements in Depreciation and Impairment	3,409	3	0	0	0	0	0	3,412
<b>At 31 March 2017</b>	<b>0</b>	<b>440</b>	<b>(1,876)</b>	<b>(951)</b>	<b>(65)</b>	<b>0</b>	<b>0</b>	<b>(2,452)</b>
<b>Net Book Value:</b>								
<b>At 31 March 2017</b>	<b>179,658</b>	<b>27,770</b>	<b>2,151</b>	<b>3,883</b>	<b>247</b>	<b>75</b>	<b>0</b>	<b>213,784</b>
<b>At 31 March 2016</b>	<b>140,038</b>	<b>21,948</b>	<b>2,078</b>	<b>3,986</b>	<b>248</b>	<b>0</b>	<b>15</b>	<b>168,313</b>

Depreciation

With the exception of works vehicles, depreciation is calculated on a straight line basis over the estimated useful life of the asset. The following useful lives have been used in the calculation of depreciation:

- Council Dwellings (Non Components) – 80 Years
- Council Dwellings (Components) – 15 to 40 Years
- Other Land and Buildings:
  - Council Offices 60 Years
  - Pavilions 30 Years
  - Cemetery Chapels 30 Years
  - Other 40 Years
- Vehicles, Plant, Furniture and Equipment – 5 Years
- Infrastructure – 40 Years

Any significant components identified in the revaluation of an asset are depreciated separately over their estimated useful life.

Works vehicles are depreciated over their estimated useful lives but with a greater depreciation charge in the early years to reflect the use and diminishing value of these assets.

Capital Commitments

At 31 March 2018, the Council has entered into a number of significant contracts for the construction or enhancement of property, plant and equipment in 2017/18 and future years budgeted to cost £34.231m. Similar commitments at 31 March 2017 were £34.275m. The major commitments at 31 March 2018 are:

	<b>Total project value £'000</b>	<b>Of which spent by 31 March 2018 £'000</b>
Housing Modernisation	24,059	9,727
Central Heating Replacement	6,997	3,663
UPVC Windows and Doors	389	350
Composite Communal Doors	216	221
External Decorations	1,220	1,125
External Wall Insulation	1,350	261

Effects of Changes in Estimates

There have been no changes in estimated asset life or residual asset values in 2017/18 that would have a material effect.

Revaluations and other changes

The authority carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years although material changes to asset valuations will be adjusted as they occur. Properties are valued by M. Kirk, MRICS, a Chartered Surveyor employed by the Council, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Bramcote Quarry was last revalued at 31 March 2004. The site is currently leased to a contractor and should have been returned to the Council. However, the contractor has encountered delays in restoring the site to an acceptable condition and the site has not yet been formally handed back to the Council. The site will be revalued once it has been returned to the Council. The asset is shown in the balance sheet with a value of £24,000 at 31 March 2018.

The valuation of council dwellings at 31 March 2018 resulted in a revaluation gain of £9.669m which is included under Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement. This was matched by a credit of £9.506m to the Capital Adjustment Account to partly offset impairment losses in previous years and a credit of £0.163m to the Revaluation Reserve.

Valuations are based on beacon properties which are then multiplied by the total stock for each category of dwelling. The last full revaluation of the housing stock was at 31 March 2014 and included an external check of the individual beacons. The valuation at 31 March 2018 was based upon revaluing existing beacon properties. The next full revaluation of all Council dwellings is due to take place on 31 March 2019.

The valuation figures incorporated in the accounts are the aggregate of separate valuations of parts of the portfolio, not a valuation of the portfolio valued as a whole. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values based upon the type of property are:

- Market Value – Non operational property (investment, surplus and development property) (where applicable)
- Existing Use Value – Operational non specialised property
- Depreciated Replacement Cost – Operational specialised property
- Existing Use Value (Social Housing) – Council housing stock

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	168	0	1,985	3,762	247		6,162
Valued at fair values as at:							
31-Mar-18	180,728	9,070				84	189,882
31-Mar-17		14,341					14,341
31-Mar-16		208					208
31-Mar-15		1,910					1,910
31-Mar-14		1,905					1,905
31-Mar-13		32					32
31-Mar-12		49					49
<b>Total Cost or Valuation</b>	<b>180,896</b>	<b>27,515</b>	<b>1,985</b>	<b>3,762</b>	<b>247</b>	<b>84</b>	<b>214,489</b>

Included among council dwellings is a value at historic cost of £0.168m in respect the former Stapleford Police Station that was purchased in January 2014. The purchase was financed from the Housing Revenue Account and it is anticipated that the site will form part of a wider housing development in due course.

Surplus assets at 31 March 2018 refers to the former Beeston Market site. This closed as a market some years ago and the site is to be subject to a planning application for change of use. The site was revalued from £75,000 to £84,000 at 31 March 2018. Redevelopment of the site is anticipated during 2018/19.

The former Beeston Fire Station Site in conjunction with the former multi-storey car park site in Beeston were revalued as at 31 March 2017 at £183,750 to reflect the partial use of the area as a temporary car park. The Estates Officer's valuation at 31 March 2018 confirmed this valuation. It is anticipated that the entire site will be redeveloped as part of the regeneration of Beeston Town Centre and this will be reflected in future valuations.



**16 Heritage Assets**

Reconciliation of the carrying value of Heritage Assets held by the Council:

	<b>DH Lawrence Birthplace Museum</b>	<b>Painting</b>	<b>Total Assets</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or valuation</b>			
At 1 April 2016	228	31	259
Revaluation Decreases recognised in the Revaluation Reserve	73	9	82
Depreciation	(6)	0	(6)
<b>At 31 March 2017</b>	<b>295</b>	<b>40</b>	<b>335</b>
<b>Cost or valuation</b>			
At 1 April 2017	295	40	335
Revaluation Decreases recognised in the Revaluation Reserve	0	0	0
Depreciation	(7)		(7)
<b>At 31 March 2018</b>	<b>288</b>	<b>40</b>	<b>328</b>

DH Lawrence Birthplace Museum

The Museum building was last revalued as at 31 March 2017 in accordance with the Council's policies for a 5 year revaluation cycle of such buildings. Although the Code of Practice indicates that depreciation does not need to be charged on such assets, this is a building which requires maintenance and repair as with other council properties and it is therefore felt to be appropriate to charge depreciation in the same way.

This asset is a Victorian building in Eastwood that was the birthplace of the author DH Lawrence in 1885. The museum allows visitors to learn about his family life and how growing up in a mining community was to shape his future years through the display of furniture and other artefacts including some of DH Lawrence's water colour paintings and personal items. The asset is held for its historical and artistic significance and to promote knowledge and culture.

Painting

The painting by Dr Ala Bashir was donated to the Council free of charge in 2008. This item was not immediately separately recognised in the Council's accounts previously but was subsequently recognised by adjusting the Balance Sheet as at 31 March 2011. The initial valuation was based on information supplied to the Council's insurers in 2008 when the painting was acquired and was based on the exchange rate between the pound and the US dollar at that time. The painting was then revalued as at both 31 March 2012 and 31 March 2013 based on the updated exchange rate at that time. A revised valuation of the painting was received from Dr Bashir on 14 August 2013 and this was used to revalue the painting at 31 March 2017 based upon the exchange rate at that date. No further revaluations have been undertaken since that date. No depreciation is charged on the painting. There are no specific conditions attached to this donation. This asset has artistic content and could be considered to be making a strong contribution towards knowledge and culture.

**17 Investment Properties**

The Council currently has no investment properties.

**18 Intangible Assets**

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

All software is given a finite useful life of 5 years. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.049m in 2017/18 was charged to the ICT service cost centre and then absorbed as an overhead across all the service headings in the cost of the service. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>
60	Net carrying amount at start of year	212
191	Additions during year	128
(39)	Amortisation during year	(49)
<b>212</b>	<b>Net carrying amount at end of year</b>	<b>291</b>

The Council does not currently undertake revaluations of its software assets and they are reflected in the Balance Sheet at historical cost, net of depreciation. There were no disposals of intangible assets in either 2016/17 or 2017/18.

## 19 Financial Instruments

Categories of financial instruments

The following categories of financial instruments are carried in the Balance Sheet:

	Long Term		Current	
	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000
<b>Investments</b>				
Loans and receivables			6,363	9,403
Available-for-Sale Financial Assets	1,855	1,964	1,002	1,988
<b>Total Investments</b>	1,855	1,964	7,365	11,391
<b>Debtors</b>				
Loans and receivables	96	108	3,356	2,738
Financial assets carried at contract amount				
<b>Total included in debtors</b>	96	108	3,356	2,738
<b>Borrowings</b>				
Financial liabilities at amortised cost	(85,023)	(82,964)	(13,300)	(15,388)
Financial liabilities at fair value through profit or loss				
<b>Total included in borrowings</b>	(85,023)	(82,964)	(13,300)	(15,388)
<b>Creditors</b>				
Financial liabilities at amortised cost			(5,250)	(5,323)
Financial liabilities carried at contract amount				
<b>Total creditors</b>	<b>0</b>	<b>0</b>	<b>(5,250)</b>	<b>(5,323)</b>

The loans and receivables shown under investments in the table above consist of short term investments and cash equivalents as shown in the balance sheet.

Where loans are advanced at below market rates they are classed as 'soft loans'. The Council had soft loans to employees at less than market rates for the purchase of motor vehicles which totalled £109,243 as at 31 March 2018 (£102,203 as at 31 March 2017) and which are included under debtors – loans and receivables in the table above. These should be correctly shown in the Balance Sheet at fair value. However, the value of these loans is not considered to be material. Accordingly the value as shown in the Balance Sheet represents the value of any loans made less any repayments that have been received.

The following table reflects the composition of investments and debt as recorded on the Balance Sheet:

	Long Term		Current	
	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000
<b>Borrowing</b>				
Nominal Amount	(84,834)	(82,789)	(13,283)	(15,353)
Accrued Interest	(189)	(175)	(17)	(35)
<b>Total Borrowings as per Balance Sheet</b>	<b>(85,023)</b>	<b>(82,964)</b>	<b>(13,300)</b>	<b>(15,388)</b>
<b>Investments</b>				
Nominal Amount	1,855	1,943	7,336	11,381
Accrued Interest	0	21	29	10
<b>Total Investments as per Balance Sheet</b>	<b>1,855</b>	<b>1,964</b>	<b>7,365</b>	<b>11,391</b>

The portion of long-term liabilities and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under 'current liabilities' or 'current assets'. Investments placed in accounts "on call" are included within 'cash and cash equivalents' and are reflected in the table above. This also includes accrued interest for long term investments and borrowings as well as accrued interest for cash and cash equivalents. Cash in transit or at bank is included in investments in the tables above. Any bank overdrafts are included within borrowing in the tables above.

#### Financial Instruments - Gains and Losses

The Council had no applicable gains or losses in the year.

Financial Instruments - Fair Values

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair values can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest rates at 31 March 2018 of 1.46% to 2.36% for loans from the PWLB and 2.186% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair
- the fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are as follows:

Carrying amount 31-Mar-17 £'000	Fair Value 31-Mar-17 £'000		Carrying amount 31-Mar-18 £'000	Fair Value 31-Mar-18 £'000
(13,300)	(13,300)	<b>Financial Liabilities:</b>		
(85,023)	(101,155)	Short term Borrowing	(15,388)	(15,388)
		Long Term Borrowing	(82,964)	(100,681)
<b>(98,323)</b>	<b>(114,455)</b>	<b>Total Financial Liabilities</b>	<b>(98,352)</b>	<b>(116,069)</b>

The 2017/18 Code of Practice requires the fair values of these assets and liabilities to be disclosed for comparison purposes. The fair value of a financial instrument on initial recognition is generally the transaction price. The Council's debt outstanding at 31 March 2017 and 31 March 2018 consisted of loans from the PWLB, market loans, loans from other local authorities and loans in respect of the Bramcote Bereavement Services. The PWLB has provided the Council with fair value amounts in relation to its debt portfolio. The PWLB has assessed the fair values by calculating the amounts the Council would have to pay to extinguish the loans on these dates. In the case of market loans, the Council's treasury adviser has calculated the fair value based on equivalent swap rates at the Balance Sheet date. The carrying amount of the loan with Erewash Borough Council and temporary loan from Bramcote Bereavement Services to Broxtowe Borough Council have both been treated as being the same as the fair value given the partnership arrangement that exists in respect of the crematorium activities. Any bank overdraft is short term in nature and the fair value has been treated as the same as the carrying amount

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. The result is that premiums would be payable if such loans were to be extinguished. This shows a future notional loss (based on economic conditions at 31 March 2018) arising from a commitment to pay interest to lenders above current market rates.

Carrying amount 31-Mar-17 £'000	Fair Value 31-Mar-17 £'000		Carrying amount 31-Mar-18 £'000	Fair Value 31-Mar-18 £'000
1,855	1,855	<b>Financial Assets:</b>		
6,991	6,991	Long term investments	1,964	1,964
102	102	Short term investments	10,899	10,899
		Other receivable amounts	109	109
<b>8,948</b>	<b>8,948</b>	<b>Total Financial Assets</b>	<b>12,972</b>	<b>12,972</b>

In the case of the Council's short term investments, these consisted entirely of term deposits with banks, building societies and on deposit in call accounts. The maturity dates of these investments were within 12 months of the Balance Sheet date. The contracts of term deposits do not permit premature redemption. The fair value of the investment is less than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2018) attributable to the commitment to receive interest below current market rate. None of the investments were impaired (i.e. at risk of default). Other loans and receivables payable to the Council exist in respect of car loans to employees. The basis of these receivable amounts and the relatively small amount involved is such that the fair value has been taken to be the same as the carry value.

**20 Inventories**

2016/17 £'000		2017/18 £'000
182	Central Stores	186
<b>182</b>	<b>Total</b>	<b>186</b>

**21 Debtors**Short-Term Debtors

2016/17 £'000 Restated		2017/18 £'000
430	Central government bodies	679
346	Other local authorities	138
472	HMRC	294
496	Housing rents	280
186	Council tax payers	165
279	NNDR	460
2,835	Other entities and individuals	1,782
<b>5,044</b>	<b>Total</b>	<b>3,798</b>

Long-Term Debtors

2016/17 £'000		2017/18 £'000
96	Car loans with over one year remaining	108
0	Other	38
<b>96</b>	<b>Total</b>	<b>146</b>

**22 Cash and Cash Equivalents**

Cash comprises cash on hand and in demand deposits. Cash will also include bank overdrafts that are repayable on demand and that are integral to the authority's cash management. Balances classified as 'Cash Equivalents' fit the definition of being short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2016/17 £'000		2017/18 £'000
1	Cash in hand	1
402	Bank current accounts	490
0	Bank overdraft	0
0	Call accounts (same day access funds)	160
3,931	Money Market Funds	2,750
<b>4,334</b>	<b>Total</b>	<b>3,401</b>

**23 Assets Held for Sale**

In accordance with the requirements of the International Financial Reporting Standing (IFRS) 5 on Non Current Assets Held for Sale and Discontinued Operations (paragraphs 6-14), the former cash office in Eastwood was considered to be the only asset held for sale as at 31 March 2017. This had been marketed for a reasonable period by external agents and the sale approved by Policy and Performance Committee on 8 March 2017. The sale was completed on 27 March 2018. There are no other Assets Held for Sale as at 31 March 2018.

**24 Creditors**Short-Term Creditors

2016/17 £'000		2017/18 £'000
(324)	Central Government Bodies	(302)
(484)	Other Local Authorities	(613)
0	NHS Bodies	0
(234)	HMRC	(205)
(186)	Council Tax Payers	(142)
(241)	NDR	(1,075)
(4,745)	Other entities and individuals	(3,556)
<b>(6,214)</b>	<b>Total</b>	<b>(5,893)</b>

**25 Provisions**Short-Term Provisions

	Total £'000
<b>Balance at 31 March 2016</b>	<b>(360)</b>
Additional provisions made in 2016/17	(672)
Amounts used in 2016/17	750
<b>Balance as 31 March 2017</b>	<b>(282)</b>
Additional provisions made in 2017/18	(580)
Amounts used in 2017/18	438
<b>Balance as 31 March 2018</b>	<b>(424)</b>

The Council has just one short-term provision that relates to insurance. This has been established under local act powers and is used to cover excesses on claims and certain small risks. Claim excesses falling on the provision amount to £15,000 for public liability, £10,000 for employer's liability and £250 for motor and property insurance. In addition there is an aggregate limit on liability cover borne by the insurance provision of £185,000 in any one financial year. The objective is to minimise premiums whilst holding sufficient insurance cover. The balance represents potential liabilities arising from claims still to be settled.

Long-Term Provisions

	<b>Total £'000</b>
<b>Balance at 31 March 2016</b>	<b>(707)</b>
Additional provisions made in 2016/17	(877)
Amounts used in 2016/17	375
<b>Balance as 31 March 2017</b>	<b>(1,209)</b>
Reduction in provisions made in 2017/18	129
Amounts used in 2017/18	530
<b>Balance as 31 March 2018</b>	<b>(550)</b>

New arrangements for the retention of business rates came into effect on 1 April 2013 that saw local authorities assume responsibility for refunding business ratepayers who successfully appeal against the rateable value of properties on their rating list. This includes amounts that were paid over to Central Government in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by the authorities but would have been transferred to the Ministry of Housing, Communities and Local Government (MHCLG). A provision has been made for the possible settlement of refunds, based on consideration of the type and history of appeals awarded in the past and the length of time normally taken for the appeal process.

**26 Usable Reserves**

Movements in the authority's usable reserves are outlined in the Movement in Reserves Statement.

Usable Capital Receipts Reserve

Up until June 2012 the Usable Capital Receipts Reserve represented the proportion of capital receipts arising from the disposal of assets which is available to finance other capital expenditure after setting aside the statutory amounts for the repayment of external loans and paying 75% of the receipts from the sale of council houses to the central government pool. As from July 2012 the authority operated within the government's new regime whereby a proportion of housing capital receipts can be retained so long as they are used towards new council housing within three years of them being received. As previously, receipts other than those related to council housing are 100% retained for use by the authority. Further details of the movements are set out below:

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>
<b>(1,280)</b>	<b>Balance as at 1 April</b>	<b>(760)</b>
(1,345)	Capital receipts in year	(2,989)
(2,625)		(3,749)
	Less:	
339	Capital receipts paid to the central capital receipts pool	581
1,526	Capital receipts used for financing	157
<b>(760)</b>	<b>Balance as at 31 March</b>	<b>(3,011)</b>



## 27 Unusable Reserves

2016/17 £'000		2017/18 £'000
(16,455)	Revaluation Reserve	(16,656)
(98,642)	Capital Adjustment Account	(98,555)
319	Financial Instruments Adjustment Account	282
59,501	Pensions Reserve	55,604
1,314	Collection Fund Adjustment Account	494
143	Available for Sale Financial Instruments Reserve	68
<b>(53,820)</b>	<b>Total</b>	<b>(58,763)</b>

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment (and intangible assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	General Fund £'000	Housing Revenue Account £'000	Bramcote Crematorium £'000	Total £'000
<b>Balance as at 31 March 2016</b>	<b>(9,264)</b>	<b>(495)</b>	<b>(41)</b>	<b>(9,800)</b>
Revaluation Gain 2016/17	(6,508)		(284)	(6,792)
Less:				
Impairment Losses 2016/17				0
Removal of Gain on Disposed Asset				0
Excess current value over historic cost depreciation	135		2	137
<b>Balance as at 31 March 2017</b>	<b>(15,637)</b>	<b>(495)</b>	<b>(323)</b>	<b>(16,455)</b>
Revaluation Gain 2017/18	(197)	(163)		(360)
Less:				
Impairment Losses 2017/18				0
Removal of Gain on Disposed Asset	26			26
Transfer of Balances to CAA	(8)			(8)
Excess current value over historic cost depreciation	135		6	141
<b>Total</b>	<b>(15,681)</b>	<b>(658)</b>	<b>(317)</b>	<b>(16,656)</b>

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the authority as finance for the costs of acquisition, construction and subsequent costs.

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the authority.

The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

The provision for repayment of loans in 2017/18 and how this relates to the depreciation charge in respect of the Council's financial activities is shown below:

	<b>£'000</b>
Non-Housing Capital Financing Requirement	(183)
Voluntary Housing amount	0
<b>Minimum Revenue Provision (MRP)</b>	<b>(183)</b>
Amount charged as Depreciation	(5,158)
<b>Excess of Depreciation over MRP</b>	<b>(5,341)</b>

Note 10 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

2016/17 £'000		2017/18 £'000
<b>(67,480)</b>	<b>Balance as at 1 April</b>	<b>(98,641)</b>
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</u>	
12,847	Charges for depreciation and impairment of non-current assets	5,801
(181)	Revaluation (gains)/losses on Property, Plant and Equipment	(6,843)
39	Amortisation of intangible assets	49
713	Revenue expenditure funded from capital under statute	621
7,574	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	6,602
20,992		6,230
(42,237)	Adjusting amounts written out of the Revaluation Reserve	(158)
<b>(21,245)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>6,072</b>
	<u>Capital financing applied in the year:</u>	
(1,526)	Use of the Capital Receipts Reserve to finance new capital expenditure	(157)
(3,485)	Use of the Major Repairs Reserve to finance new capital expenditure	(3,900)
(827)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(740)
0	Application of grants to capital financing from the Capital Grants Unapplied Account	0
(580)	Statutory provision for the financing of capital investment charged against the General Fund, Housing Revenue Account and Bramcote Crematorium balances	183
(3,498)	Capital expenditure charged against the General Fund, Housing Revenue Account and Bramcote Crematorium balances	(1,372)
<b>(31,161)</b>		<b>86</b>
<b>(98,641)</b>	<b>Balance as at 31 March</b>	<b>(98,555)</b>

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. (The authority uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the account at 31 March 2018 will be charged to the General Fund over the next 9 years.)

	<b>General Fund £'000</b>	<b>Housing Revenue Account £'000</b>	<b>Total £'000</b>
<b>Balance as at 31 March 2016</b>	<b>354</b>	<b>2</b>	<b>356</b>
Charge to balances in 2016/17	(36)	(1)	(37)
<b>Balance as at 31 March 2017</b>	<b>318</b>	<b>1</b>	<b>319</b>
Charge to balances in 2017/18	(37)	0	(37)
<b>Balance as at 31 March 2018</b>	<b>281</b>	<b>1</b>	<b>282</b>

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>
<b>47,602</b>	<b>Balance as at 1 April</b>	<b>59,501</b>
9,534	Remeasurements of the net defined benefit liability/(asset)	(6,177)
4,549	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	5,380
(2,184)	Employer's pensions contributions and direct payments to pensioners payable in the year	(3,100)
<b>59,501</b>	<b>Balance as at 31 March</b>	<b>55,604</b>

Collection Fund Adjustment Account

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

2016/17 £'000		2017/18 £'000
(92)	<b>Balance as at 1 April</b>	<b>1,314</b>
1,406	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(820)
<b>1,314</b>	<b>Balance as at 31 March</b>	<b>494</b>

Available for Sale Financial Instruments

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

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

2016/17 £'000		2017/18 £'000
<b>0</b>	<b>Balance as at 1 April</b>	<b>143</b>
143	Changes in Fair Value of long and short term investments	(75)
<b>143</b>	<b>Balance as at 31 March</b>	<b>68</b>

**28 Cash Flow Statement - Operating Activities**

The cash flows for operating activities include the following items:

2016/17 £'000		2017/18 £'000
181	Interest received	(295)
2,811	Interest paid	2,934

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2016/17 £'000		2017/18 £'000
(4,640)	Depreciation	5,801
34,571	Impairment and revaluations	(6,843)
(39)	Amortisation	49
513	Increase/decrease in creditors	(318)
1,079	Increase/decrease in debtors	(362)
(24)	Increase/decrease in inventories	(4)
(26)	Pension liability	2,280
(242)	Contributions to/from provisions	(516)
(7,574)	Carrying amount of non current assets sold	6,604
<b>23,618</b>	Balance as at 31 March	<b>6,691</b>

The surplus or deficit on the provision of services has been adjusted for the following items that are investing or financing activities

2016/17 £'000		2017/18 £'000
826	Capital grants credited to surplus or deficit on the provision of services	(740)
0	Proceeds from reduction in investments	0
1,345	Proceeds from the sale of property, plant and equipment and intangible assets	(2,989)
<b>2,171</b>	Balance as at 31 March	<b>(3,729)</b>

**29 Cash Flow Statement - Investing Activities**

2016/17 £'000		2017/18 £'000
20,974	Purchase of property, plant and equipment, investment property and intangible assets	(5,956)
21,585	Purchase of short-term and long-term investments	(106,260)
56	Other payments for investing activities	0
(1,345)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,989
(23,585)	Proceeds from short-term and long-term investments	101,262
(1,105)	Other receipts from investing activities	1,048
<b>16,580</b>	Balance as at 31 March	<b>(6,917)</b>

**30 Cash Flow Statement - Financing Activities**

2016/17 £'000		2017/18 £'000
19,000	Cash receipts of short- and long-term borrowing	19,127
(8,164)	Repayments of short- and long-term borrowing	(19,101)
(392)	Other payments for financing activities	163
0	Billing authorities – council tax and NNDR adjustments	0
<b>10,444</b>	Balance as at 31 March	<b>189</b>

**31 Acquired and Discontinued Operations**Cash Offices

As agreed by Cabinet on 22 September 2015, the Council closed its cash offices at Beeston, Stapleford and Eastwood on 31 March 2016. However, a payment kiosk facility was installed in the Council Offices in Beeston to mitigate the impact of the cash office closures.

The cash office at Stapleford was located in a building owned by Stapleford Town Council and the rental agreement was subsequently terminated. The site of the cash office at Eastwood was put up for sale following the closure and the Policy and Performance Committee agreed on 8 March 2017 to accept an offer for the property. The property was finally sold in March 2018 for £110,000.

**32 Trading Operations**

The Council provides units in a number of industrial estates across the borough. Commercial rent is charged on the units and in 2017/18 rental income of £174,622 was received (£176,182 in 2016/17). An overall surplus of £111,425 was achieved in 2017/18 (£115,671 in 2016/17).

**33 Agency Services**

The Council is part of a countywide parking partnership operated by Nottinghamshire County Council (NCC) which is involved in the collection of monies due from on- and off-street car parking, including the recovery of fines arising from Penalty Charge Notices (PCNs). Only those activities involving the recovery of monies due from PCNs in respect of off-street parking are relevant to Broxtowe's account. The total amount collected in PCN income was £117,740 (2016/17 £109,908), this income was offset by NCC's processing fee of £26,914 (2016/17 £24,039), a net income to Broxtowe Borough Council of £90,826. These amounts are included within the Comprehensive Income and Expenditure Statement.

**34 Members Allowances**

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

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>
262	Salaries (incl national insurance and pension contributions)	260
14	Allowances	14
8	Expenses	5
<b>284</b>	<b>Balance as at 31 March</b>	<b>279</b>

**35 Officers Remuneration**

The total number of employees (including senior officers as listed below) whose remuneration, excluding pension contributions, was £50,000 or more in bands of £5,000 was:

	Number of employees	
	2017/18	2016/17
£50,000 - £54,999	5	6
£55,000 - £59,999		
£60,000 - £64,999		
£65,000 - £69,999		
£70,000 - £74,999		
£75,000 - £79,999	2	1
£80,000 - £84,999		
£85,000 - £89,999		2
£90,000 - £94,999		
£95,000 - £99,999		
£100,000 - £104,999		
£105,000 - £109,999	1	1



The remuneration disclosures for Senior Officers (including statutory officers and those responsible for the management of the authority) are as follows:

Post Title	Salary (Including Fees and Allowances)	Benefit in Kind	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including Pension Contributions 2017/18	Total Remuneration including Pension Contributions 2016/17
	£	£	£	£	£	£
Chief Executive	107,882	197	108,079	16,037	124,116	128,017
Deputy Chief Executive and S151 Officer (up to July 2017)	30,254	0	30,254	4,357	34,611	107,698
Director of Housing, Leisure & Property Services	79,688	0	79,688	11,385	91,073	92,186
Director of Legal and Planning, and Monitoring Officer (up to February 2018)	79,624	0	79,624	11,226	90,850	106,402
Monitoring Officer (from February 2018)	9,124	0	9,124	0	9,124	0

From July 2017 the Council employed the Interim Deputy Chief Executive and Section 151 Officer through an agency, as a result of which salary costs for this post are not shown above. The total fees paid to the agency for this role for 9 months in 2017/18 were £123,750.

From September 2017 the Council employed the Strategic Director through a secondment from Rushcliffe Borough Council. As such the salary cost for this post are not shown above. The total remuneration paid to Rushcliffe Borough Council for this role for 7 months in 2017/18 was £59,567.

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

Exit packages cost band	No. of compulsory redundancies		No. of other departures agreed (inc voluntary redundancies)		Total number of exit packages		Total cost of exit packages in each band	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17 Restated	2017/18
£0 - £20,000	4	1	3	6	7	7	60,970	55,471
£20,001- £40,000			2	2	2	2	47,664	48,416
£40,001- £60,000	1				1	0	42,338	0
£60,001- £80,000				1	0	1	0	73,936
<b>Total</b>	<b>5</b>	<b>1</b>	<b>5</b>	<b>9</b>	<b>10</b>	<b>10</b>	<b>150,972</b>	<b>177,823</b>

The exit packages for 2017/18 were in respect of employees based in Legal and Planning Services (2), Deputy Chief Executive's (4) and Housing and Property Services (3) and Chief Executive's (1).

**36 External Audit Costs**

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts:

2016/17 £'000 Restated		2017/18 £'000
84	Fees payable to KPMG with regard to external audit services carried out by the appointed auditor for the year	47
10	Fees payable in respect of grant claim services carried out by KPMG during the year	9
3	Fees payable in respect of Housing Pooled Receipt claim services carried out by KPMG during the year	4
0	Fees payable in respect of other services carried out by KPMG during the year	2
<b>97</b>	<b>Total</b>	<b>62</b>

The £84,000 paid in fees to KPMG for external audit services includes £37,000 for overrun work on the 2016/17 audit. This additional charge requires the approval of Public Sector Audit Appointments (PSAA) as it is over above the 2016/17 agreed scale fee charges.

**37 Grant Income**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

2016/17 £'000		2017/18 £'000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
(4,750)	Council Tax	(6,201)
(3,633)	Non Domestic Rates	(3,874)
(1,413)	Revenue Support Grant	(802)
(207)	Developer Contributions	(61)
(507)	Disabled Facilities Grants	(550)
0	Growth Point	(1)
(7)	Kimberley School	0
0	Nottinghamshire Wildlife Trust	(26)
0	Nottinghamshire County Council	(25)
(31)	WREN	(50)
(75)	Other Grants and Contributions	(33)
<b>(10,623)</b>	<b>Total</b>	<b>(11,623)</b>
	<b>Credited to Services</b>	
(26)	Community Safety	(39)
0	Register of Electors	(107)
0	Homelessness Prevention	(101)
(22,060)	Housing and Council Tax Benefits	(20,851)
(1)	Local Council Tax Support Grant	0
(829)	New Homes Bonus Grant	(465)
(109)	Non-Domestic Rates Administration	(232)
0	Planning Policy	(65)
(45)	Other Grants	(23)
<b>(23,070)</b>	<b>Total</b>	<b>(21,883)</b>

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the giver. The balances at the year-end are as follows:

2016/17 £'000		2017/18 £'000
	<b>Capital Grants Receipts in Advance</b>	
0	Efficiency East Midlands Ltd	(1)
0	Nottinghamshire Wildlife Trust	(1)
(127)	Developer Contributions – Education	(174)
0	Nottingham Pre-Development Fund	(70)
(110)	Developer Contributions – Open Spaces	(114)
(119)	Developer Contributions – Transport Measures	(104)
(2)	Environment Agency – Erewash Valley Trail	(2)
(67)	Growth Point	(66)
(6)	Tesco - Banks Road Open Space Access Works	(1)
(2)	VIA East Midlands Ltd-contribution towards Beeston Footpaths 17 & 117	(2)
(8)	United Living CSR Fund-contribution for Broadgate Park Play Area	(5)
(1)	Nottinghamshire County Council – Independent Living Fund	(1)
(146)	Disabled Facilities Grants 2017/18	(357)
<b>(588)</b>	<b>Total</b>	<b>(898)</b>

### 38 Related Parties

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

#### Central Government

Central government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grant receipts outstanding at 31 March 2018 are shown in note 37.

#### Members

Members of the Council have direct control over the Council's financial and operating policies and receive an approved allowance for their work. The total of members allowances paid in 2017/18 is shown in note 34. During 2017/18 the Council maintained a register of members' interests together with a record of interests declared at committee and Council meetings. In addition, a specific declaration of any transactions with related parties was required. These records have been reviewed and material transactions with organisations referred to in these records were as follows:

	Receipts £'000	Payments £'000
Transform Training Ltd.		11
Chilwell Community Association		9
Environment Agency		7
Hickings Lane Medical Centre	1	

Where grants were given, they were made with proper consideration of declarations of interest and the relevant Members did not take part in any discussion or decision relating to the grants.

The Register of Members' Interests shows potential financial and other interests, including involvement with voluntary organisations, public authorities and representation on various bodies. A copy of the register of Members' Interests is available on the Council's website and further information can be obtained from Member Services via - committees@broxtowe.gov.uk or telephone 0115 917 7777.

### Officers

A register for officers' outside interests and hospitality is also maintained. Again, this has been reviewed and found to contain no entries that would suggest a material related party transaction occurred in 2017/18. Employer's pension contributions are paid into the Local Government Pension Scheme that is administered locally by Nottinghamshire County Council. Further details can be found in note 43.

As stated in note 19, the Council provides subsidised car loans to officers that meet certain eligibility criteria.

### Other Public Bodies

The most significant related party transactions with other public bodies are disclosed elsewhere in the Statement of Accounts, as follows:

- |  |                                |
|--|--------------------------------|
| • Precepts from other local authorities        | Collection Fund Accounts       |
| • Agency arrangements                          | Note 33 to the accounts        |
| • Partners in capital projects (contributions) | Note 37 and 39 to the accounts |

Details of significant outstanding debtors and creditors in respect of related parties are included within notes 21 and 24.

## **39 Capital Expenditure and Capital Financing**

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>
<b>91,352</b>	<b>Opening Capital Financing Requirement</b>	<b>99,304</b>
	<u>Capital Investment</u>	
16,965	Property, Plant and Equipment	5,829
0	Investment Properties	0
191	Intangible Assets	128
713	Revenue Expenditure Funded from Capital under Statute	621
	<u>Sources of</u>	
(1,526)	Capital Receipts	(157)
(827)	Government Grants and Other Contributions	(740)
(3,499)	Direct Revenue Contributions	(1,372)
(3,485)	Major Repairs Reserve	(3,900)
(580)	Minimum Revenue Provision	183
<b>99,304</b>	<b>Closing Capital Financing Requirement</b>	<b>99,896</b>
	<u>Explanation of Movements in Year</u>	
0	Increase in Underlying need to borrowing (supported by government financial assistance)	0
7,952	Increase in Underlying need to borrowing (unsupported by government financial assistance)	592
<b>7,952</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>592</b>

## 40 Leases

### Authority as Lessee

#### *Finance Leases*

No assets were acquired under finance leases in 2016/17 or 2017/18. There were no outstanding obligations in respect of finance leases as at 31 March 2017 or 31 March 2018.

#### *Operating Leases*

No assets were acquired under operating leases in 2016/17 or 2017/18. There were no outstanding obligations in respect of operating leases as at 31 March 2017 or 31 March 2018.

### Authority as Lessor

#### *Finance Leases*

The Council owns an area of the town centre in Beeston which is occupied by a number of retail premises and accommodation units. The area was let on a long-term lease through to March 2096. The leasehold interest was held by Henry Boot Ltd and the Council received no income in respect of the retail premises and accommodation units. In May 2016 the Council completed the purchase of the leasehold interest and an appropriate value for the buildings based on the income receivable is reflected in the accounts for 2016/17.

The Council held no finance leases as at 31 March 2018.

#### *Operating Leases*

The Council owns an area of the town centre in Beeston which is occupied by a number of retail premises and accommodation units. The area was let on a long-term lease through to March 2096. Under the terms of the lease the Council was entitled to receive ground rent in respect of its title to the land. In 2015/16 the Council received income of £116,411, calculated on the basis of a share of net rental income from the various properties. The annual income included a sum of £20,611 "head rent" that was a minimum receivable irrespective of the level of occupancy of these units. In May 2016 the Council completed the purchase of the leasehold interest and the amount in excess of the head rent in 2015/16, along with all amounts due in 2016/17, formed part of the overall lease surrender settlement.

The Council held no operating leases as at 31 March 2018.

## 41 Impairment Losses

Paragraph 4.7.4.2(1) of the 2017/18 Code of Practice requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in notes 15 and 18 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

The Estates' Officer's valuation of a number of property assets in line with the rolling 5 year asset valuation programme resulted in upward valuations totalling £0.371m and downward valuations totalling £0.134m. Upward revaluations of £0.328m were charged to the Revaluation Reserve whilst upward revaluations of £0.043m were charged to the Capital Adjustment Account to offset losses on individual assets that arose in previous years. Of the downward valuations, £0.131m were charged to the Revaluation Reserve to offset gains on individual assets that arose in previous years whilst £0.003m were charged to the Capital Adjustment Account.

The Estates Officer revalued the Bramcote Crematorium land and buildings at 31 March 2017 in line with 5 year asset valuation programme. He considers that no material changes occurred during 2017/18 that required a revaluation as at 31 March 2018. The next revaluation is due to take place at 31 March 2022.

## 42 Termination Benefits

Note 35 contains details of the number of exit packages and total cost per band. No other benefits were paid to an employee as a result of a decision to terminate their employment before the normal retirement date or the acceptance by an employee of voluntary redundancy.

## 43 Defined Benefit Pension Schemes

### Participation in Pension Schemes

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

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

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

The Local Government Pension Scheme in Nottinghamshire is operated under a regulatory framework and the governance of the scheme is the responsibility of the Pension Fund Committee at Nottinghamshire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks to this Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies in note 1.

### Transactions Relating to Post-Employment Benefits

The cost of retirement benefits is recognised in the reported cost of services within the Comprehensive Income and Expenditure Statement when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax and housing rents is based on the cash payable during the year and therefore the real cost of retirement benefits is reversed out of the General Fund and Housing Revenue Account in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during 2017/18:

2016/17 £'000		2017/18 £'000
	<b>Comprehensive Income and Expenditure Statement</b>	
	<b>Cost of Services:</b>	
	<u>Service Cost comprising:</u>	
545	Service Cost	3,776
30	Administration	37
	<u>Financing and</u>	
1,635	Net Interest	1,567
<b>2,210</b>	<b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>5,380</b>
	<b>Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	
	<u>Remeasurement of the Net Defined Benefit Liability comprising:</u>	
(15,805)	Return on plan assets (excluding the amount included in the net interest expense)	(20)
1,050	Other actuarial gain/(losses) on assets	
32,339	Changes in financial assumptions	6,197
544	Change in demographic assumptions	
(6,255)	Experience loss/(gain) on defined benefit obligation	
<b>14,083</b>	<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>11,557</b>
	<b>Movement in Reserves Statement</b>	
(2,210)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in accordance with the Code	(5,380)
	<b>Actual amount charged against the General Fund Balance for pensions in the year</b>	
2,184	Employers' contributions payable to the scheme	3,100

Pension Assets and Liabilities Recognised in the Balance Sheet

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

2016/17 £'000		2017/18 £'000
<b>155,320</b>	<b>Present Value of the Defined Benefit Obligation</b>	<b>153,410</b>
(96,238)	Fair Value of Plan Assets	(98,197)
<b>59,082</b>	<b>Sub-Total</b>	<b>55,213</b>
419	Other Movements in the Liability (Asset)	391
0	Payment of Deficit	(1,396)
<b>59,501</b>	<b>Net Liability Arising From Defined Benefit Obligation</b>	<b>54,208</b>

Reconciliation of the Movement in the Fair Value of Scheme Assets

The opening and closing balances of the fair value of the scheme assets are reconciled as follows:

2016/17 £'000		2017/18 £'000
<b>83,132</b>	<b>Opening Fair Value of Scheme Assets</b>	<b>96,238</b>
2,912	Interest Income	2,591
	<u>Remeasurement gain/(loss):</u>	
15,805	· The return on plan assets (excluding the amount included in the net interest expense)	(20)
(1,050)	· Other actuarial gains/(losses)	0
2,184	Contributions from employer	3,100
663	Contributions from employees into the scheme	587
(4,407)	Estimated Benefits Paid (plus unfunded net of transfers in)	(4,262)
(2,971)	Settlement prices received/(paid)	0
(30)	Administration expenses	(37)
<b>96,238</b>	<b>Closing Fair Value of Scheme Assets</b>	<b>98,197</b>

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

The opening and closing balances of the fair value of the scheme liabilities are reconciled as follows:

2016/17 £'000		2017/18 £'000
<b>130,734</b>	<b>Opening Balance at 1 April</b>	<b>155,739</b>
2,739	Current Service Cost	3,612
4,547	Interest Cost	4,158
663	Contribution from Scheme Participants	587
32,339	Change in Financial Assumptions	(6,197)
544	Change in demographic assumptions	0
(6,255)	Experience loss/(gain) on defined benefit obligation	0
(5,310)	Liabilities assumed/(extinguished) on settlements	0
145	Past Service Cost (including curtailments)	164
(4,369)	Benefits Paid	(4,230)
(38)	Unfunded Pension Payments	(32)
<b>155,739</b>	<b>Closing Balance at 31 March</b>	<b>153,801</b>

Local Government Pension Scheme Assets

The fair value of the Local Government Pension Scheme assets was as follows:

2016/17 £'000		2017/18 £'000
4,842	Cash and Cash Equivalents	1,940
69,712	Equity	66,997
2,942	Gilts	2,250
5,806	Other Bonds	11,471
10,700	Property	12,335
2,236	Infrastructure	3,204
<b>96,238</b>	<b>Total Assets</b>	<b>98,197</b>



Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about factors such as mortality rates and salary levels. The Nottinghamshire County Council Pension Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, with estimates based on the latest full valuation of the scheme as at 31 March 2016.

The principle assumptions used by the actuary have been:

2016/17 %		2017/18 %
	<u>Mortality Assumptions:</u>	
	Longevity at 65 for current pensioners:	
22.5	• Men	22.6
25.5	• Women	25.6
	Longevity at 65 for future pensioners:	
24.7	• Men	24.8
27.8	• Women	27.9
	<u>Financial Assumptions:</u>	
	Rate of Inflation	
3.6	• Rate of Increase in Retail Price Index (RPI)	3.3
2.7	• Rate of Increase in Consumer Price Index (CPI)	2.3
4.2	Rate of Increase in Salaries	3.8
2.7	Rate of Increase in Pensions	2.3
2.7	Rate for Discounting Scheme Liabilities	2.55

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

The impact on the defined benefit obligation in the scheme of changes in assumptions is as follows:

	Increase in £'000	Decrease in £'000
Longevity (increase or decrease in 1 year)	5,834	(5,613)
Rate of increase in salaries (increase or decrease by 0.1%)	232	(230)
Rate of increase in pensions (increase or decrease by 0.1%)	2,672	(2,622)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(2,843)	2,900

Impact on the Council's Cash Flows

The Council anticipates paying contributions of £1.326m to the scheme in 2018/19.

The weighted average duration of the defined benefit obligation for scheme members is 19 years in 2017/18 (19 years for 2016/17).

#### 44 Contingent Liabilities

At 31 March 2018 the Council had two material contingent liabilities:

- Municipal Mutual Insurance Limited (MMI) ceased accepting new business on 30 September 1992 following financial difficulties and has since been running off its liabilities in respect of policies issued prior to that date. As at 31 March 2018 the estimate for the two claims outstanding is £10,001. The Council received notice that MMI was unlikely to have sufficient funds to enable the run off to come to a conclusion without issuing a levy against relevant local authorities to clawback some of the amounts previously paid out. A levy of 25%, equivalent to £137,621, has been repaid to MMI up to 31 March 2018. If the aggregated levy proves to be insufficient then further sums may be reclaimed back from the Council. The situation is being kept under review. With regard to the outstanding claims, 75% of any claims substantiated should initially be met by MMI from its run off with the balance falling on the insurance provision.
- The Council has been dealing with a legal claim made in respect of the charges made previously for personal searches. This is part of a national issue and the Local Government Association is involved in co-ordinating the defence of this Council and others against lodged claims. An earmarked reserve has been set up using funds previously provided by the Government in respect of this issue. A grant of £10,598 was received from the Government in 2017/18 but was not added to the reserve and no settlement payments were made in 2017/18. Therefore the balance on the reserve as at 31 March 2018 was £136,891 as it had been at 31 March 2017. It is anticipated that further costs will be awarded against the Council in future years and, if so, these will be met from this reserve.

#### 45 Contingent Assets

In 2011/12 Nottingham City Council used an Act of Parliament to compulsorily acquire or temporarily use 127 plots of Broxtowe Borough Council's land to construct and operate the tram extension from Nottingham Station to Toton Lane. The most significant land take was at Beeston Square but other land was also taken including car parks, retirement living schemes and public open space.

Broxtowe Borough Council and its advisors have been in ongoing discussions with Nottingham City Council regarding an appropriate level of compensation for the use of Broxtowe's land. An initial sum of £42,028 was received in 2012/13 and allocated to revenue resources. A second payment of £44,161 was received in 2013/14 with £30,911 and £13,250 allocated to revenue and capital resources respectively. A third payment of £285,552 was received in 2015/16 and allocated to capital resources to be used to help meet the costs of developing Beeston Town Centre. A fourth payment of £650,000 was received in March 2018 and has also been allocated to capital resources with the intention that it is used to meet Beeston Town Centre development costs.

Broxtowe Borough Council and its advisors do not regard the matter as closed and anticipate further compensation payments will be received. However, the timing and value of these is not known at present. No allowance has been made in the accounts for any sums that may be payable over and above those already received.

#### 46 Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. The most significant of these risks are:

- credit risk - the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

## Credit Risk

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

The risk is minimised through the annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum long-term ratings of BBB+ (or equivalent) set by the three main credit rating agencies. The annual Investment Strategy also permits maximum sums to be invested with financial institutions located within each category.

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's investments but there was no evidence at 31 March 2018 that this was likely to happen.

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

The Council does not generally allow credit for customers. The past due but not impaired amount for the Council's major customers covered by sundry debts, benefit overpayments and housing rents can be analysed by age as follows:

2016/17 £'000		2017/18 £'000
949	Up to 6 months	922
265	Above 6 months and up to 12 months	304
247	Above 12 months and up to 24 months	253
217	Above 24 months and up to 36 months	142
439	Over 36 months	362
<b>2,117</b>	<b>Total</b>	<b>1,983</b>

## Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loan Board. There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specific periods.

The Council's strategy is to ensure that no more than 15% of loans are due to mature within any year through a combination of careful planning of new loans taken out and making early repayments. The Council would only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

The maturity analysis of the nominal value of the Council's debt at 31 March 2018 (including temporary borrowing on behalf of Bramcote Crematorium) was as follows:

31-Mar-17			31-Mar-18	
£'000	% of total debt portfolio		£'000	% of total debt portfolio
13,993	14	<b>Short Term</b> Less than 1 year	15,354	15
		<b>Long Term Borrowing</b>		
2,009	2	Over 1 but not over 2	10	1
5,632	6	Over 2 but not over 5	10,135	10
30,530	31	Over 5 but not over 10	41,639	42
40,581	41	Over 10 but not over 15	24,996	25
46	0	Over 15 but not over 20	9	1
0	0	Over 20 but not over 25	0	0
0	0	Over 25 but not over 30	0	0
0	0	Over 30 but not over 35	3,000	3
3,000	3	Over 35 but not over 40	0	0
0	0	Over 40 but not over 45	0	0
3,000	3	Over 45	3,000	3
84,798	86	<b>Total Long Term Borrowing</b>	82,789	85
<b>98,791</b>	<b>100</b>	<b>Total Borrowing</b>	<b>98,143</b>	<b>100</b>

The source of the Council's loan and other long term liabilities and the associated sums are as follows:

2016/17 £'000	Loans and other long term liabilities outstanding (nominal value):	2017/18 £'000
79,805	Public Works Loans Board	79,798
3,000	Barclays Bank Plc	3,000
15,000	Other Local Authorities	15,000
36	Loan from Erewash Borough Council (Bramcote Crematorium)	0
950	Temporary Borrowing (Bramcote Crematorium)	345
<b>98,791</b>	<b>Total</b>	<b>98,143</b>

All trade and other payables are due to be paid in less than one year.

## Market Risk

### (i) Interest Rate Risk

The Council is exposed to risks in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. For example, the Treasury Management Strategy sets up an upper limit of 40% on external debt that can be subject to variable interest rates. At 31 March 2018, 100% of the debt portfolio was held in fixed rate instruments and 0% in variable rate instruments.

During periods of falling interest rates, and where economic circumstances make it favourable, the early repayment of fixed rate loans will be considered in order to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated and is also used to advise whether any new borrowing taken out is on a fixed or variable basis.

Investments are also subject to movements in interest rates. As investments are made at fixed rates, but for shorter periods of time than borrowings, there is greater exposure to interest rate movements. This risk has to be balanced against actions taken to mitigate credit risk.

As the Council has no variable rate borrowings or investments, other than £2m investment in the CCLA Property Fund, a 1% change in interest rates would have very little impact upon the Comprehensive Income and Expenditure Statement. If interest rates had been 1% higher at 31 March 2018 then, with other variables remaining constant, the fair value of fixed rate borrowings would be lower. However, this would have no impact upon the Comprehensive Income and Expenditure Statement.

#### (ii) Price Risk

The Council does not invest in equity shares and therefore has no exposure to risk from movements in share

#### (iii) Foreign Exchange Risk

The Council has no financial asset or liabilities denominated in a foreign currency. It therefore has no exposure to loss arising as a result of adverse movements in exchange rates.

**HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT**

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

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>	<b>Notes</b>
	<b>Expenditure</b>		
3,488	Repairs and Maintenance	3,376	
3,799	Supervision and Management	4,549	
24	Rents, Rates, Taxes and Other Charges	42	
(39,317)	Depreciation and Impairment of Non-Current Assets	(2,903)	
166	Movement in Allowance for Bad Debts	129	
<b>(31,840)</b>	<b>Total Expenditure</b>	<b>5,193</b>	
	<b>Income</b>		
(15,626)	Dwelling Rents (gross)	(15,322)	
(217)	Non-Dwellings Rents (gross)	(264)	
(218)	Charges for Services and Facilities	(177)	
(645)	Contribution towards Expenditure	(646)	3
<b>(16,706)</b>	<b>Total Income</b>	<b>(16,409)</b>	
(48,546)	<b>Net expenditure or income of HRA services as included in the Comprehensive Income and Expenditure Statement</b>	(11,216)	
229	HRA services' share of Corporate and Democratic Core	551	
<b>(48,317)</b>	<b>Net Income for HRA Services</b>	<b>(10,665)</b>	
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>		
6,688	(Gain)/Loss on sale of HRA non current assets	4,359	
2,548	Interest Payable and Similar Charges	2,350	
(74)	Interest and Investment Income	(78)	
464	Net interest on the net defined benefit liability	397	
<b>(38,691)</b>	<b>(Surplus)/Deficit for the year on HRA Services</b>	<b>(3,637)</b>	

### MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

The overall objectives for the Movement on the HRA Statement and the general principles for its construction are the same as those generally for the Movement in Reserves Statement into which it is consolidated. The statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

2016/17 Restated £'000			2017/18 £'000	
	<b>(2,294)</b>	<b>HRA Balance brought forward</b>		<b>(2,475)</b>
	(38,690)	(Surplus)/Deficit on the HRA Income and Expenditure Statement		(3,637)
		<u>Adjustments between Accounting Basis and Funding Basis under Regulations:</u>		
(6,688)		Gain or loss on sale of HRA non-current assets	(4,359)	
(654)		HRA share of contributions to or from the Pension Reserve	(948)	
1		Premiums and discounts on early repayment of debt	1	
3,064		Capital expenditure charged against HRA balance	753	
42,786		Transfers to/(from) the Capital Adjustment Account	6,803	
	38,509			2,250
	(181)	Net (Increase)/Decrease before transfers to or from reserves		(1,387)
	0	Transfers to/(from) Major Repairs Reserve		0
	<b>(181)</b>	<b>(Increase)/Decrease in year in the HRA</b>		<b>(1,387)</b>
	<b>(2,475)</b>	<b>Balance on HRA at the end of the current year</b>		<b>(3,862)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1 Housing Stock

The Council was responsible for managing an average stock of 4,480 dwellings during 2017/18 (2016/17 – 4,501). The stock at 31 March 2018 was made up as follows:

Houses	1,615
Flats	2,154
Bungalows	688
Other	1
<b>Total</b>	<b>4,458</b>

The change in stock can be summarised as follows:

2016/17		2017/18
4,505	Stock at 1 April	4,497
(20)	Less Sales	(39)
12	Plus Additions	0
0	Net transfers/other disposals	0
<b>4,497</b>	<b>Stock at 31 March</b>	<b>4,458</b>

In addition to the above, the Council has a stock of 869 garages (881 at 31 March 2017). These were valued at £2,713,531 at 31 March 2018 (£2,643,016 at 31 March 2017).

### 2 Value of the Housing Stock

The value of the Council's housing stock at 31 March 2018 was £178,014,524 (£179,658,075 at 31 March 2017). A full revaluation of the housing stock was undertaken as at 31 March 2014, and each year the dwellings are valued on the basis of a social housing adjustment factor which was 42% as at 31 March 2018. This changed from 34% at 31 March 2017 which resulted in an exceptional item of £32,436,063 being disclosed in the 2016/17 statement.

The vacant possession value of dwellings at 31 March 2018 was £423,844,105 (£421,064,343 at 31 March 2017). The difference between the vacant possession value and the balance sheet value, amounting to £244,217,319 represents the economic cost to government of providing council housing at less than open market rents. Revaluations of the housing stock are undertaken on 31 March each year with the next full revaluation scheduled for 31 March 2019.

### 3 Contributions towards Expenditure

The Supporting People regime was introduced on 1 April 2003. This requires the cost of providing sheltered scheme services to be separately accounted for and for charges to be levied to the recipients of the service. For 2017/18 the Council gave transitional protection to all tenants resident prior to 1 April 2005 but introduced charges for new residents taking up occupation after that date. Transitional protection for new tenants between 1 April 2003 and 31 March 2005 was, until 31 March 2016, paid to the Housing Revenue Account from the General Fund. The cost is not considered material and from 1 April 2016 has been met by the Housing Revenue Account. Amounts are as follows:

2016/17 £'000		2017/18 £'000
	<b>Supporting People</b>	
(250)	Fees and Charges	(255)
(391)	Housing Benefits	(391)
	<b>Other</b>	
(4)	Contributions from Other Local Authorities	0
<b>(645)</b>	<b>Total</b>	<b>(646)</b>



#### 4 Major Repairs Reserve

The movements in the Major Repairs Reserve during the year were as follows:

2016/17 £'000		2017/18 £'000
0	<b>Balance at 1 April</b>	0
(3,485)	Depreciation charge to Housing Revenue Account	(3,900)
3,485	Expenditure financed from Major Repairs Reserve	3,900
0	<b>Balance at 31 March</b>	0

#### 5 Capital Expenditure and Capital Receipts

Capital expenditure on dwellings within the Housing Revenue Account, together with the sources of financing, can be summarised as follows:

2016/17 £'000		2017/18 £'000
7,813	Capital Expenditure	4,642
	Financed by:	
347	Borrowing	0
917	Capital Receipts	(11)
0	Government/Other Grants	0
0	Section 106 Contributions	0
3,485	Major Repairs Reserve	3,900
3,064	Revenue Contributions	753
<b>7,813</b>		<b>4,642</b>

Proceeds from the sale of dwellings within the Housing Revenue Account amounted to £2.097m for 2017/18 (£0.795m for 2016/17).

#### 6 Depreciation

The Council's Estates Officer has determined that the assessed land value within council dwellings should not be depreciated. A 20 year depreciation period has been applied in respect of garages. Adjustments are made for improvement expenditure and sales occurring during the year. The total depreciation charge in 2017/18 was £3,821,317 (2016/17 - £3,409,379).

The depreciation charge for 2017/18 in respect of the Council's housing stock was based upon the principle of component accounting. Since 2015, the valuation of council dwellings at 31 March has annually identified a number of significant components within the total valuation that are given estimated values and useful lives. These components are then depreciated separately each year from the remainder of the council dwellings.

Depreciation is also charged to the Housing Revenue Account in respect of vehicles dedicated to the activity of maintaining Council dwellings and garages. The vehicle depreciation in 2017/18 was £42,200 (2016/17 - £59,219).

Further depreciation is charged in respect of information technology assets along with seven vehicles and mobile devices that were purchased in 2013/14 as part of the transfer to the in-house provision of gas servicing arrangements. The acquisition of these assets was financed through the Housing Revenue Account. The charge in 2017/18 was £36,367 (2016/17 - £16,115).

## **7 Impairment and Revenue Expenditure Funded from Capital under Statute**

Impairment charges are identified by examining records of insurance claims made during the year for damage to Council dwellings together with a review of asset values by the Estates Officer. The Estates Officer's review of the Council's housing stock at 31 March 2018 resulted in an increase of £9.51m in the value of the Council's housing stock. The entire sum was charged to the Capital Adjustment Account to offset impairment charges accumulated in previous years.

## **8 Rent Arrears**

The total amount of rent arrears as at 31 March 2018 was £394,604 (2016/17 - £426,749). The provision for doubtful debts is £252,783 (2016/17 - £254,505).

The above figures for rent arrears include former tenants but exclude amounts outstanding on various current tenant rent accounts where such amounts have been outstanding for less than two weeks. This ties into current practice whereby rent amounts due are only reflected in tenant accounts every two weeks.

## **9 Contribution from Pensions Reserve**

International Accounting Standard 19 requires the services within the Housing Revenue Account to be charged with 'current service' pension costs. The Council's superannuation rate paid to the Nottinghamshire County Council Pension Fund in 2017/18 was 14.4% in respect of future service plus a monetary amount to cover historic deficits. This equated to an overall rate of approximately 19.7%. An adjustment is therefore made below net operating expenditure in order that the net cost charged against rent income is equal to the value of payments made to Nottinghamshire County Council. In 2017/18 the contribution from the pensions reserve amounted to £550,914 (2016/17 – contribution from reserve of £189,546).

## **10 Interest Payable**

In 2011/12 the HRA acquired additional debt of £66.446 million as part of the transactions necessary to bring about the ending of the HRA subsidy system. The interest cost in respect of servicing this and other HRA loan debt is included within the HRA Income and Expenditure Statement.

## COLLECTION FUND

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

2016/17 Restated			Income/Expenditure	Note	2017/18		
Non Domestic Rates £'000	Council Tax £'000	Total £'000			Non Domestic Rates £'000	Council Tax £'000	Total £'000
(24,644)	(57,510)	(57,510)	<b>Income</b>				
		(24,644)	<b>Council Tax Receivable</b>	1 & 3		(60,147)	
			<b>Business Rates Receivable</b>	1 & 2	(24,591)	(24,591)	
			<b>Contributions Towards Previous Year's Deficit</b>	1			
(195)		(195)	Central Government		(863)	(863)	
(156)		(156)	Broxtowe Borough Council		(690)	(690)	
(35)		(35)	Nottinghamshire County Council		(155)	(155)	
(4)		(4)	Nottinghamshire Fire Authority		(17)	(17)	
		0	Nottinghamshire Police Authority			0	
(25,034)	(57,510)	(82,544)			(26,316)	(60,147)	
			<b>Expenditure</b>				
			<b>Council Tax Precepts and Demands/ Shares of NDR</b>	1			
			<b>Income:</b>				
12,987		12,987	Central Government		13,109	13,109	
10,390	5,310	15,700	Broxtowe Borough Council		10,685	5,362	
2,338	42,342	44,680	Nottinghamshire County Council		2,379	44,786	
260	2,423	2,683	Nottinghamshire Fire Authority		264	2,494	
	5,902	5,902	Nottinghamshire Police Authority			6,076	
	735	735	Parish/Town Councils			771	
	25	25	Beeston Special Expenses Area			25	

2016/17 Restated			Income/Expenditure	Note	2017/18		
Non Domestic Rates £'000	Council Tax £'000	Total £'000			Non Domestic Rates £'000	Council Tax £'000	Total £'000
			<b>Distribution of Previous Year's Surplus</b>	1			
		0	Central Government				0
	87	87	Broxtowe Borough Council			85	85
	583	583	Nottinghamshire County Council			594	594
	34	34	Nottinghamshire Fire Authority			34	34
	83	83	Nottinghamshire Police Authority			83	83
			<b>Charges to the Collection Fund</b>				
75	156	231	Write Offs & Uncollectable		143	235	378
79	75	154	Increase/(Decrease) in Bad Debt provision		(47)	(10)	(57)
1,255		1,255	Increase/(Decrease) in Appeals provision		(1,649)		(1,649)
(9)		(9)	Transitional Protection Payment to/(from) Central Government		(723)		(723)
108		108	Cost of Collection allowance		106		106
27,483	57,755	85,238			24,267	60,535	84,802
2,449	245	2,694	Deficit/(Surplus) for the year		(2,049)	388	(1,661)
889	(838)	51	Deficit/(Surplus) b/fwd. 1 April		3,338	(593)	2,745
<b>3,338</b>	<b>(593)</b>	<b>2,745</b>	<b>Deficit/(Surplus) at 31 March</b>		<b>1,289</b>	<b>(205)</b>	<b>1,084</b>

## NOTES TO THE COLLECTION FUND

### 1 The Collection Fund

The Collection Fund is a statutory fund in which the Council records transactions for council tax, non-domestic rates and residual community charges. The costs of administering the Fund are borne by the Council's General Fund.

The council tax precepts and demands of this Council, Nottinghamshire County Council, the Nottinghamshire Police Authority and the Nottinghamshire Fire Authority are paid out from the Collection Fund and collected from taxpayers. The council tax requirement of this Council includes funding for Parish/Town Councils and Beeston Special Expenses Area, totalling £796,214 in 2017/18 (£759,797 in 2016/17) which is distributed to these bodies from the Council's General Fund. Any balance generated on the Fund attributable to council tax, for example due to any difference between forecast and actual council tax base and collection rates, will be distributed (or recovered) in future years in proportion to the value of the respective precepts and demands.

The amount of non-domestic rates receivable is set by the Non-Domestic Rate Multiplier- see note 2. Under the system of business rates retention which commenced 1 April 2013, non-domestic rates income is distributed between Central Government (50%), Broxtowe Borough Council (40%), Nottinghamshire County Council (9%) and Nottinghamshire Fire Authority (1%). The non-domestic rates income of this Council in 2017/18 includes £7.290m (£7.214m in 2016/17) which is payable as a tariff to Nottinghamshire County Council in accordance with the business rates retention scheme. Any balance on the fund attributable to non-domestic rates is distributed (or recovered) in accordance with the business rates retention scheme. Any growth in non-domestic rates income due to growth in the tax base is retained by the various bodies in the same proportions set out above, subject to adjustments which limit both the amount of income that can be gained and lost by each body.

This Council is a member of the Nottinghamshire NDR Pool along with the 6 other Nottinghamshire district councils, Nottinghamshire Fire Authority and Nottinghamshire County Council, which is the lead authority that administers the pool. Pool members share any income from retained non-domestic rates growth and are treated as one entity for the purposes of the adjustments mentioned above.

### 2 Non-Domestic Rateable Value and Non-Domestic Rate Multiplier

The total Non-Domestic Rateable Value at 31 March 2018 amounted to £66.549m (31 March 2017 - £67.052m) and the Non-Domestic Rate Multiplier for 2017/18 was 47.9p in the pound (2016/17- 49.7p). In 2017/18 the Small Business Rate Relief reduced the multiplier to 46.6p where it applies.

### 3 Council Tax Base 2017/18

Band	Total Dwellings	Ratio to Band D	Number of Dwellings (Band D Equivalents)
A DPR	34.25	5/9	19.03
A	13,728.84	6/9	9,152.56
B	11,515.00	7/9	8,956.11
C	9,814.50	8/9	8,724.00
D	5,704.25	9/9	5,704.25
E	2,490.25	11/9	3,043.64
F	696.25	13/9	1,005.69
G	418.00	15/9	696.67
H	16.25	18/9	32.50
	44,417.59		37,334.45
Deduction for non collection, new build, demolition and other adjustments			(4,371.58)
Class 'O'			163.90
<b>Total</b>			<b>33,126.77</b>

The Band D equivalent figures are derived by multiplying the number of dwellings in each band (adjusted for discounts) by the ratios shown above. The Band D charge for 2017/18 was £161.85.

## GROUP ACCOUNTS

### Introduction

The authority is required to adhere to proper accounting practices comprised primarily of the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS), International Accounting Standards and statutory guidance issued under section 12 of the Local Government Act 2003.

An authority with interests in subsidiaries, associates and/or joint ventures is required to prepare Group Accounts in addition to their single entity financial statements unless these interests are not considered to be material.

Group Accounts are the financial statements of a group in which the assets, liabilities, reserves, income, expenses and cash flows of the parent (reporting authority) and its subsidiaries plus the investments in associates and interests in joint ventures are presented as those of a single economic entity.

Liberty Leisure is a company limited by guarantee and is wholly owned by Broxtowe Borough Council. The company was incorporated on 12 April 2016 and commenced trading on 1 October 2016. Its objectives include the provision of leisure, sports, cultural and heritage services for the benefit of the public. The company is overseen by a Board of Directors which consists of one Broxtowe Borough Council elected member, three Broxtowe Borough Council officers and the Managing Director of the Company.

In addition to paying a management fee to the company, the Council maintains control of the company's activities through retained decision making powers and through the scrutiny of the Leisure and Environment Committee which reviews the financial and operational performance of the company.

Liberty Leisure produce accounts with a year end date of 31 March. The accounts for the period from 1 April 2017 to 31 March 2018 have been prepared by Ling Phipp Chartered Accountants of Stapleford, Nottingham in accordance with the Financial Reporting Standard for Smaller Entities. The accounts are filed at Companies House in accordance with the Companies Act 2006.

### Accounting Policies

The notes which follow the main statements detail any variations from the accounting policies used by the authority and should be read in conjunction with the relevant notes to authority's accounts. The consolidation has been done on a merger basis as Liberty Leisure is wholly owned by the Council.

Liberty Leisure is subject to a charge for taxation which is based upon its results for the year and takes into account taxation deferred because of the timing differences between the treatment of certain items for taxation and accounting purposes. Except where otherwise required, full provision is made without discounting in respect of all timing differences which have arisen but are not reversed at the balance sheet date.

## GROUP EXPENDITURE AND FUNDING ANALYSIS

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

2016/17 Restated			Corporate Priority	2017/8		
Net Expenditure Chargeable to the General Fund and HRA balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
117	169	286	Housing	286	0	286
2,882	1,285	4,167	Environment	3,438	183	3,621
1,065	48	1,113	Business Growth	961	(148)	813
1,390	578	1,968	Community Safety	1,543	478	2,021
1,814	4,647	6,461	Health	1,187	447	1,634
1,008	63	1,071	Revenues, Benefits and Customer Services	1,193	(172)	1,021
(3,015)	4,955	1,940	Resources	(932)	1,827	895
(192)	192	0	ICT and Business Transformation	(109)	109	0
0	(32,436)	(32,436)	Housing Revenue Account - Exceptional Item	0	0	0
(5,760)	(10,350)	(16,110)	Housing Revenue Account	(3,982)	(7,234)	(11,216)
<b>(691)</b>	<b>(30,849)</b>	<b>(31,540)</b>	<b>Net Cost of Service</b>	<b>3,585</b>	<b>(4,510)</b>	<b>(925)</b>
(39)	1,020	981	Other Income and Expenditure	(6,017)	3,624	(2,393)
<b>(730)</b>	<b>(29,829)</b>	<b>(30,559)</b>	<b>Surplus or Deficit</b>	<b>(2,432)</b>	<b>(886)</b>	<b>(3,318)</b>
<b>7,589</b>			<b>Opening General Fund and HRA balances at 1 April</b>	<b>8,319</b>	The respective increase/decrease on the General Fund and HRA are detailed in the Movement on Reserves Statement on page 105.	
<b>730</b>			<b>Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year</b>	<b>2,432</b>		
<b>8,319</b>			<b>Closing General Fund and HRA Balance at 31 March</b>	<b>10,751</b>		

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

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

Year Ended 31 March 2017 Restated				Year Ended 31 March 2018		
Gross Expend £'000	Income £'000	Net Expend £'000		Gross Expend £'000	Income £'000	Net Expend £'000
593	(307)	286	Housing	602	(316)	286
6,968	(2,801)	4,167	Environment	6,878	(3,257)	3,621
1,956	(843)	1,113	Business Growth	1,826	(1,013)	813
2,318	(350)	1,968	Community Safety	2,428	(407)	2,021
9,810	(3,349)	6,461	Health	8,111	(6,477)	1,634
23,531	(22,460)	1,071	Revenues, Benefits & Customer Services	22,386	(21,365)	1,021
4,246	(2,306)	1,940	Resources	3,300	(2,405)	895
26	(26)	0	ICT & Business Transformation	199	(199)	0
(32,436)	0	(32,436)	Local Authority Housing (HRA) - Exceptional Item	0	0	0
595	(16,705)	(16,110)	Local Authority Housing (HRA)	5,193	(16,409)	(11,216)
<b>17,607</b>	<b>(49,147)</b>	<b>(31,540)</b>	<b>Cost of Services – Continuing Operations</b>	<b>50,923</b>	<b>(51,848)</b>	<b>(925)</b>
		7,328	Other Operating Expenditure			4,990
		4,257	Financing and Investment Income and Expenditure			4,197
		(10,623)	Taxation and Non-Specific Grant Income			(11,623)
		<b>(30,578)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(3,361)</b>
		19	Corporation Tax			43
		<b>(30,559)</b>	Group (Surplus)/Deficit			<b>(3,318)</b>
		(49)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			(358)
		9,534	Measurements of the Net Defined Benefit Liability/(Asset)			(6,177)
		143	Surplus or deficit on revaluation of available for sale financial assets			(75)
		(2)	Any Other (Gains)/Losses			0
		<b>9,626</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(6,610)</b>
		<b>(20,933)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(9,928)</b>



### GROUP MOVEMENT IN RESERVES STATEMENT

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

	General Fund (GF) & Earmarked Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Bramcote Bereav't Services £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
<b>Balance at 31 March 2016 Carried Forward</b>	<b>(4,987)</b>	<b>(2,294)</b>	<b>(1,280)</b>	<b>0</b>	<b>0</b>	<b>(307)</b>	<b>(8,868)</b>	<b>(29,416)</b>	<b>(38,284)</b>
<b>Movement in Reserves during 2016/17</b>									
Surplus or (deficit) on the provision of services	8,051	(38,689)	0	0	0	79	(30,559)	0	(30,559)
Other Comprehensive Income and Expenditure	(3,683)	0	0	0	0	0	(3,683)	13,309	9,626
<b>Total Comprehensive Income and Expenditure</b>	<b>4,368</b>	<b>(38,689)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>79</b>	<b>(34,242)</b>	<b>13,309</b>	<b>(20,933)</b>
Adjustments between accounting basis & funding basis under regulations	(5,004)	38,508	520	0	0	7	34,031	(34,031)	0
<b>Net increase/decrease before Transfers to Earmarked Reserves</b>	<b>(636)</b>	<b>(181)</b>	<b>520</b>	<b>0</b>	<b>0</b>	<b>86</b>	<b>(211)</b>	<b>(20,722)</b>	<b>(20,933)</b>
Transfers to/from Earmarked Reserves	0	0	0	0	0	0	0	0	0
<b>Increase/decrease in 2016/17</b>	<b>(636)</b>	<b>(181)</b>	<b>520</b>	<b>0</b>	<b>0</b>	<b>86</b>	<b>(211)</b>	<b>(20,722)</b>	<b>(20,933)</b>
<b>Balance at 31 March 2017 Carried Forward</b>	<b>(5,623)</b>	<b>(2,475)</b>	<b>(760)</b>	<b>0</b>	<b>0</b>	<b>(221)</b>	<b>(9,079)</b>	<b>(50,138)</b>	<b>(59,217)</b>
<b>Movement in Reserves during 2017/18</b>									
Surplus or (deficit) on provision of services	505	(3,637)	0	0	0	(186)	(3,318)	0	(3,318)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(6,610)	(6,610)
<b>Total Comprehensive Income and Expenditure</b>	<b>505</b>	<b>(3,637)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(186)</b>	<b>(3,318)</b>	<b>(6,610)</b>	<b>(9,928)</b>
Adjustments between accounting basis & funding basis under regulations	(1,438)	2,250	(2,251)	0	0	74	(1,365)	1,365	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(933)</b>	<b>(1,387)</b>	<b>(2,251)</b>	<b>0</b>	<b>0</b>	<b>(112)</b>	<b>(4,683)</b>	<b>(5,245)</b>	<b>(9,928)</b>
Transfers to/from Earmarked Reserves	0	0	0	0	0	0	0	0	0
<b>Increase/decrease in 2017/18</b>	<b>(933)</b>	<b>(1,387)</b>	<b>(2,251)</b>	<b>0</b>	<b>0</b>	<b>(112)</b>	<b>(4,683)</b>	<b>(5,245)</b>	<b>(9,928)</b>
<b>Balance at 31 March 2018 Carried Forward</b>	<b>(6,556)</b>	<b>(3,862)</b>	<b>(3,011)</b>	<b>0</b>	<b>0</b>	<b>(333)</b>	<b>(13,762)</b>	<b>(55,383)</b>	<b>(69,145)</b>

## GROUP BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories, usable and unusable. Usable reserves are those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). Unusable reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

31-Mar-17 £'000		31-Mar-18 £'000
213,784	Property, Plant & Equipment	214,505
335	Heritage Assets	328
213	Intangible Assets	291
69	Assets Held for Sale	0
1,855	Long Term Investments	1,964
96	Long Term Debtors	146
<b>216,352</b>	<b>Long Term Assets</b>	<b>217,234</b>
3,031	Short Term Investments	7,990
199	Inventories	202
3,184	Short Term Debtors	3,643
5,211	Cash and Cash Equivalents	4,210
0	Assets Held for Sale	0
<b>11,625</b>	<b>Current Assets</b>	<b>16,045</b>
(13,300)	Short Term Borrowing	(15,388)
(5,174)	Short Term Creditors	(6,319)
(281)	Provisions	(424)
<b>(18,755)</b>	<b>Current Liabilities</b>	<b>(22,131)</b>
0	Long Term Creditors	0
(1,209)	Provisions	(553)
(85,023)	Long Term Borrowing	(82,964)
(63,183)	Net Pension Liability	(57,588)
(590)	Capital Grants Receipts in Advance	(898)
<b>(150,005)</b>	<b>Long Term Liabilities</b>	<b>(142,003)</b>
<b>59,217</b>	<b>Net Assets</b>	<b>69,145</b>
(9,079)	Usable Reserves	(13,762)
(50,138)	Unusable Reserves	(55,383)
<b>(59,217)</b>	<b>Total Reserves</b>	<b>(69,145)</b>



Z Darr BSc, CPFA., MBA – Interim Deputy Chief Executive

23 July 2018

**GROUP CASH FLOW STATEMENT**

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>
<b>30,559</b>	<b>Net surplus or (deficit) on the provision of services</b>	3,318
(19,133)	Adjustments to net surplus or deficit for non-cash movements	6,138
(2,171)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(3,729)
<b>9,255</b>	<b>Net cash flows from operating activities</b>	<b>5,727</b>
(16,580)	Investing activities	(6,917)
10,444	Financing activities	189
<b>3,119</b>	<b>Net increase or (decrease) in cash equivalents</b>	<b>(1,001)</b>
2,092	Cash and cash equivalents at the beginning of the reporting period	5,211
<b>5,211</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>4,210</b>

**GROUP ACCOUNT NOTES**Introduction

The following notes have been prepared on an exception basis with only those items which have changed from the Borough Council's Statement of Accounts being included. For all other items, reference should be made to the Council's Comprehensive Income and Expenditure Statement on page 33 and Balance Sheet on page 35 and the appropriate note.

**1 Inter Company Transactions**

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

<b><u>Comprehensive Income and Expenditure Statement</u></b>	<b>Broxtowe Adjusted 2017/18 £'000</b>	<b>Liberty Leisure Adjusted 2017/18 £'000</b>	<b>Group 2017/18 £'000</b>
(Surplus)/Deficit on Continuing Operations	(303)	(622)	(925)
Financing and Investment Income and Expenditure	4,103	94	4,197
(Surplus)/Deficit on Provision of Services	(2,833)	(528)	(3,361)

<b><u>Balance Sheet</u></b>	<b>Broxtowe Adjusted 2017/18 £'000</b>	<b>Liberty Leisure Adjusted 2017/18 £'000</b>	<b>Group 2017/18 £'000</b>
Inventories	186	16	202
Short Term Debtors	3,798	(155)	3,643
Short Term Creditors	(5,893)	(426)	(6,319)

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

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>
(34,167)	(Surplus)/Deficit on the Council's Comprehensive Income and Expenditure Statement	(2,833)
3,608	Adjustments for transactions with other Group entities	(485)
(30,559)	<b>(Surplus)/Deficit for the year on the Group Comprehensive Income and Expenditure Statement</b>	<b>(3,318)</b>

## 3 Note to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note A) £'000	Net change for the Pensions Adjustments (Note B) £'000	Other Differences (Note C) £'000	Total Adjustments £'000
<b><u>2016/17 Restated</u></b>				
Housing		169		169
Environment	1,106	179		1,285
Business Growth	(3)	51		48
Community Safety	552	26		578
Health	961	3,686		4,647
Revenues, Benefits & Customer Services		63		63
Resources	968	3,987		4,955
ICT & Business Transformation	176	16		192
HRA - Exceptional Item	(32,436)			(32,436)
HRA	(10,350)			(10,350)
<b>Net Cost of Services</b>	<b>(39,026)</b>	<b>8,177</b>	<b>0</b>	<b>(30,849)</b>
Other income and expenditure from the Expenditure and Funding Analysis	1,781	(2,130)	1,369	1,020
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(37,245)</b>	<b>6,047</b>	<b>1,369</b>	<b>(29,829)</b>
<b><u>2017/18</u></b>				
Housing				0
Environment	666	(483)		183
Business Growth	(4)	(144)		(148)
Community Safety	603	(125)		478
Health	662	(215)		447
Revenues, Benefits & Customer Services		(172)		(172)
Resources	428	1,399		1,827
ICT & Business Transformation	146	(37)		109
HRA - Exceptional Item				0
HRA	(6,803)	(431)		(7,234)
<b>Net Cost of Services</b>	<b>(4,302)</b>	<b>(208)</b>	<b>0</b>	<b>(4,510)</b>
Other income and expenditure from the Expenditure and Funding Analysis	2,295	2,186	(857)	3,624
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(2,007)</b>	<b>1,978</b>	<b>(857)</b>	<b>(886)</b>

**Note A**

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

- Other operating expenditure - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets
- Financing and investment income and expenditure – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

**Note B**

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

- For services this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

**Note C**

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

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

**4 Inventories**

2016/17 £'000		2017/18 £'000
182	Broxtowe - Central Stores	186
17	Liberty Leisure - Stock	16
<b>199</b>	<b>Total</b>	<b>202</b>

**5 Short Term Debtors**

2016/17 £'000 Restated		2017/18 £'000
430	Central Government Bodies	679
346	Other Local Authorities	138
472	HMRC	294
619	Housing Rents	280
227	Council Tax Payers	165
566	NDR	460
1,806	Other Entities and Individuals	1,627
<b>4,466</b>	<b>Total</b>	<b>3,643</b>

**6 Cash and Cash Equivalents**

2016/17 £'000		2017/18 £'000
1	Cash in hand	1
1,279	Bank current accounts	1,299
	Call Accounts	160
3,931	Money Market Funds	2,750
<b>5,211</b>	<b>Total</b>	<b>4,210</b>

**7 Short Term Creditors**

2016/17 £'000		2017/18 £'000
(324)	Central Government Bodies	(507)
(484)	Other Local Authorities	(613)
(234)	HMRC	(68)
(186)	Council Tax Payers	(142)
(241)	NDR	(1,075)
(3,705)	Other entities and individuals	(3,914)
<b>(5,174)</b>	<b>Total</b>	<b>(6,319)</b>

**8 Retirement Benefits**

Retirement benefits to all employees within the Group are provided by the Local Government Pension Scheme. This is a defined benefit scheme. A pensions liability of £3.38m at 31 March 2018 (£3.682m 31 March 2017) in respect of Liberty Leisure has been consolidated within the Group Accounts.

**9 Cash Flow Statement**

The cash flows in respect of Liberty Leisure have been consolidated within a cash flow statement for the Group. All Liberty Leisure cash flows in 2017/18 and 2016/17 arose from operating activities. There were no investing or financing activities.





**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BROXTOWE BOROUGH COUNCIL  
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Opinion**

We have audited the financial statements of Broxtowe Borough Council ('the Authority') for the year ended 31 March 2018 which comprise the Authority and Group Comprehensive Income and Expenditure Statement(s), the Authority and Group Balance Sheet(s), the Authority and Group Movement in Reserves Statement(s), the Authority and Group Cash Flow Statement(s), the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2018 and of the Authority's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

**Other information published with the financial statements**

The Deputy Chief Executive is responsible for the other information published with the financial statements, including the Narrative Statement and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

**Deputy Chief Executive's responsibilities**

As explained more fully in the statement set out on page 31, the Deputy Chief Executive is responsible for: the preparation of the Authority's 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 2017/18; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Authority and the Group will continue in operational existence for the foreseeable future.

**Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities)

## **REPORT ON OTHER LEGAL AND REGULATORY MATTERS**

### **Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

#### **Conclusion**

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Broxtowe Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

#### **Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

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

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether Broxtowe Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Broxtowe Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

#### **Statutory reporting matters**

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

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014;
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

## THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

## CERTIFICATE OF COMPLETION OF THE AUDIT

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



Andrew Cardoza  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

31 July 2018

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## GLOSSARY OF TERMS

### ACCOUNTING POLICIES

Those principles, basis, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- Recognising
- Selecting measurement bases for, and
- Presenting assets, liabilities, gains, losses and changes to reserves

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or loss is to be recognised, the basis on which it is to be measured and where in the revenue account or Balance Sheet it is to be presented.

### ACCRUALS

Sums included in the final accounts of the Council to cover income or expenditure attributable to the accounting period for which payments have not been received/made in the financial year. Local authorities accrue for both revenue and capital expenditure.

### ADMINISTRATIVE BUILDINGS

Buildings that either have a shared use or are not charged directly to a service. The costs relating to such buildings are usually pooled and then allocated to the users of the buildings on some appropriate basis (usually the floor area occupied by each user).

### AMORTISATION

The measure of the consumption or other reduction in the useful life of an intangible asset, charged annually to service revenue accounts.

### ASSET REGISTER

Each local authority is required to compile a register of all its capital assets. Each asset must be professionally valued, generally at existing use value (EUV), and quinquennial revaluations are required. Depreciation charges for the use of assets are calculated on the values contained in the Asset Register.

### BALANCES

These are surpluses of income over expenditure that may be used to finance future expenditure. Balances can be earmarked in the accounts for specific purposes. Those that are not represent resources set aside for such purposes as general contingencies and cash flow management.

### BALANCE SHEET

This is a statement of the recorded assets, liabilities and other balances at a specific date, usually at the end of an accounting period.

### BILLING AUTHORITIES

Those authorities that set the Council Tax and collect the Council Tax and Non Domestic Rates.

### BUDGET

A statement defining the Council's policies over a specified period of time which is expressed in financial terms.

### BUSINESS PLANS

As part of the reforms introduced by resource accounting, with effect from 2001 all authorities are required to produce a business plan for their Housing Revenue Account (HRA). This plan is designed to complement the Housing Strategy and includes an assessment of needs, resources, objectives, strategy and targets.

### BUDGET REQUIREMENT

The estimated amount of net expenditure on General Fund services that needs to be financed from council tax and Formula Grant.

**CAPITAL ADJUSTMENT ACCOUNT**

This account replaced the former Capital Financing Account with effect from 1 April 2007 and provides a balancing mechanism between the different rates at which depreciated assets are financed through the capital controls system. The Capital Adjustment Account and the Revaluation Reserve are matched by fixed assets within the Balance Sheet. They are not resources available to the Council and are therefore termed Unusable Reserves.

**CAPITAL CHARGES**

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

**CAPITAL EXPENDITURE**

Expenditure on the acquisition or improvement of assets which will have a long-term value to the Council, e.g. land, buildings, furniture, equipment, etc. Definitions are set out in Section 40 of the Local Government and Housing Act 1989. Any expenditure that does not fall within the definition must be charged to a service revenue account.

**CAPITAL PROGRAMME**

The capital projects an authority proposes to undertake over a set period of time. .

**CAPITAL RECEIPTS**

The proceeds from the sale of fixed assets such as land and buildings. Capital receipts can be used to repay any outstanding debt on fixed assets or to finance new capital expenditure within rules set down by central government. Capital receipts cannot however be used to finance revenue expenditure.

**CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)**

The professional accountancy body concerned with local authorities and the wider public sector.

**COLLECTION FUND**

A fund maintained by the authority into which are paid amounts in respect of non-domestic business rates and council tax. Expenditure from the fund consists of payments to Central Government (50% of collectible non-domestic business rates) together with the precepting requirements of the County Council, Borough Council, Parish/Town Councils, Police Authority and the Fire Authority.

**COMMUNITY ASSETS**

These are assets that the local Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings not used in the direct provision of services.

**CONTINGENCY**

An amount set aside to meet unforeseen items of expenditure or shortfalls in income.

**CONTINGENT LIABILITIES**

Potential losses for which a future event will establish whether a liability exists and for which it is inappropriate to set up a provision in the accounts.

**CORPORATE AND DEMOCRATIC CORE (CDC)**

The Corporate and Democratic Core is defined by the Service Reporting Code of Practice and consists of two elements, Democratic Representation and Management (DRM) and Corporate Management.

Democratic Representation and Management includes all aspects of members' activities including corporate programme and service policy making, together with officer time in support of these functions. Examples of costs charged to DRM include all members' allowances and expenses.

Corporate Management concerns those activities and costs which allow services to be provided, whether by the authority or not, and the information which is required for public accountability. Costs properly charged to this heading include time spent in allocating corporate resources and producing the annual accounts, treasury management activities and external audit fees for the statutory audit.

**COUNCIL TAX**

A flat rate charge payable at the same rate by each household in the same valuation band in the same area.

There are eight council tax bands. The amount of council tax each household pays depends on the value of the dwellings. The bands are set out below.

Council Tax Bands

	<b>Value of home estimated at April 1991</b>	<b>Proportion of the tax due relative to a band D property</b>
Band A	Under	66.70%
Band B	£40,001-£52,000	77.80%
Band C	£52,001-£68,000	88.90%
Band D	£68,001-£88,000	100.00%
Band E	£88,001-£120,000	122.20%
Band F	£120,001-£160,000	144.40%
Band G	£160,001-£320,000	166.70%
Band H	Over £320,001	200.00%

**COUNCIL TAX DISCOUNTS AND EXEMPTIONS**

Discounts are available to people who live alone and owners of homes that are not anyone's main home. Council Tax is not charged for certain properties, known as exempt properties, such as those lived in only by students.

**COUNCIL TAX BASE**

The Council Tax Base of an area is based upon the number of band D equivalent properties. To work this out, the Council counts the number of properties in each band and works out an equivalent number of band D properties. For example, one band H property is equivalent to two band D properties because it pays twice as much tax. For the purpose of calculating Formula Grant, the Government assumes a 100% collection rate. For the purpose of calculations made by a local authority of the basic amount of Council Tax for its area for each financial year, the Council makes an estimate of its collection rate and reflects this in the tax base.

**DEFERRED CAPITAL RECEIPTS**

Amounts derived from the sale of assets that will be received in instalments over agreed periods of time. These arise mainly from mortgages on the sale of council houses.

**DEPRECIATION**

The measure of the cost or revalued amount of the benefits of a fixed asset that are consumed during a particular period. Consumption includes the wearing out, using up or other reduction in the useful life of the asset.

**DIRECT REVENUE FINANCING**

The financing of capital expenditure directly from revenue. The Council may determine that certain capital projects should be financed in this way or, alternatively, may include in the revenue budget a prescribed sum for this purpose.

**EARMARKED RESERVES**

These are reserves set aside for a specific purpose or a particular service or type of expenditure.

**EMOLUMENTS**

All sums paid to or receivable by an employee and any sums due by way of expense allowance (as far as these sums are chargeable for income tax) and the monetary value of any other benefits received other than in cash. Pension contributions payable by either employees or employers are excluded.

**EXTERNAL AUDIT**

The independent examination of the activities and accounts of local authorities to ensure that the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

**FEES AND CHARGES**

In addition to income from the government, local authorities charge for numerous services including the use of leisure facilities and provision of car parks.

**FINANCE LEASE**

Arrangement whereby the lessee is treated as owner of the leased asset and is required to include such assets within fixed assets on the Balance Sheet.

**FINANCIAL INSTRUMENT**

A contract which gives rise to a financial asset for one organisation and to a financial liability for another organisation.

**FINANCIAL INSTRUMENT ADJUSTMENT ACCOUNT**

An account that holds the accumulated difference between the financing costs included in the Comprehensive Income and Expenditure Statement and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.

**FINANCIAL REGULATIONS**

The rules within which the Council's financial affairs are operated.

**FINANCIAL REPORTING STANDARD**

A statement of accounting practice issued by the Accounting Standards Board.

**FINANCIAL YEAR**

The Council's financial year commences on 1 April and ends on 31 March of the following year.

**FIXED ASSET**

A tangible asset that yields benefits to the Council and the services it provides for a period of more than one year.

**FORMULA GRANT**

A government grant provided by the Ministry of Housing, Communities and Local Government (MHCLG) that is based on the government's assessment as to what should be spent on local services.

**F.T.E**

Full-time equivalent - relates to employee numbers.

**GENERAL FUND**

The main revenue fund of the Council with the exception of council housing, all day to day spending and receipts are met from or paid into this fund. Spending and receipts with regard to council housing are charged to a separate Housing Revenue Account (HRA).

**GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

GAAP is the standard framework of guidelines for financial accounting. It includes the standards, conventions and rules accountants follow in recording and summarising transactions and in the preparation of financial statements.

**GOVERNMENT GRANTS**

Payments by central government towards the cost of local authority services. These are either for particular purposes or services (specific grants) or in aid of local services generally (non ringfenced).

**GROSS EXPENDITURE**

The total cost of providing Council services before taking into account income from government grants and fees and charges for services.

**HEREDITAMENT**

A property appearing in a valuation list upon which rates are levied. Applies to non-domestic property.



**HERITAGE ASSETS**

Heritage assets are those assets that are intended to be preserved for future generations because of their cultural, environmental or historical associations. They include historical buildings, archaeological sites, civic regalia, museum and gallery collections and works of art.

**HOUSING BENEFIT**

This scheme provides financial assistance towards the domestic rent payments of tenants in council or privately owned accommodation, whose incomes fall below prescribed amounts.

The borough council effects such assistance by offsetting amounts due from council tenants with the appropriate amounts of benefit (rent rebate). In the case of private tenants, a payment (rent allowance) is made to the tenant or to the landlord if requested by the claimant.

The borough council is reimbursed by the government for the cost of housing benefits. The government also contributes towards the costs of administering the scheme. Some authorities choose to operate a 'local scheme' whereby allowances in excess of the standard payments are granted.

**HOUSING REVENUE ACCOUNT (HRA)**

The statutory account into which are charged the revenue costs of providing, maintaining and managing council house dwellings. These are financed by rents charged to tenants.

**HOUSING STRATEGY**

The Council's Housing Strategy 2015-2020 was published in July 2015.

**HOUSING REVENUE ACCOUNT (HRA) BUSINESS PLAN**

This sets out Council's objectives, strategic plans and standards relating to the repair and maintenance of the Council's housing stock over the next 30 years including details of how this is intended to be financed.

**IMPAIRMENT**

Impairment occurs when the value of an asset has reduced. This can be either as a result of a general fall in process or by a clear consumption of economic benefits such as by physical damage to the asset.

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

Accounting standards adopted from 1 April 2010 for local government bodies.

**INFRASTRUCTURE ASSETS**

Expenditure on works of construction or improvement but which have no tangible value, such as the construction of, or improvement to highways.

**INTANGIBLE ASSETS**

These are identifiable non-monetary assets without physical substance that are expected to produce future economic benefits or which have service potential. The most common class of intangible asset is computer software.

**INTERNAL AUDIT**

An independent appraisal function established by the management of an organisation for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper economic, efficient and effective use of resources. Every Council is required to maintain an adequate and efficient internal audit. A review of the effectiveness of the internal audit function of a council has to be considered and approved by the Council's members each year.

**INVESTMENT PROPERTY**

A property (land or a building, or part of a building, or both) held solely to earn rental income or for capital appreciation (or both).

**INVESTMENTS**

Deposits with approved institutions.

**JOINT COMMITTEE**

Two or more local authorities may make arrangements to discharge any of their functions through a Joint Committee. Joint arrangements may be set up under the Local Government Act 1972, the financing arrangements being determined by the participating authorities. A Joint Committee of this authority and Erewash Borough Council run Bramcote Crematorium.

**LEASING**

A method of financing capital expenditure where a rental charge for an asset is paid for a specific period. There are two forms of lease arrangement. "Finance leases" are where the risks and rewards of ownership are transferred to the lessee. All other leases are "operating leases".

**LONG TERM DEBTORS**

Amounts due to the Council more than one year after the Balance Sheet date.

**MEDIUM TERM FINANCIAL STRATEGY**

This is a statement of the Council's policies for more than one year expressed in financial terms. The objective is to enable proactive management of the budget and enable better forecasting and long term financial planning.

**MINIMUM REVENUE PROVISION**

The minimum annual provision from revenue towards a reduction in the Council's overall borrowing requirement.

**NET EXPENDITURE**

Gross expenditure less specific service income, but before deduction of central government grants and council tax.

**NON-DOMESTIC RATES (NDR)**

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

**NON-OPERATIONAL ASSETS**

Fixed assets that are held by the Council but are not directly use or consumed in the delivery of its services. This includes assets that are held for sale and surplus assets.

**OPERATIONAL ASSETS**

Fixed assets that are held by the Council and used or consumed in the delivery of its services.

**OPERATIONAL LEASE**

An arrangement whereby the risks and rewards of ownership of the leased asset remain with the lessor.

**OUT-TURN**

Actual income and expenditure.

**PENSION FUND**

An employees' pension fund that is maintained by a council, or a group of authorities, in order to make pension payments upon the retirement of participants. It is financed from contributions from the employing council, the employee and investment income.

**PRECEPT**

This is the amount of council tax income county councils, police authorities, fire authorities and parish councils need to provide their services. The amounts for all local authorities providing services in an area appear on one council tax bill, which comes from the billing authority.

**PROVISIONS**

These are amounts set aside for specific future expenses that are likely or certain to be incurred but uncertain as to the amounts or dates they will arise.

**PRUDENTIAL CODE**

The Prudential Framework for Capital Finance was introduced by the Local Government Act 2003 and took effect on 1 April 2004. The Prudential Code was updated in 2009 and 2011. The framework requires local authorities to have regard to the Prudential Code for Capital Finance, developed by CIPFA, when carrying out their capital budgeting and treasury management activities.

The Code allows local authorities to borrow without government restriction as long as capital investment decisions are affordable, prudent and sustainable and provide value for money. Local authorities are required to calculate and monitor a number of prudential indicators to ensure that the objectives of the code are being met.

**PUBLIC WORKS LOANS BOARD**

A government agency that provides long-term loans to local authorities at interest rates slightly higher than those at which the Government itself can borrow.

**RATEABLE VALUE**

A value placed on all non-domestic properties subject to rating to which a uniform rate poundage is applied to arrive at rates payable. The value is based on a notional rent that property could be expected to yield after deducting the cost of repairs.

**REGISTERED SOCIAL LANDLORD (RSL)**

A non-profit making body concerned with the construction, improvement or management of houses.

**RENT REBATES**

Rent rebates are a national means tested benefit which reduces the actual amount of weekly rent payable by a tenant. The Council is compensated for the rent loss by a government grant.

**REPAIRS AND RENEWALS RESERVE**

A reserve maintained to provide for renewals of vehicles, plant and equipment from year to year.

**REVALUATION RESERVE**

This reserve replaced the former Fixed Asset Restatement Account on 1 April 2007 and records unrealised revaluation gains arising since that date from holding assets. This reserve and the Capital Adjustment Account are matched by fixed assets in the Balance Sheet. They are not resources available to the Council and are therefore included among Unusable Reserves.

**REVENUE EXPENDITURE**

This is expenditure mainly on recurring items and consists principally of salaries and wages, capital charges and general running expenses.

**REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)**

This is expenditure of a capital nature for which there is no asset acquired by the Council. This would include capital grants or renovation grant to private persons.

**SPECIFIC GRANTS**

Government grants to local authorities in aid of particular projects or services, e.g. collection of non-domestic rates.

**STANDING ORDERS**

Rules and procedures determined by the Council to assist in the efficient performance of its activities.

**SUPPORTING PEOPLE**

Local Authorities and other social housing providers have provided specific support services such as warden services and community alarms to address the needs of vulnerable tenants as part of their housing service. From 1 April 2003 these services and their funding were brought together under the Supporting People regime to ensure that co-ordinated services are in place. All services for Supporting People are now operated and funded via contracts with the County Council.

**TRANSFERRED DEBT**

The amounts, which are still owed to or by other authorities, to repay the debt outstanding on assets transferred to or from those authorities.

**UNUSABLE RESERVES**

Represent gains and losses yet to be realised and which are not available to support services.

**USABLE RESERVES**

Amounts set aside in the accounts for future purposes that fall outside the definition of provisions. They include general balances and reserves that have been earmarked for specific purposes. Expenditure is not charged directly to a reserve, but to the appropriate service revenue account.

**VIREMENT**

The authorised transfer of an underspending on one budget head to another head.

**VOIDS**

An amount of rent or rates not collectable because for part of the financial year the property was not occupied.