When telephoning, please ask for: Member Services
Direct dial 0115 914 8481
Email memberservices@rushliffe.gov.uk

Our reference:
Your reference:
Date: 25 August 2015

To all Members of the Corporate Governance Group

Dear Councillor

A meeting of the **Corporate Governance Group** will be held on Thursday 3 September 2015 at 7.00 pm in the Council Chamber, Civic Centre, Pavilion Road, West Bridgford to consider the following items of business.

Yours sincerely

Executive Manager Operations and Corporate Governance

AGENDA

1. Apologies for absence

2. Declarations of Interest

3. Notes of the Meeting held on Monday 29 June 2015 (pages 1 - 10).

4. Approval of the Statement of Accounts 2014/15

   The report of the Interim Executive Manager – Finance and Commercial is attached (pages 11 - 19).

   NB Appendix A - The Statement of Accounts 2014/15 has been produced as a separate document.

5. External Auditors Report To Those Charged with Governance 2014/15

   The report of the Interim Executive Manager – Finance and Commercial is attached (pages 20 - 37).

6. Treasury Management Outturn Position 2014/15

   The report of the Interim Executive Manager – Finance and Commercial is attached (pages 38 - 44).

7. Revenue & Capital Budget Monitoring 2015/16 – Quarter 1 Update

   The report of the Interim Executive Manager – Finance and Commercial is attached (pages 45 - 51).

8. Work Programme

The report of the Executive Manager - Operations and Corporate Governance is attached (pages 52 - 53).

Membership

Chairman: Councillor G S Moore
Vice-Chairman: Councillor G Davidson
Councillors: N A Brown, M Buckle, A M Dickinson, R Hetherington, A MacInnes, S C Matthews and J E Thurman

Meeting Room Guidance

Fire Alarm Evacuation: in the event of an alarm sounding please evacuate the building using the nearest fire exit, normally through the Council Chamber. You should assemble in the Nottingham Forest car park adjacent to the main gates.

Toilets are located opposite Committee Room 2.

Mobile Phones: For the benefit of others please ensure that your mobile phone is switched off whilst you are in the meeting.

Microphones: When you are invited to speak please press the button on your microphone, a red light will appear on the stem. Please ensure that you switch this off after you have spoken.

Rushcliffe
Borough Council

NOTES
OF THE MEETING OF THE
CORPORATE GOVERNANCE GROUP
MONDAY 29 JUNE 2015

Held at 7.00 pm in the Council Chamber, Civic Centre, Pavilion Road, West Bridgford

PRESENT:

Councillors G S Moore (Chairman), R A Adair (Substitute for S C Matthews), N A Brown, M Buckle, G Davidson, A M Dickinson, R Hetherington, A MacInnes and J E Thurman

ALSO IN ATTENDANCE:

C Williams	Baker Tilly
K Waddoups	Baker Tilly

OFFICERS PRESENT:

A Goodman	Member Support Officer
A Graham	Chief Executive
J Hicks	Strategic Human Resources Manager
A Holmes	Property Services Manager
P Linfield	Interim Executive Manager - Finance and Commercial
K Marriott	Executive Manager – Transformation
P Mason	Principal Benefit Officer

APOLOGIES FOR ABSENCE:

Councillor S C Matthews

1. **Declarations of Interest**

There were none declared.

2. **Notes of the Previous Meeting**

The notes of the meeting held on Thursday 26 March 2015 were accepted as a true record.

3. **Internal Audit Progress Report 2014/15**

Miss Waddoups, a representative from Baker Tilly, the Council's internal auditors, presented the final report for the financial year 2014/15. She informed Members that in line with the audit plan, six reports had been finalised since the last meeting of the Group, for the areas of Nottinghamshire Parking Partnership, Ordering and Creditors, Joint Co-operation agreement for the Garages and Fleet, Payroll, Treasury Management Cash and Bank and Follow Up. The assurance level for the audits of Nottinghamshire Parking Partnership, Ordering and Creditors, and Treasury Management Cash and Bank was green, the highest achievable. The audits of Payroll and the Joint Co-operation Agreement for the Garages and Fleet had been given an assurance of amber/green and there were only seven medium risk recommendations from the six audits. All the audits and significant recommendations from the previous year's audits had been completed and work had commenced on the Plan for 2015/16.

In response to questions on the Joint Co-operation Agreement for the Garages and Fleet, Members were informed that Nottingham City Council would also conduct their own audit of the service. In respect of the audit of Nottinghamshire Parking Partnership, Members commented on the recommendation in relation to the unsigned Service Level Agreement. The Group felt it would be beneficial to receive a report giving details of the Council's Partnerships that involved Service Level Agreements. Members were informed that Partnerships were subject to scrutiny by the Partnership Delivery Group and not all the agreements were contractual.

Action **the Executive Manager – Transformation to provide the Group with details of the Council's Partnerships that involved Service Level Agreements.**

It was AGREED that the Internal Audit Final Progress Report 2014/15 be noted.

4. **Internal Audit Annual Report 2014/15**

Mr Williams presented the Internal Audit Annual Report for 2014/15 that included an overall assessment of the assurances to Members and officers arising from their work last year. He drew Members' attention to the Internal Audit Opinion which gave a conclusion of the adequacy and effectiveness of the Council's arrangements in terms of Governance, Risk Management and Control. All three areas had been given an assurance rating of green, the highest achievable and there were no significant internal control issues to bring to members' attention. During 2014/15, a total of 14 individual audit reviews had been undertaken, of which 12 were given a substantial assurance rating of Green and two were given a reasonable assurance Amber/Green.

In response to questions, Mr Williams confirmed that the amber/green assurance rating for the audit of payroll was as a result of the Agreement not being signed by both parties. The Taxi Licensing Process Review audit was rated "advisory" as this was an addition to the original Audit Plan. A full review of taxi licensing processes had been scheduled for October 2015 as part of the Audit Plan 2015/16 and the findings would be reported to the November meeting of the Group.

It was AGREED that the Annual Report 2014/15 be noted.

5. **Internal Audit Strategy 2015/16 – 2016/17**

Members considered the report that detailed the Internal Audit Strategy 2014/15 to 2016/17 and the Audit Plan for the 2015/16 financial year. Annually the Internal Audit team, in consultation with senior officers, examined the underlying risks facing the council and updated the strategy and the resultant audit plan.

The Group considered the report, in relation to the following three questions;

- Was the Corporate Governance Group satisfied that sufficient assurances were being received within their annual plan to monitor the organisation's risk profile effectively?
- Did the strategy for internal audit cover the organisation's key risks as they were recognised by the Corporate Governance Group?
- Was the Corporate Governance Group content that the standards within the charter in were appropriate to monitor the performance of internal audit?

Mr Williams reported that as well as assignments designed to provide assurance or advisory input around specific risks, the Strategy also included: a contingency allocation, time for tracking the implementation of actions and an audit management allocation.

Mr Williams explained that dates had been set for each of the audits for 2015/16 to ensure that the plan was achieved within the defined timescales. There were 11 contingency days built into the plan to deal with any additional items of work or any area that required further resources. The fee for the internal audit service for 2015/16 was £47,965, an increase of 3.9% on the previous year. However, this was still lower than the £62,220 in 2013/14 and reflected the improved risk profile for the Council.

In response to questions, Mr Williams confirmed that ICT was regarded as a high priority area. As such, ten days had been allocated to the audit and the review would be carried out by specialist auditors. Although there was no specific audit of Procurement in the plan, a review of Tendering and Contracts was scheduled for February 2016. He explained that as procurement was involved throughout most service areas this was included within the individual audits.

It was AGREED that the Updated Internal Audit Strategy and detailed Audit Plan 2015/16 - 2016/17 be approved.

6. **Health and Safety Annual Report 2015/16**

Members considered the Health and Safety Annual Report that set out the Council's occupational health and safety performance for the period 1 April 2014 to 31 March 2015. The report highlighted the key issues that elected Members needed to be aware of including details of new policies that had been implemented as part of the control measures within the corporate health and safety framework. Furthermore, the report provided an indication of the effectiveness and success of the health and safety control measures the Council had in place, evidence of training delivered, progress towards meeting health and safety aims and objectives, and the number of accidents recorded.

The Health and Safety training needs of the Council's employees were identified in a number of ways including; Personal Development Reviews (PDR's), regular one to ones, team meetings and through the Executive

Management Team. It was the role of the Health and Safety Advisor to ensure that training was consistent with the Council's duties and legal responsibilities. A rolling training programme was produced each year, which provided regular refresher training for existing employees, mandatory induction courses for new employees and significant practical on the job training. All health and safety training needs that had been identified in PDR's for this year had either been delivered.

The Strategic Human Resources Manager explained that the Council had three health and safety groups in place, the Corporate Health and Safety Group, the Employee Health and Safety Group and the Legionella and Asbestos Management Group, to ensure that there was a corporate approach to relevant issues.

The report stated that in line with its health and safety duties and responsibilities, the Council had a programme of policy review and implementation to support effective health and safety management. In accordance with the objectives agreed by the Group in June 2014, risk based audits on Display Screen Equipment, Control of Substances hazardous to Health and Manual handling had been completed. Reviews of the Bomb Threat, Accident Reporting and Hepatitis Policies had been completed and a Health and Safety Manual for the New Streetwise Service had been produced.

The Strategic Human Resources Manager informed Members that the number of reported accidents had significantly decreased across all categories compared with last year, except for slips and trips that showed a slight increase. During the twelve month period, three accidents had been reported to the Health and Safety Executive, as required by the RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) legislation, as the employees concerned had over seven days off work.

The Group noted that since the last Annual Report to the Group the Streetwise section had become a social enterprise organisation. As a result the performance information for Streetwise Environmental Limited was now shown separately from the Council's figures, enabling Members to have an overview of the health and safety performance in a similar way to that of the Leisure Centres. The Council's Health and Safety Advisor would continue to oversee the health and safety function at Streetwise Environmental Limited. Initially, the new company had been scrutinised by the Partnership Delivery Group, before being transferred to the Performance Management Board for ongoing monitoring.

In respect of the accident figures for the leisure centres, there had been 479 accidents to members of the public over the last 12 month period compared to 473 for the same period in 2013/14. Members were reminded that these facilities were privately managed and as such, responsibility for health and safety management lay with the companies delivering the facilities.

In response to questions, the Strategic Human Resources Manager reported that there had not been any bomb scares reported for many years and that officers received regular training on the operation of the Evac-Chairs. All floors of the Civic Centre, including the flats above, were connected to the main fire alarm system. The Council's Health and Safety Advisor regularly liaised with the tenants to ensure they were meeting their Health and Safety requirements and all the tenants were fully aware of the procedures in event of the fire alarm evacuation. All the Council's play equipment was inspected on a weekly basis and in addition there was a schedule of inspection and maintenance.

It was AGREED that:

a) the significant progress made against the health and safety goals and objectives previously agreed by the Group for the financial year 2014/15 be noted; and

a) the proposed health and safety objectives for 2014/15 as set out in the report be endorsed.

7. **Local Government Act 1972**

It was AGREED that the public be excluded from the meeting for consideration of the following item of business pursuant to section 100A (4) of the above Act on the grounds that it is likely that exempt information may be disclosed as defined in paragraph 3 of Part 1 of Schedule 12A of the Act.

8. **Civic Centre Options**

As part of the decision made by Cabinet on 9 June 2015, the Corporate Governance Group was requested to consider and comment upon the future options for the current Civic Centre, following the relocation of the Council's offices to the Arena site. The Group's views and any recommendations would be incorporated into the Chief Executive's report scheduled to be presented to Cabinet on 21 July 2015.

The Group considered the report of the Chief Executive and the detailed presentation in respect of the advised options for the future use of the current Civic Centre.

It was AGREED that the Group recommend to Cabinet that:

a) officers make the necessary arrangements for the site to be marketed for disposal in line with the timescales contained within the presentation; and

b) more than one property agent should be appointed to market the site and that this should include a national or London based agent.

9. **Fraud and Irregularities 2014/15**

The Principal Benefit Officer presented a report that outlined the successful detection of fraud by the Council in 2014/15. With regard to Council Tax and Housing Benefit Fraud there had been 70 cases investigated of which 24 cases had been found to be irregular and overpayments of £142,804 had been identified, compared to £246,588 in 2013/14. The number of cases where sanctions had been applied had increased from 11 in 2013/14 to 20 in 2014/15. Additionally overpayments totalling £68,997 were identified from the remaining 46 cases that were investigated, but not classed as fraud.

Members were informed that the Council always made attempts to recover overpayments, however the amount recovered depended on the individual circumstances. For 2014/15, of the £142,804 identified there was currently £73,597 outstanding and £155,182 in relation to 2013/14. However, the expenditure for Housing Benefit and Council Tax Reduction Scheme was in excess of £22m per annum, with overpayments only amounting to 0.65% of the total spend. In addition to any money recovered, the Council also received a subsidy of 40% of the overpayment from the Government.

In September 2014 the Government piloted a new data-matching initiative using Real Time Information from HMRC regarding earnings and pensions. The council received 208 referrals between September and February and identified £70,475 in housing benefit overpayments and as result, following the successful pilot the practice will continue.
During 2014/15 the Council became aware of potential issues regarding the administration of Taxi Licensing. Following a review by Internal Audit, enhanced management systems and controls were implemented.

The Principal Benefit Officer explained that from 1 November 2015, the benefit fraud investigation work of local authorities, DWP and HMRC would be merged into one service known as Single Fraud Investigation Service (SFIS). Therefore the Council would need to make alternative arrangements, in order to address other areas of potentially fraudulent activity.

As in previous years, an exercise had been undertaken during 2014/15 to review council tax and NNDR discounts and reliefs. A total of 2004 reviews were conducted which resulted in the removal of 138 discounts with an estimated value of £55,424.

Members were informed that From July to October 2014 a project was undertaken in partnership with an external company to maximise New Homes Bonus income. In total 93 long term empty properties were identified that could now be occupied, with a potential income for the Council of £800,000. In November 2014 a further project was commenced in conjunction with an external company, to confirm single person discounts (SPD's) in respect of Council Tax. Over 14,000 cases were screened resulting in 3,024 queries. Of these 3.1% have had the SPD removed to date at an average of £134.84, resulting in an additional £58,386 Council Tax becoming payable in 2014/15. The Council had also participated in the Audit Commission's biennial data-matching exercise which involved reviewing Council Tax and Electoral Register data and the results were currently being reviewed.

It was AGREED that the Fraud and Irregularities Update be noted

10. **Final Accounts Update 2014/15 - Annual Governance Statement and Accounting Policies**

The Interim Executive Manager - Finance and Commercial presented the Annual Governance Statement which would be included in the Statement of Accounts. He stated that the principles and the framework were unchanged from the previous year. However some of the content surrounding 'Significant Governance Issues' had inevitably altered due to new risks and opportunities that had arisen and the changing environment in which the Council operated. The six core principles were drawn up in line with CIPFA (Chartered Institute of Public Finance and Accountancy) and SOLACE (Society of Local Authority Chief Executives) guidance.

The Group was informed that it was good practice for the Annual Governance Statement to be considered separately to the published accounts, which would be presented to the Group for consideration at the meeting in September. In line with guidance, the Annual Governance statement would be based on the details set out in appendix 2 of the report.

The Council was also required to report any changes to Accounting Policies to those members charged with governance regarding the Financial Statements. The only change this year reflected the requirement for the Council to provide consolidated accounts in relation to Streetwise Environmental Ltd, as the Council was the 100% owner of the subsidiary company.

It was AGREED that:

(a) the details given in Appendix 2 be supported as the basis for the Annual Governance Statement to be included in the annual Statement of Accounts; and

(b) the change to the Accounting Policies, highlighted in paragraph 4.2 of the report, be approved.

11. **Annual Report**

The Chairman presented the Annual Report that provided a review of the work undertaken by the Corporate Governance Group in 2014/15. The Group had considered the following topics during the year;

- Internal Audit Annual Report 2013/14
- Fraud and Irregularities 2013/14
- Health and Safety Annual report 2013/14
- Final Accounts Update 2013/14 – Annual Governance Statement and Accounting Policies
- Statement of Accounts and External Auditor’s Report
- Risk Management
- Certification of Grants and Returns 2013/14
- Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2015/16
- External Audit Plan 2014/15
- Risk Management Update

It was AGREED that the report be approved and referred to Council for consideration.

12. **Work Programme**

The Group considered the report of the Executive Manager – Operations and Corporate Governance that set out details of the proposed work programme for the municipal year 2015/16.

The Group AGREED the Work Programme as set out below:

Date of Meeting	Item
3 September 2015	• Internal Audit Progress Report 2015/16 • Statement of Accounts 2014/15 • External Auditors Annual Governance Report 2014/15 • Treasury Management Annual Report • Revenue & Capital Budget Monitoring • Work Programme
3 December 2015	• Internal Audit Progress Report 2015/16 • Health and Safety Interim report • Risk Management Update • Annual Audit Letter • Treasury Management Six Month Monitoring Report • Revenue & Capital Budget Monitoring • Work Programme

The meeting closed at 9.55 pm.

Action Sheet
Corporate Governance Group - Monday 29 June 2015

Minute Number		Actions	Officer Responsible
2	Notes of the Previous Meeting	None	
3	Internal Audit Progress Report 2014/15	Provide the Group with details of the Council's Partnerships that involved Service Level Agreements	Executive Manager – Transformation
4	Internal Audit Annual Report 2014/15	None	
5	Internal Audit Strategy 2015/16 – 2016/17	None	
6	Health and Safety Annual Report 2015/16	None	
7	Local Government Act 1972	None	
8	Civic Centre Options	None	
9	Fraud and Irregularities 2014/15	None	
10	Final Accounts Update 2014/15 - Annual Governance Statement and Accounting Policies	None	
11	Annual Report	None	
12	Work Programme	None	

Responses

Minute Number	Actions	Officer Responsible	Response
3 Internal Audit Progress Report 2014/15	Provide the Group with details of the Council's Partnerships that involved Service Level Agreements	Executive Manager – Transformation	The information was circulated to Members by email.

Rushcliffe Borough Council	**Corporate Governance Group** **3 September 2015** **Approval of the Statement of Accounts 2014/15**	**4**

Report of the Interim Executive Manager – Finance and Commercial

1. Summary

1.1 This report presents the Council's statutory Statement of Accounts (**Appendix A**) for the financial year 2014/15 for consideration prior to their submission to Full Council.

1.2 This report also highlights the continued improvements in the quality of the Statement and the supporting working papers that we reported last year.

2 Recommendation

It is RECOMMENDED that the Corporate Governance Group:

a) Accepts the Statement of Accounts for 2014/15 (**Appendix A**) and recommends them to Full Council for approval; and

b) Agrees the Draft Management Representation letter (**Appendix B**).

3 Reasons for Recommendation

3.1 To demonstrate compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ('the Code') and various legislation such as the Accounts and Audit Regulations (2011); and to help readers and stakeholders engage with the Accounts and demonstrate good stewardship.

4 Supporting Information

4.1 The accounts for Local Authorities are required to be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ('the Code') and the Service Reporting Code of Practice for Local Authorities (SerCOP).

4.2 The Statement of Accounts 2014/15 at **Appendix A** is included as a separate document. Members will recall in recent years concerns raised by the auditors regarding the closure of accounts process much of which were addressed for 2012/13. Pleasingly the positive direction of travel has continued with the accounts being closed earlier, allowing for better quality assurance, and no diminution in the quality of working papers presented for audit. The importance of this is exemplified by the fact that the accounts were produced to a high standard despite the finance team having to carry out the work against the backdrop of the untimely death of Peter Steed. It is a reflection of Peter Steed's legacy that the team still delivered the accounts in a professional manner. These are highlighted for reference in the external auditors (KPMG) ‘Report to those charged with governance (ISA260) 2014/15’ on the following agenda item to this report.

4.3 To quote page 3 of the KPMG report ‘*The Authority has good processes in place for the production of the accounts and good quality supporting working papers’.* Further commentary focuses on ‘*the sad passing of Peter Steed…that has not impacted upon the audit, which is testimony to the strength of the accounts production process that exists’*.

4.4 The closure of accounts process was not without difficulty; Members should particularly note that this is the first year the Streetwise Accounts were produced with Group financial statements being required (pages 73-78 of **Appendix A**). This was the subject of a change in Accountancy Policy that was presented to the June meeting of this Group. No significant issues have arisen from the audit this year.

4.5 **Appendix B** details the draft management representation letter which confirms for the auditors that the Corporate Governance Group is satisfied with the validity of the financial statements provided by the Authority to KPMG. If agreed this letter will be signed at the conclusion of the full Council meeting.

5 Risk and Uncertainties

5.1 Failure to adhere to professional accounting practice could lead to potential criticism from the Council’s external auditors and inadequate Financial Statements.

6 Implications

6.1 Finance

None

6.2 Legal

None

6.3 Corporate Priorities

Not applicable

6.4 Other Implications

None

For more information contact:	Name; Peter Linfield Interim Executive Manager - Finance and Commercial 0115 914 8439 email plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	Nil
List of appendices (if any):	Appendix A – Statement of Accounts 2014/15 Appendix B – Draft Management Representation Letter

Appendix B

Draft Management Representation Letter

(Letterhead of Client)

Mr Andrew Bush
KPMG LLP
St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

[Date]

Dear Mr Bush

This representation letter is provided in connection with your audit of the financial statements of Rushcliffe Borough Council ("the Authority"), for the year ended 31 March 2015, for the purpose of expressing an opinion:

i. as to whether these financial statements give a true and fair view of the financial position of the Authority and the Group as at 31 March 2015 and of the Authority's and the Group's expenditure and income for the year then ended; and

ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

These financial statements comprise the Authority and Group Movement in Reserves Statements, the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Balance Sheets, the Authority and Group Cash Flow Statements and the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:

    i. give a true and fair view of the financial position of the Authority and the Group as at 31 March 2015 and of the Authority's and the Group's expenditure and income for the year then ended;

ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Information provided

5. The Authority has provided you with:

- access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
- additional information that you have requested from the Authority for the purpose of the audit; and
- unrestricted access to persons within the Authority and the Group from whom you determined it necessary to obtain audit evidence.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. The Authority confirms the following:

i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

ii) The Authority has disclosed to you all information in relation to:

a) Fraud or suspected fraud that it is aware of and that affects the Authority and the Group and involves:
- management;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the financial statements; and

b) allegations of fraud, or suspected fraud, affecting the Authority's and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

10. The Authority has disclosed to you the identity of the Authority's [and the Group's] related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

11. The Authority confirms that:

    a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's and the Group's ability to continue as a going concern as required to provide a true and fair view.
    b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority [and the Group] to continue as a going concern.

12. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) *Employee Benefits.*

    The Authority further confirms that:

    a) all significant retirement benefits, including any arrangements that are:
        - statutory, contractual or implicit in the employer's actions;
        - arise in the UK and the Republic of Ireland or overseas;
        - funded or unfunded; and
        - approved or unapproved,

    have been identified and properly accounted for; and

    b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Corporate Governance Group on 3 September 2015 and approved by full council on 24 September 2015

Yours Sincerely,

Councillor Francis Purdue-Horan
Mayor of Rushcliffe Borough Council

Peter Linfield
Interim Executive Manager – Finance and Commercial

Appendix to the Authority Representation Letter of Rushcliffe Borough Council: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period
- A Balance Sheet as at the end of the period
- A Movement in Reserves Statement for the period
- A Cash Flow Statement for the period
- Notes, comprising a summary of significant accounting policies and other explanatory information.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

> "Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity’s assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity’s financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue; and
b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to “management” should be read as “management and, where appropriate, those charged with governance”.

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the “reporting entity”).

a) A person or a close member of that person’s family is related to a reporting entity if that person:
   i. has control or joint control over the reporting entity;
   ii. has significant influence over the reporting entity; or
   iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
b) An entity is related to a reporting entity if any of the following conditions applies:
   i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

iii. Both entities are joint ventures of the same third party.
iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
vi. The entity is controlled, or jointly controlled by a person identified in (a).
vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

a) a government that has control, joint control or significant influence over the reporting entity; and
b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Rushcliffe
Borough Council

STATEMENT OF ACCOUNTS
FOR YEAR ENDED 31 MARCH 2015











RUSHCLIFFE - GREAT PLACE • GREAT LIFESTYLE • GREAT SPORT

CONTENTS

NOTES TO THE ACCOUNTS

A. EXPLANATORY FOREWORD

Welcome to the Statement of Accounts

Peter Linfield, Interim Executive Manager (Finance and Commercial)

Introduction

As the Council's Chief Finance Officer, I have pleasure in presenting the Explanatory Foreword to Rushcliffe's 2014/15 Statement of Accounts. The Statement of Accounts is required by law and provides statutory and other information in line with professional best practice. In doing so, the Financial Statements continue to accord with International Financial Reporting Standards (IFRS) ensuring consistency with accounts produced by organisations in other sectors of the economy.

The Explanatory Foreword supports the accounts by summarising key events and their financial impact. It also provides additional context on some of the issues and challenges that have faced the Council during the year. I hope this explanatory foreword, and the information that follows, give a clear picture of how Council Tax and our other sources of income are used to deliver a wide range of services. The Foreword, along with the Annual Governance Statement and the auditor's report, are outside the scope of the Statement of Accounts, but all of the documents, as one, constitute the Council's Financial Report for 2014/15.

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

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

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

Peter Linfield
Interim Executive Manager (Finance and Commercial)

1. The Statement of Accounts

The Executive Manager (Finance and Commercial) is the statutory officer responsible for the proper administration of the Council's financial affairs (sometimes referred to as the Chief Financial Officer). He is required by Law to confirm that the Council's system of internal controls can be relied upon to produce an accurate Statement of Accounts. To do so the Chief Financial Officer ensures that the Council maintains proper and up to date accounting records and takes all reasonable steps to prevent and detect fraud and any other irregularities. His statement of assurance for 2014/15 (known as *The Statement of Responsibilities*) appears on Page 1 of the Statement.

The Statement has been produced in accordance with *The Code of Practice on Local Authority Accounting* ('the Code') developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Council's Accounting Policies, which are written to take into account the Code, are outlined on pages 7 to 22 of the Statement.

The Statement is subject to review by the Council's external auditors, KPMG, and as with previous years it is anticipated that they will conclude that it provides a true and fair view of Rushcliffe's financial position for the financial year 2014/15.

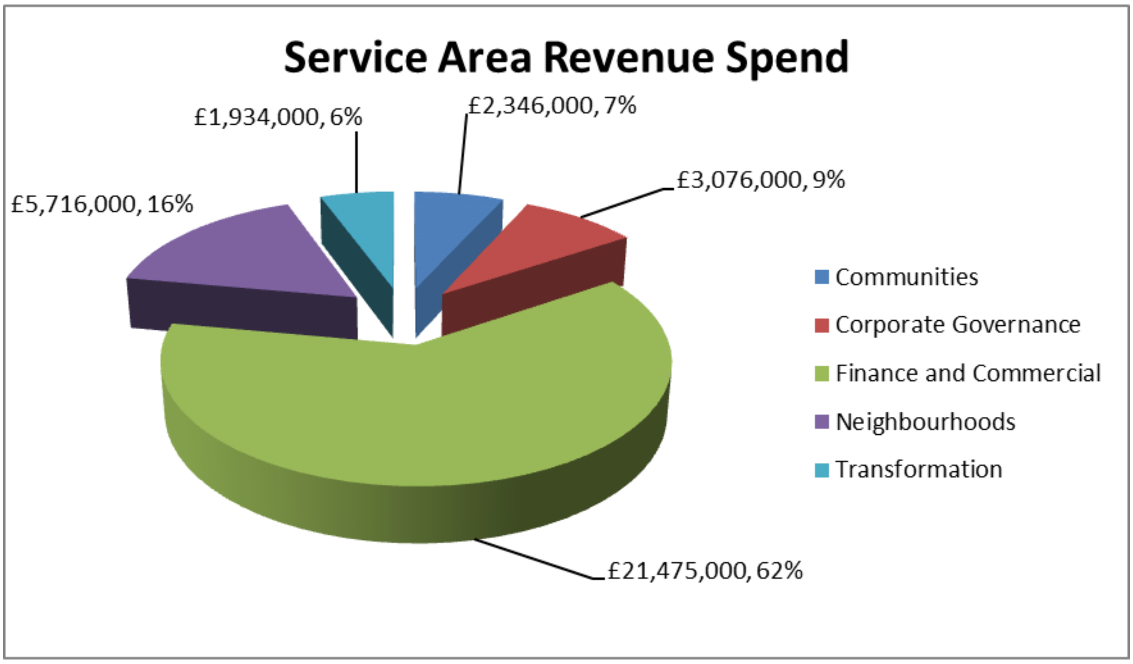
2. Revenue Expenditure and Income

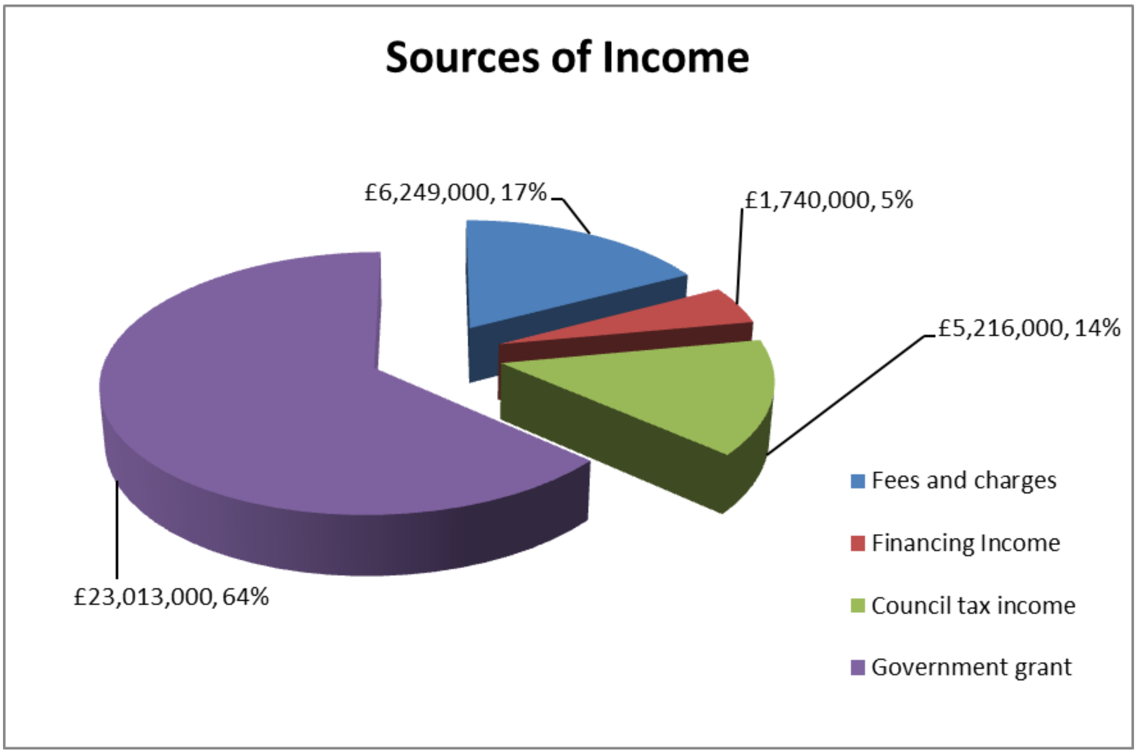
The Council receives and spends money from various sources. The income comes primarily from central government, local residents in the form of Council Tax, and local businesses (as Business Rates). Each year the Council spends its money on key services, delivered in accordance with our local priorities and legal requirements. During the year officers have made a conscious effort to constrain expenditure, increase income and continue to deliver effective services. As a result the Council achieved a balanced budget with Reserves increasing by a net £1.235m. Of £2.566m transferred to reserves £1.474m was New Homes Bonus, the remainder was largely due to the year-end underspend. Much of the £1.331m use of Reserves is in relation to capital projects such as the Leisure Strategy and to assist in providing affordable housing. Reserves are available to meet future cost pressures, thus:

- Enabling delivery of the transformation programme by which the Council will balance future budgets and continue to deliver good quality services;
- Smoothing saving requirements between financial years;
- Enabling the Council to deal with the volatility from changes to central government funding methodology (such as fall in business rate values);
- Funding capital expenditure including enhancement of property, plant and equipment; and
- Ensuring the Council's IT infrastructure and equipment is of sufficient quality to facilitate the delivery of modern services.

The Movement in Reserves Statement (page 2) demonstrates prudent financial management throughout the year with the Council having had few reasons to call on its reserves and as a result the General Fund Balance remains unchanged from 2013/14 at £2.6m. Earmarked reserves have increased by £1.235m from £10.222m to £11.457m (see Note 8). The increase in reserves puts the Council in a stronger position to both withstand future financial pressures and look at opportunities to develop the Borough.

The following charts demonstrate where money was spent in 2014/15 and how this expenditure was funded:





Source: Segmental Reporting – Note 26

3. Capital Expenditure and Income

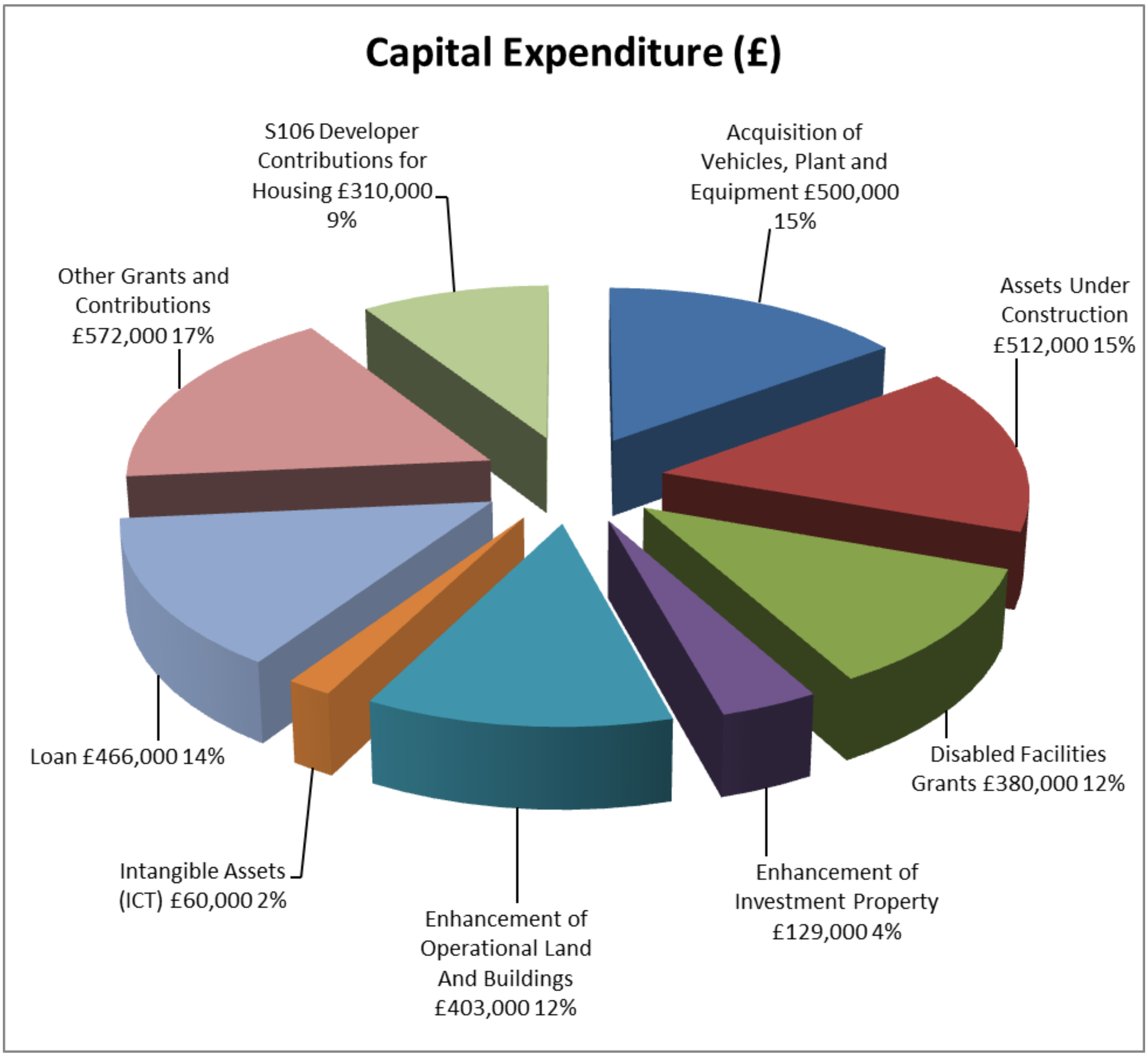
As well as delivering day to day services, the Council also spends money on capital works creating or enhancing assets which are shown on the balance sheet primarily as Property, Plant and Equipment, or as Investment Property. In 2014/15, schemes totalling £0.532m were undertaken on enhancement work to *Operational Land and Buildings* and *Investment Property*. The main element of this, £0.342m, was for the major redevelopment of Alford Road Pavilion.

A further £0.512m was spent on advance legal and professional costs for two *assets under construction*; the Arena (under the Leisure Strategy project) and Bridgford Hall. The Council invested £0.5m in the acquisition of *vehicles, plant, and equipment* and a further £0.06m on *intangible assets* for Information Systems.

The other significant form of Capital Expenditure comprises capital grants and contributions released to finance capital assets owned by third parties. Of the £0.572m released, £0.406m facilitated the provision of Social Housing units by way of grants to Registered Social Landlords and the balance was given out in Partnership Grants. A further £0.38m was awarded to owner occupiers in the form of Disabled Facilities Grants (partially offset by a grant from Central Government totalling £0.238m).

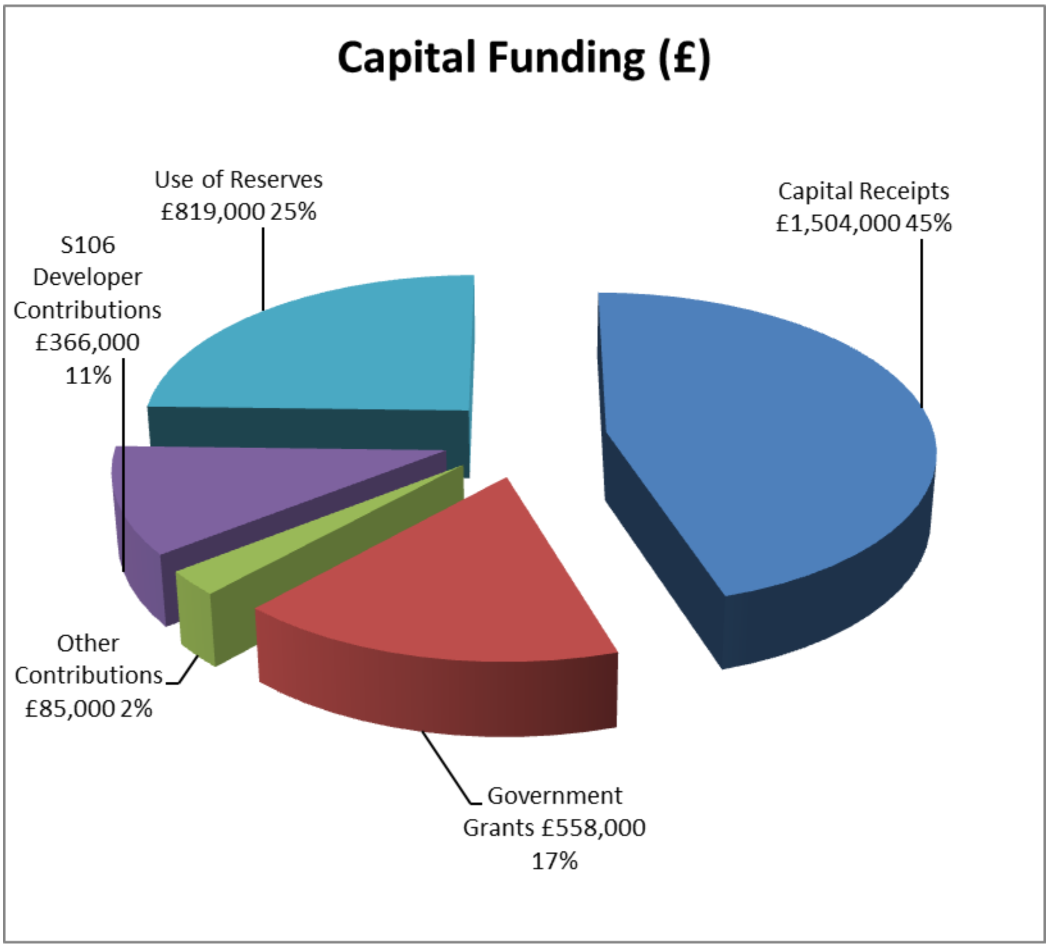
In addition to the above expenditure, £0.31m was released from S106 Developer Contributions to third parties for investment in Social Housing units. A loan of £0.466m was also given out to the newly created Streetwise Environmental Ltd to facilitate the purchase of a fleet of vehicles.

The Council has to ensure its Capital Programme is not only prudent, but also affordable and sustainable. In 2014/15 the Council spent £3.3m compared to an overall Capital Programme of £10.1m. Of the remaining £6.8m, £4.1m is committed to on-going Capital Schemes and these are being carried forward to the 2015/16 Capital Programme. £2.7m comprises of savings and sums no longer required.



Source: Capital Expenditure and Capital Financing – Note 33

The Council has no external borrowing and has been debt free since May 2003. As shown below this means that capital expenditure is funded from capital receipts, Government Grants, Section 106 Developer Contributions, other minor contributions and reserves.



Source: Capital Expenditure and Capital Financing – Note 33

In 2014/15 Capital Receipts represented the largest funding source at £1.504m. At 31 March 2015, the balance in the Usable Capital Receipts Reserve stood at £11.797m (2013/14 £10.949m). The Council continues to generate its own resources through the disposal of assets deemed surplus. During 2014/15 £2.314m of capital receipts were received (£0.234m 2013/14). The largest of which were £0.665m from Gresham Old Pavilion Land, £0.429m from ongoing Right to Buy proceeds and £0.399m in vehicle disposals (largely to Streetwise). Use of Reserves was the next largest source of funding £0.819m as the Council continues its application of New Homes Bonus and Spend to Save monies for capital investment in the Borough. Use of Government Grants was the third largest source of funding with the application of £0.559m. Just under half of this was for Disabled Facilites Grant expenditure £0.238m, a further £0.238m was applied from historical Planning Delivery Grant and the remainder was used to fund Partnership Grants and a strategic property acquisition in Cotgrave. S106 Developer Contributions totalling £0.366m were applied to meet £0.31m investment in Social Housing and £0.056m to support the Alford Road Pavilion redevelopment as set out in the relevant agreements. The smallest source of funding came from other contributions, £0.085m, a part of which was Heritage Lottery Funds secured for the Bridgford Hall major redevelopment scheme. The Council is hopeful that further funding required for the scheme (which totals £2.3m) will be awarded later this year.

4. Major Service Developments and Future Challenges

During 2014/15 the Council continued to respond positively to challenges presented by the funding restrictions facing local government. The success of the Council in addressing this difficult financial context can be seen in the positive Value for Money conclusion given by the Audit Commission in their

2014 Annual Audit Letter, the delivery of transformational activity such as that being delivered with partners at Cotgrave, and looking forward, the development of leisure and office facilities, and the maintenance of a balanced revenue budget without reductions in service quality. It also reflects the continued work in the Transformation Strategy to identify efficiency savings of £1.3m until 2019/20 through initiatives based upon three core principles of business cost reduction, income generation and service redesign.

Looking ahead the Council faces a range of challenges and opportunities. These include

- *Meeting the financial challenge of maintaining a sustainable Medium Term Financial Strategy*
  Whilst the Council's reserves provide a buffer against funding and service risks, it is critical that the Council continues to deliver savings from the Transformation Strategy and monitors the position on significant projects such as alternative service delivery vehicles, for example, Streetwise (as a company) and the Leisure and Office accommodation projects. Further commentary on Streetwise is covered in the Group Accounts commentary below. The wider economic situation, the impact of the forthcoming July 2015 Spending Review, the newly formed Government's desire to continue to control public sector spending; and likely limits on future Council Tax increases, will all impact on the scale of this challenge.

- *Changes to Local Government funding*
  The changes of the basis of allocation of central government funding to local government through the localisation of business rates from April 2013 means that the Council now shares the financial risks and benefits associated with changes to non-domestic rate income in the Borough. To help mitigate such risks and to maximise funding opportunities Rushcliffe is a member, along with the County Council and the other six District Councils of the Nottinghamshire Business Rate Pool.

- *Pension Contributions*
  The Pension Fund liabilities have increased as a result of both a fall in asset values and a rise in liabilities. Statutory arrangements should ensure the financial position of the Council's Pension Fund remains healthy. On-going national reforms, which commenced in April 2014, should assist the Council in closing the funding gap.

- *Commitment to Growth*
  The Council has now created a Strategic Growth Board supplemented by 3 other Growth Boards to facilitate Growth in Cotgrave, Radcliffe and Bingham, and West Bridgford. The Strategic Board will also interact with the Combined Authority as the Council looks to improve infrastructure, often a barrier to growth. Examples of the Council's ambition to maximise opportunities for the Borough include attaining Growth Deal funding to develop land North of Bingham and RAF Newton, LEADER funding to develop the rural economy, and anticipated Heritage Lottery Funding to develop Bridgford Hall. The Council has set aside £10m within its Capital Programme for the Asset Investment Strategy, with a view to improving socio-economic development within the borough and resultant income streams to help support the budget.

5. Financial Statements

The financial activities of the Council can be split between revenue and capital, and in general terms, the definitions are as follows:-

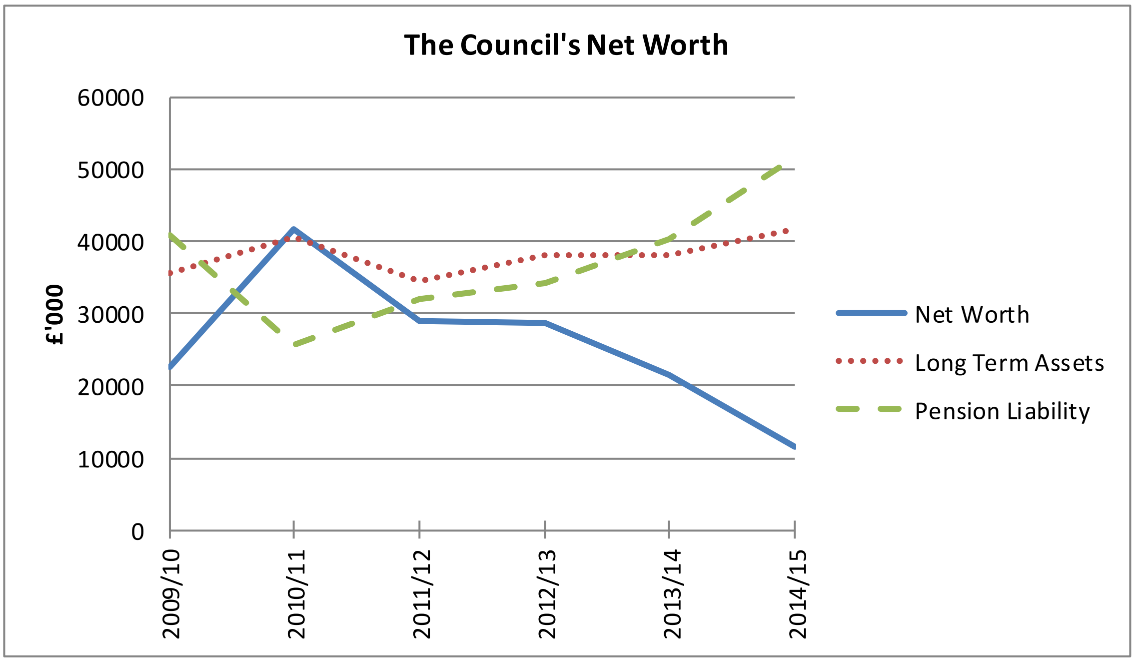
- Income and expenditure within the revenue accounts of the Council relate to items consumed within the year; and
- Income and expenditure within the capital accounts relate to items with a life in excess of one year.

The Council's accounts consist of:

- Movement in Reserves Statement (Page 2) – this shows the movement in the year of the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure) and 'unusable reserves' (those that an authority is not able to utilise to provide services).

- Comprehensive Income and Expenditure Statement (Page 4) - this 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. The Net Cost of Service continues to reduce from £14.3m to £12.1m. Additional Planning income of £0.587m was received as well as a reduction in the number and size of developer s106 schemes compared to 2013/14 (when £1.036m was released). The movement in Financing and Investment Income and Expenditure is technical in nature. The change of £1.3m between years is largely due to the profit on disposal of investment properties, such as Gresham Old Pavilion land and Park Lodge Offices. The combination of the aforementioned variance means there is now surplus of £0.552m compared to £3.9m deficit the previous year on the 'provision of services'. Commentary on the impact of actuarial losses (a change of £9.7m), in relation to pensions is given below.

- Balance Sheet (Page 5) –The Balance Sheet shows the Council's assets and liabilities at 31 March each year, in accordance with the Council's Accounting Policies. As this is reported annually the position over a longer period is not always obvious. The Chart below shows how the higher value components of the Balance Sheet, namely Long Term Assets and the Pensions Liability, have affected the Council's overall Net Worth since the introduction of International Financial Reporting Standards and national changes to the Local Government Pension Scheme (as covered in previous years accounts). There is an inverse relationship between the Council's net worth and in particular pension liabilities ie as pension liabilities increase the Council's net worth reduces and vice versa. The net worth has reduced by £9.7m largely due to the increase in pensions' liability as a result of bond yields decreasing significantly resulting in an actuarial loss of £13m (see Note 36).



Source: Balance Sheet

Further key points to note are that as the Council looked to invest longer term there are now £4.4m of longer term investments and conversely a reduction in 'Cash and Cash Equivalents' of £3.2m. Provisions (note 20) have increased by £0.8m due to a combination of additional provision required in relation to Business Rate Appeals and a new provision to cover Streetwise pension liabilities which ultimately rest with the Council, as they would if Streetwise remained within the Council.

- Cash-flow Statement (Page 6) – this shows the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

- Accounting Policies (Pages 7-22) – these explain the basis of the figures presented in the accounts. The main change to these were agreed by the Corporate Governance Group (29th June 2015) concerning the recognition of the need to consolidate Streetwise Environmental Ltd accounts and therefore prepare Group Accounts (discussed below).

- Notes (pages 7-67) – these provide supporting context to the above Statements.

6. Supplementary Financial Statements

- Collection Fund (pages 68-72) – this reflects the statutory requirement for the Council to maintain a separate account providing details of receipts of Council Tax and Business Rates and any associated payments to precepting authorities and the National Non-Domestic Rates (NNDR) Pool. As stated in Accounting Policy (xxiv) the accounting arrangements for Business Rates altered in 2013/14 with the introduction of the Business Rates Retention Scheme. It is noted that there remains a £2.1million deficit on the Business Rates section of the Collection Fund. There are a number of variables that affect this including valuation appeals by businesses to the Valuation Office and collection rates.

- Group Accounts (pages 73-78) – according to statutory requirements the Council is required to produce Group Accounts where it has subsidiaries, joint ventures or associates. Streetwise Environmental Ltd commenced trading on 1 September with their financial year ending on 31 March 2015. Their company accounts have been consolidated with the Council's. Some of the key points to note are as follows:

  (a) The Company has made a profit of £30,000 (taking into account pension adjustments etc) this is reflected in the Group Movement in Reserves Statement;
  (b) Profit before tax for Streetwise is £136,000 and this is reflected in the increase in Surplus to £688,000 in the Group Comprehensive Income and Expenditure Statement; and
  (c) The Balance Sheet changes largely reflect increases in Creditors and Debtors in relation to transactions for amounts owed or due to Streetwise. Fixed assets have also increased taking into account the vehicles which Streetwise hold.

7. Summary

Like many public sector organisations the Council has, and continues to face, many significant financial challenges. The Council's response has been to not only develop a culture of prudence but to also deliver initiatives focusing on investment and growth in the community.

The Council is committed to delivering better services and change for the Borough through its Transformation Strategy which will remain a key focus for the Authority's management team. There is a commitment to the significant task of transforming the services that are delivered to the people of Rushcliffe. Initiatives such as the creation of Streetwise Environmental Ltd are indicative of the innovative way the Council continues to progress and provide better value for money for taxpayers. The challenges that face Rushcliffe are ones which both members and officers of the Borough Council are determined to meet.

8. Further Information

Further information about the Statement of Accounts is available from the Financial Services section at the Civic Centre, Pavilion Road, West Bridgford, Nottinghamshire NG2 5FE, telephone 0115 981991 or by e-mail: finance@rushcliffe.gov.uk. In addition, members of the public have a statutory right to inspect the accounts before the annual audit is completed. The availability of the accounts for inspection is advertised in the local press and on our website at www.rushcliffe.gov.uk.

Peter Linfield
Interim Executive Manager (Finance and Commercial)
30th June 2015

B. ANNUAL GOVERNANCE STATEMENT

1. SCOPE AND PURPOSE

1.1 Scope of responsibility

Rushcliffe Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Rushcliffe Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Rushcliffe Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk.

Rushcliffe Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how Rushcliffe Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 and 2011, in relation to the publication of a statement on internal control.

1.2 The purpose of the governance framework

The governance framework comprises the systems, processes, and culture and values, by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Rushcliffe Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Rushcliffe Borough Council for the year ended 31 March 2015 and up to the date of approval of the statement of accounts.

2 THE GOVERNANCE FRAMEWORK

2.1 Vision and priorities

Long term strategic planning has enabled Rushcliffe to address its immediate financial pressures, develop a medium term financial strategy to 2019/20 and introduce its fifth Corporate Strategy covering the period 2012 to 2016. The three key themes for this strategy are:

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

The integration of service and financial planning has continued through the budgets for both 2014/15 and 2015/16, and the financial strategy to 2019/20.

During 2014/15 the Council developed its approach to the financial pressures facing all public bodies through the continued development of its Transformation Strategy (replacing the Four Year Plan). This outlines how the Council will meet its financial challenges until 2019/20. The Transformation Strategy focuses upon three key elements income generation, service re-design and business cost reduction. It highlights the relationship between the Corporate Strategy, the Medium Term Financial Strategy and the Transformation Strategy. As part of the service re-design process the council is continuously reviewing the services it provides to identify improved or alternate methods of delivery which will enable it to meet its financial targets without eroding the high quality of service for which Rushcliffe is known

Progress against previous priorities and actions, as laid down in previous service plans, has been reported to the Performance Management Board during the course of the year. All key tasks within the current service delivery plans have been linked directly to the Council's objectives.

2.2 Improvement and Efficiency

As with other public bodies the Council faces unprecedented financial pressures. Its original efficiency requirement of £2.8m has increased to around £5.7m from 2011/12 to 2019/20. Much has been achieved with around £4.4m of savings having been delivered between 2011/12 and 2015/16. However, there remains the need to continue to identify savings from the Transformation Strategy in order to meet financial pressures in the medium term. A combination of Member and management challenge has limited the projected budget savings required from 2016/17 to 2019/20 at £1.3m. The following thematic areas summarise how the budget will be balanced in future years:-

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

(b) Management Challenge – challenging base budgets each year;

(c) Transformational Projects - projects such as building control and garage partnerships

(d) 'Thinking big' reviews – for example the Leisure Strategy and office accommodation projects.

A comprehensive document setting out the Council's constitution exists which sets out the clearly defined structure for the Council's organisational arrangements based upon a cabinet executive model. In essence the different roles can be summarised as follows:

- Council decides upon certain policies and other specialist functions that cannot be delegated elsewhere including the setting of the council tax
- Cabinet is allocated authority by council to approve policies not reserved for consideration by Council, deliver policies and to take most significant executive decisions
- Cabinet works to a Forward Plan of forthcoming decisions for up to three months ahead
- The work of Cabinet is supported by four scrutiny groups

- Scrutiny groups develop their own work programme for the review of council policies in addition to scrutinising the work of the cabinet
- Separate committees exist for Development Control, Employment Appeals, Alcohol and Entertainments Licensing, Interviewing and Licensing.
- Delegation arrangements to officers are set out in detail within the Constitution
- A protocol defining the relationship between Members and Officers was adopted during 2008

The constitution also provides detailed guidance on standing orders, financial regulations and the conduct of meetings. In addition it also contains codes of conduct applying to members and officers as well as a protocol for councillor/officer relationships. The codes include reference to the need to declare any interests which may conflict with the individual's role at the Council and such registers for councillors and officer are maintained by the Executive Manager Corporate Governance and Operations and the Strategic Human Resources Manager respectively. The Council has in place a confidential reporting code (whistleblowing policy) and any referrals under the policy are investigated.

The Constitution as a whole is reviewed when necessary and appropriate. The last significant review was undertaken in 2011/12; however a number of amendments have been made since then to accommodate legislative changes or to reflect changes to the Council's structure. A further review is planned after the local elections in 2015.

2.3 Policies, Procedures, Laws and Regulations

The Council has three statutory officer roles: the Chief Executive, the Section 151 Officer and the Monitoring Officer. 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.

The Council's financial management arrangements should conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). During 2014/15, the Council's financial management arrangements complied in all respects with the governance requirements of the aforementioned statement, in particular:

- During 2014/15 the Executive Manager (Finance and Commercial) held the post of Chief Financial Officer. The post holder is a professionally qualified accountant with direct access to the Chief Executive, Leader of the Council and other Cabinet Members. The post holder also has direct access to the Corporate Governance Group and the Council's external auditors.
- The Chief Financial Officer has a line of professional accountability for all finance staff and for ensuring that the finance function is 'fit for purpose'. The Council has established robust arrangements to manage its finances, including a Medium Term Financial Strategy, annual budget process and compliance with CIPFA's Codes and Guidance on the Prudential Framework for Capital Finance, Treasury Management and the management of reserves.
- Internal audit services are provided to the Council by Baker Tilly. The effectiveness of this service is monitored by the Corporate Governance Group.

Executive Managers are responsible for ensuring that legislation and policy relating to service delivery and health and safety are implemented in practice. Oversight of these arrangements is provided by the Executive Manager (Corporate Governance and Operations).

2.4 Risk Management

The Council's risk management arrangements are regularly reviewed with a complete review being undertaken during 2014/15. The effectiveness of the overall risk management arrangements is monitored by the Corporate Governance Group who, on 13 November 2014, approved the changes to the Risk Management Strategy. The 2014/15 Annual Report by Internal Audit acknowledges the continued refinement in risk management with the control environment maintaining a 'green' rating (giving substantial assurance).

2.5 Development and training needs

The Council achieved Councillor Member Development Charter status in March 2011 and has a cross party Member Development Group to oversee development and delivery of Councillor learning and training. This Group meets on a quarterly basis.

Each Councillor is offered the opportunity to undertake an annual Personal Development Plan the results of which are used to inform the on-going Member Development Programme. Development needs are also identified directly by feedback from Councillors and in response to issues which may occur throughout the year.

To support new and returning Councillors a comprehensive induction programme has been developed for delivery after the local elections. The delivery of this is overseen by the cross party Member Development Group who evaluates its effectiveness upon its completion based on Councillor feedback.

The identification and delivery of appropriate training for officers is dealt with via the Learning and Development Plan which links to the annual performance development review (PDR) process.

2.6 Communication

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

On-going customer satisfaction surveys were undertaken by several key customer facing services such as planning, revenues and benefits and customer services. The customer feedback received from these exercises is used to improve services to all customers. The Council also undertakes consultation to inform decisions relating to policy changes. Over the course of this year, additional consultation was undertaken on leisure provision in West Bridgford, developer engagement with our planning team, growth and economic development within the Borough, and car-parking in Radcliffe-on-Trent and Bingham (commenced April 2015). A review of Shelford and Newton parish was also undertaken and following Council approval the two new parishes were established from 1st April 2015.

2.7 Partnerships

The Council has in place a scrutiny group that reviews significant partnerships with which the Council is involved. The Council has put in place strong governance arrangements around the major leisure services, Streetwise and car parking contracts. The Cabinet Portfolio Holder also chairs quarterly strategic board meetings with the two main leisure providers, Parkwood and Carillion. There are also quarterly meetings of the Streetwise Board chaired by the Leader of the Council.

3 REVIEW OF EFFECTIVENESS

3.1 Introduction

Rushcliffe Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates and this review is considered by the Corporate Governance Group.

3.2 The Council

The Council approves and keeps under regular review all the strategic policies which it reserves for its own consideration, including:

- The Constitution
- The Corporate Strategy
- The Capital Programme and Revenue Budget
- The Housing Strategy
- The Local Development Framework

3.3 The Cabinet

The Cabinet carries out the executive functions of the Council as required by the legislation and the Council’s constitution. It accordingly:

- Takes key decisions
- Takes other executive decisions
- Approves policies other than those reserved for Council
- Recommends to Council policies and budgetary decisions

3.4 Corporate Governance Group

The Corporate Governance Group is the group within the Council that is charged with Governance and has a number of responsibilities including:

- Overseeing financial governance arrangements

- Overseeing strategic risk management
- Scrutinising the Annual Governance Statement
- Scrutinising the Statement of Accounts prior to its agreement by full council
- Reviewing the plans and work of Internal Audit
- Receiving reports from external audit in relation to the audit arrangements

3.5 Performance Management Board

The Performance Management Board reviews the performance of the Council against the approved targets. Other reports are taken to this group and during the last year the group has considered the equality and diversity plan and the leisure services contracts.

In addition to the Performance Management Board the Council has two other scrutiny groups which were formed during 2007. The first, Community Development looks at areas that affect the community such as new energy initiatives and the delivery of rural broadband. The other group is Partnership Delivery which is tasked with looking at the effectiveness of current and future potential partnerships.

3.6 Executive Managers

Executive Managers are responsible for ensuring proper standards of internal control within their service areas. On-going reviews are undertaken throughout the year. At the end of the financial year Executive Managers are required to confirm that they have reviewed the system of internal control and identify any areas where improvements are necessary.

3.7 Internal Audit

Internal Audit is responsible for the review of the systems of internal control and for giving an opinion on both the corporate and service specific standards in place. Following a formal tender process in 2009/10 this contract was awarded to RSM Tenon (now Baker Tilly). An Audit Strategy has been developed covering all activities of the Council at a level and frequency determined using a risk management methodology. The current Strategy now covers the period up to March 2017.

An annual audit plan governs each year's activity and at the completion of each audit, a report is produced for management with recommendations for improvement. Regular reports covering internal audit activities are submitted to the Corporate Governance Group for scrutiny.

A detailed annual review of the effectiveness of the Council's system of internal audit is undertaken every year and reported to the Corporate Governance Group. As mentioned at Section 2.4 in terms of governance, risk management and internal control maintains a level of substantial assurance, as given by Internal Audit.

3.8 External Audit

The external auditors review the Council's arrangements for:

- Preparing accounts in compliance with statutory and other relevant requirements

- Ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice
- Managing performance to secure economy, efficiency and effectiveness in the use of resources

The auditors give an opinion on the Council's accounts, corporate governance and performance management arrangements. The Council takes appropriate action where improvements need to be made.

The provision of external audit is undertaken by KPMG.

4 SIGNIFICANT GOVERNANCE ISSUES

4.1 Issues Identified and remedial action

The Council continues to utilise partnership arrangements with other public bodies and private organisations to deliver services. The Council therefore remains committed to meeting the challenge of ensuring that the appropriate governance arrangements are in place for each of the major partnerships that the Council has entered or will enter.

The Council's external auditors have recognised improvements in the production of the Statement of Accounts and the risks surrounding the bank reconciliation procedures have subsided. The key risk identified concerns the consolidation, for the first time, of Streetwise Environmental Ltd.'s (SEL) accounts, thus grouping with the Council's accounts. The Council are working with KPMG on this process.

During 2014/15 the Council highlighted an issue in relation to the administration of taxi driver licences to its Internal Auditors. Whilst it identified internal control weaknesses; it also demonstrated the strength of the Council's internal controls in terms of both identifying the problem and ensuring it was dealt with appropriately, with a subsequent action plan and remedial action undertaken including a review of arrangements for the management of income across the Council.

During 2015/16 the Council will also need to manage a number of challenges arising from the impact of both the General and Local elections and in particular challenges arising from welfare reform and the introduction of Universal Credit. Furthermore the Council has to address the issue of housing growth and the concerns of the planning inspector. Whilst the Core Strategy was approved in 2014 much work is still to be done.

The Cotgrave Masterplan is a significant project which demonstrates the Council's commitment to developing the community and provides affordable housing. The Council has recently been successful in leveraging external funding for both Bridgford Hall; and the 'Growth Deal' for employment and housing sites alongside the A46. This is indicative of the Council's commitment to support housing and business growth. The Council is in the process of implementing an Asset Investment Strategy as the catalyst to release a further £10m to grow the local economy, along with a desire to improve infrastructure via the Nottinghamshire Combined Authority. Other challenges include the management of the leisure and accommodation project, and as the Council becomes increasingly innovative the management of alternative service delivery vehicles such as Streetwise. There are also likely to be further collaborative arrangements with the Council's partners of first choice Gedling, and Newark and Sherwood. This does not preclude other collaborative opportunities. Recent examples include the provision of Garage services through Nottingham City Council; and Building Control

Services with South Kesteven District Council. These opportunities will be managed in line with the Governance Framework outlined earlier in this report.

5 STATEMENT OF THE CHIEF EXECUTIVE AND THE LEADER OF THE COUNCIL

We have been advised of the implications of the result of the review of the effectiveness of the governance framework by the Corporate Governance Group. The arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed, with new actions planned, are outlined above.

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

Signed…………………………….	Signed………………………………..
Councillor J N Clarke (Leader)	A Graham (Chief Executive)
Date …………………………….	Date …………………………………

C. Independent Auditor’s Report

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

We have audited the financial statements of Rushcliffe Borough Council for the year ended 31 March 2015 on pages 2 to 78. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Executive Manager Finance and Commercial and auditor

As explained more fully in the Statement of the Interim Executive Manager Finance and Commercial’s Responsibilities, the Executive Manager Finance and Commercial is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Interim Executive Manager Finance and Commercial; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority’s expenditure and income for the year then ended;

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Matters on which we are required to report by exception

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages XI to XVIII does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters

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

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Rushcliffe Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

Certificate

We certify that we have completed the audit of the financial statements of Rushcliffe Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

Andrew Bush

for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants

St Nicholas House
31 Park Row
Nottingham
NG1 6FQ
30 September 2015

STATEMENT OF ACCOUNTS

2014/15

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 Interim Executive Manager (Finance and Commercial).
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

THE EXECUTIVE MANAGER (FINANCE AND COMMERCIAL) RESPONSIBILITIES

The Interim Executive Manager (Finance and Commercial) is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices, as set out in the Chartered Institute of Public Finance and Accountancy/Local Authority Scotland Accounts Advisory Committee's "Code of Practice on Local Authority Accounting in the United Kingdom" ("the Code of Practice").

In preparing this Statement of Accounts, the Interim Executive Manager (Finance and Commercial) has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice

The Interim Executive Manager (Finance and Commercial) has also:

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

The Interim Executive Manager (Finance and Commercial) should sign and date the Statement of Accounts, stating that it gives a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2015.

CERTIFICATE

I hereby certify that the following Statement of Accounts gives a true and fair view of the financial position of Rushcliffe Borough Council at 31 March 2015 and its income and expenditure for the financial year ended 31 March 2015.

Peter Linfield
Interim Executive Manager (Finance and Commercial)
30 June 2015

FORMAL APPROVAL

Full Council approved the audited Statement of Accounts on 24 September 2015

On behalf of the Council
Councillor Purdue - Horan
Mayor of the Council

D. THE FINANCIAL STATEMENTS
MOVEMENT IN RESERVES STATEMENT (MIRS)

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 Balance for council tax setting. The (Net Increase)/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

2014/2015	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance 31 March 2014	(2,604)	(10,222)	(10,949)	(412)	(24,187)	2,941	(21,246)
Movement in Reserves during 2014/2015							
(Surplus) or deficit on the provision of services	(552)	0	0	0	(552)	0	(552)
Other Comprehensive Income and Expenditure	0	0	0	0	0	10,266	10,266
Total Comprehensive Income and Expenditure	(552)	0	0	0	(552)	10,266	9,714
Adjustments between accounting basis and funding basis under regulations (Note 7)	(683)	0	(848)	139	(1,392)	1,392	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(1,235)	0	(848)	139	(1,944)	11,658	9,714
Transfers to/from Earmarked Reserves (Note 8)	1,235	(1,235)	0	0	0	0	0
Increase/Decrease in 2014/2015	0	(1,235)	(848)	139	(1,944)	11,658	9,714
Balance at 31 March 2015 Carried Forward	(2,604)	(11,457)	(11,797)	(273)	(26,131)	14,599	(11,532)

D. THE FINANCIAL STATEMENTS

RESTATED MOVEMENT IN RESERVES STATEMENT (MIRS)*

2013/2014	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves* £000	Total Authority Reserves £000
Balance 31 March 2013	(2,604)	(8,378)	(12,663)	(487)	(24,132)	(4,499)	(28,631)
Movement in Reserves during 2013/2014							
(Surplus) or deficit on the provision of services	3,948	0	0	0	3,948	0	3,948
Other Comprehensive Income and Expenditure		0	0	0		3,437	3,437
Total Comprehensive Income and Expenditure	3,948	0	0	0	3,948	3,437	7,385
Adjustments between accounting basis and funding basis under regulations (Note 7)*	(5,792)	0	1,714	75	(4,003)	4,003	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(1,844)	0	1,714	75	(55)	7,440	7,385
Transfers to/from Earmarked Reserves (Note 8)	1,844	(1,844)	0	0	0	0	0
Increase/Decrease in 2013/2014	0	(1,844)	1,714	75	(55)	7,440	7,385
Balance at 31 March 2014 Carried Forward	(2,604)	(10,222)	(10,949)	(412)	(24,187)	2,941	(21,246)

*Restated due to presentational changes

D. THE FINANCIAL STATEMENTS

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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

2013/2014				2014/2015		
Gross Exp £000	Gross Inc £000	Net Exp £000		Gross Exp £000	Gross Inc £000	Net Exp £000
2,548	(446)	2,102	Central Services to the Public	2,336	(457)	1,879
3,867	(657)	3,210	Cultural & Related Services	3,287	(699)	2,588
6,203	(1,586)	4,617	Environmental & Regulatory Services	6,314	(1,849)	4,465
3,377	(1,819)	1,558	Planning Services	2,297	(1,550)	747
357	(554)	(197)	Highways & Transport Services	300	(520)	(220)
20,129	(18,876)	1,253	Housing Services	19,915	(18,855)	1,060
1,528	(346)	1,182	Corporate and Democratic Core	1,618	0	1,618
550	0	550	Non Distributed Costs	391	(442)	(51)
38,559	(24,284)	14,275	Cost of Services	36,458	(24,372)	12,086
1,911	(126)	1,785	Other Operating Exp. (Note 9)	1,948	(468)	1,480
1,926	(972)	954	Financing & Investment Inc. & Exp. (Note 10)	1,350	(1,740)	(390)
0	(13,066)	(13,066)	Taxation & Non-Specific Grant Income (Note 11)	0	(13,728)	(13,728)
42,396	(38,448)	3,948	(Surplus)/Deficit on Provision of Services	39,756	(40,308)	(552)
		(524)	Surplus or deficit on revaluation of non-current assets			(65)
			Available For Sale Financial Instruments			19
		3,961	Actuarial gains/losses on pension assets/liabilities			10,312
		3,437	Other Comprehensive Income & Expenditure			10,266
		7,385	Total Comprehensive Income & Expenditure			9,714

D. THE FINANCIAL STATEMENTS

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the 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. The first category of reserves are usable reserves, i.e. 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 may only be used to fund capital expenditure or repay debt). The second category of reserves is 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 March 2014 £000		Note Ref	31 March 2015 £000
26,203	Property, Plant and Equipment	12	25,599
169	Heritage Assets		108
10,323	Investment Property	13	10,585
0	Long Term Investments	16	4,492
117	Intangible Assets	14	92
1,156	Long Term Debtors	16	897
37,968	Long Term Assets		41,773
17,540	Short Term Investments	16	17,144
18	Inventories		27
1,550	Short Term Debtors	17	2,459
16,095	Cash and Cash Equivalents	16,18	12,919
35,203	Current Assets		32,549
(54)	Short Term Borrowing	16	(54)
(180)	Short Term Provisions	20	(100)
(6,205)	Short Term Creditors	19	(4,340)
(6,439)	Current Liabilities		(4,494)
(572)	Long Term Provisions	20	(1,480)
(4,542)	Capital Grants Receipts in Advance	16,31	(5,191)
(40,372)	Pension Liability	36	(51,625)
(45,486)	Long Term Liabilities		(58,296)
21,246	NET ASSETS		11,532
10,949	Usable Capital Receipts Reserve		11,797
2,604	General Fund Balance		2,604
10,222	Earmarked Reserves	8	11,457
412	Capital Grants Unapplied		273
24,187	Usable Reserves		26,131
(2,941)	Unusable Reserves	22	(14,599)
21,246	TOTAL RESERVES		11,532

D. THE FINANCIAL STATEMENTS

CASHFLOW STATEMENT (INDIRECT METHOD)

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 (i.e. borrowing) to the authority.

2013/2014 £000		2014/2015 £000
3,948	Net (surplus) or deficit on the provision of services	(552)
(7,609)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 23)	(2,437)
1,692	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 23)	3,057
(1,969)	Net cash flows from Operating Activities (Note 23)	68
13,692	Investing Activities (Note 24)	2,053
941	Financing Activities (Note 25)	1,055
12,664	Net increase or decrease in cash and cash equivalents	3,176
(28,759)	Cash and cash equivalents at the beginning of the reporting period	(16,095)
(16,095)	Cash and cash equivalents at the end of the reporting	(12,919)

E. NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. It has been prepared in accordance with the Accounts and Audit Regulations 2011 (as amended) which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS) It also complies with guidance notes issued by CIPFA on the application of accounting standards (Standard Statement of Accounting Practice and Financial Reporting Standards) to the local authority accounts.

ii. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

iv. Exceptional Items

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

v. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

vi. Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisation. These are therefore reversed out of the General Fund and into an unusable capital reserve.

It is however, required to make annual provision from revenue towards the reduction in its overall borrowing requirement; this is referred to as Minimal Revenue Provision (MRP). New guidance was issued by the Secretary of State under section 21 (1A) of the Local Government Act 2003 for the calculation of this provision.

The Council is currently debt free and has no borrowing requirement and is therefore not required to make a MRP.

vii. Employee Benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (for example, cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, for example, time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year, where material. The accrual is made at the wage and salary rates applicable in the following year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to either terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to Net Cost of Services within Non Distributed Costs in the Comprehensive Income and Expenditure Statement when the Council has demonstrably committed to the termination of the employment or has made an offer to encourage voluntary redundancy to an officer or group of officers.

When termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional debits and credits for pension enhancement termination benefits. These are replaced with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

The Local Government Pension Scheme (LGPS) is administered by Nottinghamshire County Council and is accounted for as a defined benefits scheme providing defined benefits to members (Retirement Lump Sums and Pensions) earned as employees working for the Council.

The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees).

The assets of the pension fund attributed to the Council are included in the Balance Sheet at their fair value

- Quoted Securities - current bid price
- Unquoted Securities - current bid price
- Utilised Securities - Professional Estimate
- Property - Market Value

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

- Current Service Cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the service for which the employees worked.
- Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Net interest on the net defined benefit liability (asset) ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments
- Re-measurements comprising
    - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pension Reserve as Other Comprehensive Income and Expenditure;
    - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions– charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions Paid to the Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

viii. Events after the Balance Sheet Date

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

ix. Financial Instruments

General

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Most straight forward financial assets (debtors, bank deposits and investments) are covered, together with more complex ones not used by the Council (debt instruments with embedded swaps and options).

The Council recognises a financial asset or liability on the Balance Sheet when it becomes party to the contractual provisions of an instrument.

Financial Liabilities

Financial liabilities are recognised on the balance sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable, are based on the carrying amount of liability, multiplied by the effective rate of interest for the investment. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The Council currently has no long term debt but any future long term debt would be within the Councils Treasury Management Strategy, Minimum Revenue Provision Policy and future Accounting Policies.

Financial Assets

Financial assets are classified as either;

- **Loans and Receivables** – assets that have fixed or determinable payments but are not quoted in an active market.

  Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the provisions of a financial instrument and are initially measured at "fair value". They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

  The Council has made a loan to the cricket club at less than market rates (soft loan). When such a soft loan is made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. The Council has also made a soft loan to Streetwise Environmental Ltd but as they are a subsidiary of the Council this loss is treated as an additional investment in the company.

  If an asset was identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

  Any gains or losses that arise on the de-recognition of an asset are credited or debited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

- **Available-for-sale assets** – assets that have a quoted market price and/or do not have fixed or determinable payments. These are non-derivative financial assets designated available for sale which are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the income statement on de-recognition.

Financial Instruments – Risks

The Council's activities in this area expose it to a number of risks; it regularly reviews and agrees policies for such risks which are set out below:

- **Credit Risk** – the possibility that other parties may fail to pay amounts due.

  To mitigate this risk the parties that owe money are sent timely reminders, defaulters are given reminders, warnings and ultimately legal action is taken where necessary.

In addition, the Council has adopted the CIPFA Prudential Code and reviews and monitors the level of exposure to investments which mature beyond one year and the use of specified and non-specified investments.

- Interest Rate Risk – that changes in areas such as interest rates will affect the Council's revenue resources. To mitigate this risk the Council monitors the available rates, and also consults with its Treasury Advisors, Arlingclose Ltd, and maintains fixed deposits when good rates are available. Fixed rate deposits are maintained to maximise interest receivable; variable rate deposits are maximised for working capital requirements.

- Liquidity Risk – the possibility that the council cannot pay its commitments.

  To mitigate this risk the Council ensures that current working capital requirements are immediately available. Short-term flexibility is achieved by overdraft facilities.

x. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants, third party contributions and donations are recognised as due to the Council where there is reasonable assurance that.

- The Council will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as long term liabilities (Capital Receipts in Advance). When conditions are satisfied, the grant or contribution is credited to the Comprehensive Income and Expenditure Statement.

Where capital grants and contributions including section 106s are credited to the Comprehensive Income Expenditure Statement as Taxation and Non Specific Grant Income, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure it is posted to the Capital Grants Unapplied Reserve. Where it has been applied it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

xi. Heritage Assets

The Council has two classifications of Heritage Assets; a small art collection and a war memorial. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. In the past the art collection was reported in the Balance Sheet at insurance valuation, which is based on market value. Mellors and Kirk (art auctioneers) re-valued the collection resulting in a downward movement of circa £60,000 on the art collection. The resultant value of heritage assets held at 31 March 2015 was £108,000 (£169,000 2013/14).

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

Art collection

The Council's art collection consists of 82 exhibits of oils, watercolours and prints, and a clock. Following the revaluation exercise of significant items in the collection (January 2015), there are 3 items with a value of over £5,000. The highest value item is an oil painting valued at £50,000. As at 31 March 2014, 7 items had a value of over £5,000 with the highest value, an oil painting, valued at £65,000.The assets within the art collection are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Purchases are initially recognised at cost and donations are recognised at valuation.

War Memorial

The War Memorial is situated in West Bridgford and is held at Depreciated Historical Cost (a proxy for current value).

xii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (for example, software licences). These are capitalised at cost when the economic benefit is estimated to be greater than 12 months.

Once capitalised, the assets will be amortised on a systematic basis over their useful lives. The amortisation charge will be made to the relevant General Fund Service revenue accounts.

Internally generated assets are only re-valued where the fair value of assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the council meets this criterion and they are therefore carried at amortised cost.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital

Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiii. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Long term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the value of works and services received under contract during the financial year.

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. In the Authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

xv. Investment Property

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

Investment properties are measured initially at fair value, and are not depreciated but are re-valued annually. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

xvi. Leases

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

An exception is made where leases were in existence prior to the introduction of IFRS and not treated in accordance with proper practice as at 31st March 2010. Under the terms of the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2010 no 454, the Council may continue to account for money received in accordance with the original type of leases.

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

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

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset.

Lease payments are apportioned between:

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

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the leases asset.

The Authority as Lessor

Finance Leases

These finance leases are dealt with under the exception outlined above.

Operating Leases

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

xvii. Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Authority in conjunction with the other ventures that involve the use of assets and resources of the venture rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and

Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

xviii. Overheads and Support Services

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

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

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

xix. Property, Plant & Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential is charged as an expense when it is incurred. In addition, expenditure needs to be in excess of the Council de-minimis level of £10,000 before it can be recognised as capital, spend below this limit is charged to revenue.

The Code requires components to be accounted for as separate items where they are material, the Council has undertaken a review of its assets relating to Property, Plant and Equipment and componentising these assets has no material impact. The Council has however componentised its assets, into two elements, land and buildings.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

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

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

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

Where decreases in value are identified, they are accounted for as follows:

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

Impairment

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

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

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

Depreciation

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

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

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

Disposals and Non-current Assets Held for Sale

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

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Capital receipts are credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

As the cost of fixed assets is fully provided for under separate arrangements for capital finance the written-off value of disposals is not a charge against council tax. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Assets under Construction

Assets under Construction are only recognised when it is probable that the future economic benefits will flow to the council and the cost can be measured reliably. Assets under construction are capitalised at cost which includes labour and overhead costs arising directly from the construction of the asset. Assets under construction are not depreciated until they are brought into the use under the relevant sections of Property Plant and Equipment.

xx. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Where it is probable that there will be an inflow of economic benefits or service potential, contingent assets are not recognised in the Balance Sheet but disclosed in a note to the Accounts.

xxi. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

xxii. Revenue Expenditure Funded from Capital under Statute

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

xxiii. 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.

xxiv. Collection Fund

Billing authorities have 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 itself and the major precepting authorities and central government.

From 1 April 2009 for both Billing and Precepting authorities and central government, the NNDR income included in their Comprehensive Income and Expenditure Statement (CIES) shall be the accrued income for the year. Any difference between the income included in the CIES and their demand or precept is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. As the collection of Council Tax is an agency agreement there is a debtor/creditor position between the billing Council and the major preceptors. As the billing Council, this Council's Cash Flow Statement includes in 'revenue activities' only its own share of the Council Tax collected.

From 1 April 2013 for billing and precepting authorities and central government, the NNDR income included in their CIES shall be the accrued income for the year. Any difference between the income included in the CIES and their estimate of share of income is taken to the Collection Fund Adjustment Account and included as an adjusting item in the Movement in Reserves Statement. As the collection of NNDR is an agency agreement there is a debtor/creditor position between the billing council and the major preceptor (governed by the Nottinghamshire Pool) and central government. As the billing Council, this Council's Cash Flow Statement includes in 'revenue activities' only its own share of the Council Tax collected.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) requires the disclosure of information relating to the expected impact on the accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2015/16 Code: IFRS 13 Fair Value Measurement. This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets for sale) to be re-valued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS13. Overall this standard is not expected to have a material impact on the Statement of Accounts, due to the low value of surplus assets held by the Council.

IFRIC 21 Levies. This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on the information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.

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

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

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, 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 concern the following:

a. There is a high degree of uncertainty about future levels of funding for local government notably issues around welfare reform and localisation of Business Rates. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision. Future transformation plans will have an effect on the assets of the authority for example the Council's office accommodation and leisure facilities, these are seen as positive opportunities to improve the Council's asset base and provide efficiencies;

b. One factor that has demonstrably in the past 3 years had a significant impact on the accounts concerns the assumptions surrounding pensions and the likelihood of legislative change and the impact of such change. The impact of either a change in the discount rate of 0.1% or a change in life expectancy of 1 year, for either, would be no more than £107,000 on service costs.

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

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

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

Most significant estimates are for pensions, bad debts (impairments), accruals and provisions. Each of these has a different process for making the estimate:

a. Pension estimates are provided by Nottinghamshire County Council and assurance is placed on the use of suitably qualified professionals to provide this estimate. Note 3(b) gives further analysis;

b. Bad debt estimates are based on prudent historical collection rates taking into account knowledge of existing conditions on outstanding debts, particularly given the current economic climate and future changes in relation to welfare reform. At 31st March 2015 the Authority had sundry debtor balances of £0.467m and Housing Benefit (HB) debtors of £0.87m. If recoverability of these balances falls the amount set aside for these balances would increase. Provisions for bad debt are made according to the age of the debt. The provisions amount to £0.265m and £0.15m, respectively for HB and sundry debtors. If recoverability of the debt falls by 10% across all ages of debt an estimated further £0.078m would have to be set aside;

c. Provisions – generally most provisions are relatively low in value. Business Rate appeals (which the Valuation Office is responsible for) have been estimated in line with the new accounting requirements of the national Business Rates Retention Scheme. In total Rushcliffe's estimated liability amounts to £0.84m, with a further £1.26 million in relation to other precepting authorities and the Government. This has been calculated in accordance with a methodology developed across Nottinghamshire (agreed by Chief Finance Officers) focusing on key determinants such as type of property, reasons for appeal and age of the appeal; and

d. Purchase accruals – these are low in volume and value, but with items such as utility accruals they are based on past bills / seasonality / readings and current contract prices.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

In 2014/15 there are no material items of income and expense. The equivalent amount in 2013/14 was £1.036m of grant funding in connection with Section 106 expenditure, primarily on Health facilities and Social Housing units related capital schemes, this was charged to the CIES within Planning services (£0.575m) and Housing Services (£0.461m).

6. EVENTS AFTER THE BALANCE SHEET DATE

None currently expected to be reported.

7. 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 set against

General Fund Balance

The General Fund is the statutory fund into which all the receipts of a Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice.

The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on the capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

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

Capital Grants Unapplied

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

7. ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2014/2015	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
Adjustments primarily involving the Capital Adjustment Account	£000	£000	£000	£000	£000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Charges for depreciation and impairment of non-current assets	(1,574)	0	0	(1,574)	1,574
Revaluation gain on Property Plant and Equipment	34	0	0	34	(34)
Movement in the market value of investment properties	201	0	0	201	(201)
Capital grants and contributions applied	240	0	87	327	(327)
Revenue expenditure funded from capital under statute	(396)	0	52	(344)	344
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(757)	0	0	(757)	757
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Capital expenditure charged against the General Fund Balance	584	0	0	584	(584)
Adjustments primarily involving the Capital Grants Unapplied Account					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement					
Adjustments primarily involving the Capital Receipts Reserve					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,148	(2,314)	0	(166)	166
Use of the Capital Receipts Reserve to finance new capital expenditure	0	1,504	0	1,504	(1,504)

7. ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2014/2015	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
	£000	£000	£000	£000	£000
Transfer (from)/to the Deferred Capital Receipts Reserve upon receipt of cash	0	(38)	0	(38)	38
Adjustments primarily involving the Financial Instruments Adjustment Account					
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	15	0	0	15	(15)
Adjustments primarily involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(2,877)	0	0	(2,877)	2,877
Employers' pensions contributions and direct payments to pensions payable in the year	1,353	0	0	1,353	(1,353)
Adjustments primarily involving the Collection Fund Adjustment Account					
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	330	0	0	330	(330)
Adjustments primarily involving the Accumulated Adjustments Account					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	16	0	0	16	(16)
Total Adjustments	(683)	(848)	139	(1,392)	1,392

7. RESTATED ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS*

2013/2014	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
Adjustments primarily involving the Capital Adjustment Account	£000	£000	£000	£000	£000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Charges for depreciation and impairment of non-current assets	(1,852)	0	0	(1,852)	1,852
Revaluation gain on Property Plant and Equipment	0	0	0	0	0
Movement in the market value of investment properties	(352)	0	0	(352)	352
Capital grants and contributions applied	48	0	0	48	(48)
Revenue expenditure funded from capital under statute	(562)	0	75	(487)	487
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(36)	0	0	(36)	36
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Capital expenditure charged against the General Fund Balance	25	0	0	25	(25)
Adjustments primarily involving the Capital Grants Unapplied Account					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0	0	0	0
Adjustments primarily involving the Capital Receipts Reserve					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	143	(261)	0	(118)	118
Use of the Capital Receipts Reserve to finance new capital expenditure	0	2,008	0	2,008	(2,008)

*restated due to presentational changes

7. RESTATED ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS*

2013/2014	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
	£000	£000	£000	£000	£000
Transfer (from)/to the Deferred Capital Receipts Reserve upon receipt of cash	0	(33)	0	(33)	33
Adjustments primarily involving the Financial Instruments Adjustment Account					
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	17	0	0	17	(17)
Adjustments primarily involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,701)	0	0	(3,701)	3,701
Employers' pensions contributions and direct payments to pensions payable in the year	1,596	0	0	1,596	(1,596)
Adjustments primarily involving the Collection Fund Adjustment Account					
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	(1,118)	0	0	(1,118)	1,118
Adjustments primarily involving the Accumulated Adjustments Account					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0	0	0	0	0
Total Adjustments	(5,792)	1,714	75	(4,003)	4,003

*restated due to presentational changes

8. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund Balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

2014/15 Reserves

	Balance at 1st April 2014 £000	Transfers In £000	Transfers Out £000	Balance at 31st March 2015 £000
Investment Reserves				
Regeneration and Community Projects	2,111	197	(123)	2,185
Cotgrave Regeneration Project	172	73	0	245
Council Assets and Service Delivery	684	148	0	832
Local Area Agreement	294	0	0	294
New Homes Bonus	1,337	1,474	(235)	2,576
Invest to Save	661	0	(461)	200
Corporate Reserves				
Organisational Stabilisation Reserve	3,809	580	(481)	3,908
Risk and Insurance	100	0	0	100
Planning Appeals	349	0	0	349
Elections	200	65	0	265
Operating Reserves				
Planning	203	0	(16)	187
Leisure Centre Maintenance	147	29	(15)	161
Lottery	55	0	0	55
Planned Maintenance	100	0	0	100
Total	10,222	2,566	(1,331)	11,457

INVESTMENT RESERVES

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

Cotgrave Regeneration Project – is a new reserve for surpluses generated from investment properties on the site for re-investment into the project.

Council Assets and Service Delivery – to provide funding to support improvements and optimum rationalisation of council owned assets and facilitate the implementation of innovative service delivery models.

8. TRANSFERS TO/FROM EARMARKED RESERVES CONTINUED

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

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

Invest to Save – to fund projects that require ‘pump priming’ that generate future savings.

CORPORATE RESERVES

Organisation Stabilisation Reserve – to be used to provide resilience against risks surrounding the Medium Term Financial Strategy.

Risk and Insurance – to provide funding to be used to reduce the risk of loss or injury in the provision of Council services, with the objective of reducing future insurance costs.

Planning Appeals – to provide funding to cover potential legal and other cost in respect of large applications.

Elections – to provide funding for the future costs of the four yearly Borough Council elections.

OPERATING RESERVES

Planning - to provide funding for one off revenue costs of the planning service, for example, legal costs, specialist advice and consultancy.

Leisure Centre Maintenance – to provide funding for dilapidation works required at leisure centres as a result of the transfer of the management of the leisure centre to Parkwood and maintenance not covered as part of the contract.

Lottery – a sum left in reserve from a discontinued lottery scheme. Interest is used to fund small sports grants.

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

9. OTHER OPERATING EXPENDITURE

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

	2013/2014 £000	2014/2015 £000
Parish Council Precepts	1,691	1,723
Internal Drainage Board Levies	220	225
(Gains)/losses on the disposal of non-current assets	(126)	(468)
Total	1,785	1,480

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

The composition of the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement is detailed below:

	2013/2014 £000	2014/2015 £000
Net interest on the net defined benefit liability (asset)	1,486	1,739
Interest receivable and similar income	(240)	(343)
Income and Expenditure in relation to Investment Properties and changes in their fair value	(292)	(1,786)
Total	954	(390)

11. TAXATION AND NON SPECIFIC GRANT INCOME

The composition of the Taxation and Non Specific Grant Income line in the Comprehensive Income and Expenditure Statement is detailed below:

	2013/2014 £000	2014/2015 £000
Council Tax Income	(7,068)	(7,165)
Non Domestic Rates	(1,357)	(1,674)
Council Tax Freeze Grant	0	(58)
Revenue Support Grant	(3,131)	(2,377)
Capital Grants (Note 31)	(48)	(240)
Other Non Ring-fenced Grants	(1,462)	(2,214)
Total	(13,066)	(13,728)

12. PROPERTY, PLANT AND EQUIPMENT

Movements on Balances 2014/2015

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000
At 1 April 2014	20,736	10,160	3,117	329	0	6	34,348
Additions	356	500	47	0	0	512	1,415
Transfers	6	0	0	0	0	(6)	0
Revaluation (+/-) recognised in the Revaluation Reserve	(432)	0	0	0	0	0	(432)
Revaluation (+/-) recognised in the Surplus/Deficit on Provision of Services	76	0	0	0	0	0	76
De-recognition – Disposals	(300)	(2,026)	0	0	0	0	(2,326)
At 31 March 2015	20,442	8,634	3,164	329	0	512	33,081
Accumulated Depreciation or Impairment							
At 1 April 2014	(387)	(6,772)	(986)	0	0	0	(8,145)
Depreciation charge	(540)	(795)	(154)	0	0	0	(1,489)
Depreciation transfer	0	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	515	0	0	0	0	0	515
Depreciation written out to the Surplus/Deficit on Provision of Service	0	0	0	0	0	0	0
De-recognition – Disposals	5	1,632	0	0	0	0	1,637
At 31 March 2015	(407)	(5,935)	(1,140)	0	0	0	(7,482)
Net Book Value at 31 March 2015	20,035	2,699	2,024	329	0	512	25,599
Net Book Value at 31 March 2014	20,349	3,388	2,131	329	0	6	26,203

12. PROPERTY, PLANT AND EQUIPMENT

Movements on Balances 2013/2014

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000
At 1 April 2013	20,685	9,630	3,038	329	305	6	33,993
Additions	239	1,078	79	0	0	0	1,396
Transfers	305	0	0	0	(305)	0	0
Revaluation (+/-) recognised in the Revaluation Reserve	(337)	0	0	0	0	0	(337)
Revaluation (+/-) recognised in the Surplus/Deficit on Provision of Services	(156)	0	0	0	0	0	(156)
De-recognition – Disposals	0	(548)	0	0	0	0	(548)
At 31 March 2014	20,736	10,160	3,117	329	0	6	34,348
Accumulated Depreciation or Impairment							
At 1 April 2013	(899)	(6,345)	(812)	0	0	0	(8,056)
Depreciation charge	(538)	(939)	(174)	0	0	0	(1,651)
Depreciation transfer	0	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	857	0	0	0	0	0	857
Depreciation written out to the Surplus/Deficit on Provision of Service	193	0	0	0	0	0	193
De-recognition – Disposals	0	512	0	0	0	0	512
At 31 March 2014	(387)	(6,772)	(986)	0	0	0	(8,145)
Net Book Value at 31 March 2014	20,349	3,388	2,131	329	0	6	26,203
Net Book Value at 31 March 2013	19,786	3,285	2,226	329	305	6	25,937

12. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Other Land and Buildings 5-100 years
- Vehicles, Plant Furniture and Equipment 3-30 years
- Infrastructure 3-50 years

Capital Commitments

At 31 March 2015 the Council was committed to works totalling £0.146m for the acquisition, construction, and enhancement of Property, Plant and Equipment in 2015/16, £0.07m of this relates to infrastructure and enhancement work at Bingham Market Place. The remainder relates to smaller orders for Wheeled Bins and equipment for installation into the vehicle fleet.

Revaluations

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

Valuations of land and buildings were carried out in accordance with the Royal Institution of Chartered Surveyors Valuation Standards (Red Book) 6th Edition. Every fair value valuation was carried out using the assumptions as set out in the Red Book. Where assumptions additional to those which are set out in the Red Book have been made these are stated on the relevant valuation certificates. Mrs Leanne Ashmore MRICS is responsible for revaluation of property assets. An impairment review is carried out annually on the Land and Buildings portfolio.

Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost as a proxy for current prices. Valuations of vehicles, plant and equipment are reviewed annually to ensure that assets are recorded at no more than their recoverable amount.

All valuations were carried out internally.

The following table shows the progress of the Council's three year rolling programme for the revaluation of fixed assets. These figures are shown at gross book value.

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Carried at Historical Cost	1,158	8,634	3,164	329	0	512	13,797
Valued at fair value as at:							
31 March 2015	16,347						16,347
31 March 2014	1,058						1,058
31 March 2013	1,879						1,879
Total Cost or Valuation	20,442	8,634	3,164	329	0	512	33,081

13. INVESTMENT PROPERTIES

The following items have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2013/2014 £000	2014/2015 £000
Rental income from investment property	996	1,072
Direct operating expenses arising from investment property	(224)	(279)
Net gain/(loss)	772	793

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's rights to the remittance of income and the proceeds of disposal with the exception of industrial units at The Pithead site in Cotgrave. A rental income claw back arrangement is in place, this will expire in July 2015. The Council has no contractual obligations to purchase, construct or develop investment property or repair, maintain or enhance (except for voids)

The following table summarises the movement in the fair value of investment properties during 2014/15 and 2013/14.

	2013/2014 £000	2014/2015 £000
Balance at start of the year	10,525	10,323
Additions/Enhancements	150	129
Disposals	0	(68)
Net gains/losses from fair value adjustments	(352)	201
Transfers	0	0
Total	10,323	10,585

All of the Council's Investment Properties are treated as operating leases.

Valuations of Investment Properties are carried out annually in accordance with the Code of Practice and with the Royal Institution of Chartered Surveyors Valuation Standards (Red Book) 6th Edition. Every Fair Value valuation was carried out using the assumptions as set out in the Red Book. Where assumptions additional to those which are set out in the Red Book have been made these are stated on the relevant valuation certificates. Mrs Leanne Ashmore MRICS is responsible for revaluation of property assets. An impairment review is carried out annually on the Investment Property portfolio.

14. INTANGIBLE ASSETS

The Council accounts for its software as intangible assets. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council.

The useful lives assigned to the major software suites used by the Council are three years.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.085m in 2014/15 (£0.238m 2013/14) was charged to the IT cost centre and then absorbed as an overhead across all service headings in the Net Expenditure of Services. It is not possible to quantify how much of the amortisation is attributable to each service heading.

Movements on Intangible Fixed Assets

	2013/2014 £000	2014/2015 £000
Balances at start of the year		
Gross Carrying Amounts	1,363	1,189
Accumulated Amortisation	(1,058)	(1,072)
Net carrying amount at the start of the year	305	117
Additions		
Purchases	48	60
Transfers into the group	0	0
	48	60
Disposal	(222)	(178)
Amortisation		
Amortisations of the period	(238)	(85)
Amortisations on disposals	224	178
Amortisations on transfers into the group	0	0
	(14)	93
Net carrying amount at the end of the year	117	92
Comprising		
Gross Carrying Amounts	1,189	1,071
Accumulated Amortisation	(1,072)	(979)
Net Book Value	117	92

15. ASSETS HELD FOR SALE

The Authority had no Property, Plant and Equipment assets held for sale at the Balance Sheet date. It should be noted, however, that one Investment Property asset, The Bungalow Boundary Road was declared surplus in May 2014. The Code of Practice specifies that this asset must continue to be accounted for as an Investment Property until disposal. Any loss or gain arising from the disposal will be posted to the Finance and Investments Income line in the Comprehensive Income & Expenditure Statement.

16. FINANCIAL INSTRUMENTS

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

	Long-term		Current	
	2013/2014	2014/2015	2013/2014	2014/2015
	£000	£000	£000	£000
Investments				
Loans and Receivables	0	4,492	33,635	30,063
Total Investments	0	4,492	33,635	30,063
Debtors				
Loans and Receivables	1,156	897	1,518	2,360
Total Debtors	1,156	897	1,518	2,360
Borrowings				
Financial Liabilities at Amortised Cost	0	0	(54)	(54)
Total Borrowing	0	0	(54)	(54)
Creditors				
Financial Liabilities at Amortised Cost	(4,542)	(5,191)	(3,220)	(2,469)
Total Creditors	(4,542)	(5,191)	(3,220)	(2,469)

Valuation Assumptions

Investments held at 31 March 2015 amounted to £34.48m, consisting of £25.65m of fixed term investments where the instrument carries the same interest rate for the whole term, £7.35m of deposits in Money Market Funds and Call Accounts where, in general, the rate only alters with movements in the Bank rate and £1.48m in a fund which is valued at the bid price for the shares which the Council holds No formal calculation of the effective interest rate (EIR) is necessary, and the carrying amount is a reasonable approximation of the fair value.

Debtors and creditors, both of which are instruments of short duration, with no formal effective interest rate (EIR) are at fair value.

An assessment has been made whether any impairment write-down or provisions previously made need to be reversed, or if any new ones need to be made. A full review of bad debt provisions has been completed and appropriate adjustments to the provisions have been made on the age analysis of debtors involved.

17. DEBTORS

	2013/2014 £000	2014/2015 £000
Central Government Bodies	409	483
Other Local Authorities	60	127
Council taxpayers	260	271
Pre-payments	8	0
Sundry debtors	813	1,578
	1,550	2,459

18. CASH AND CASH EQUIVALENTS

	2013/2014 £000	2014/2015 £000
Cash held by the Council	1	1
Bank Current Accounts	204	16
Short-term Deposits	15,890	12,902
	16,095	12,919

19. CREDITORS

	2013/2014 £000	2014/2015 £000
Central Government Bodies	2,077	433
Other Local Authorities	1,072	1,259
Nottinghamshire Police Authority	137	129
Nottinghamshire Fire Authority	56	58
Council taxpayers	238	324
Sundry creditors	2,625	2,137
	6,205	4,340

20. PROVISIONS

	Short Term		
	Land Charges £000	Building Control £000	Total £000
Balance at 1st April 2014	100	80	180
Additional Provisions made in 2014/15	0	0	0
Amount used in 2014/15	0	(80)	(80)
Balance at 31 March 2015	100	0	100

20. PROVISIONS CONTINUED

	Long Term			
	Leaseholder Deposits £000	NNDR Appeals £000	Streetwise Pension £000	Total £000
Balance at 1st April 2014	56	516	0	572
Additional Provisions made in 2014/15	3	1,229	583	1815
Amount used in 2014/15	(2)	(168)	0	(170)
Amount transferred in 2014/15 to major preceptors (Gov't, Notts CC and Fire)	0	(737)	0	(737)
Balance at 31 March 2015	57	840	583	1,480

21. USABLE RESERVES

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

22. UNUSABLE RESERVES

	2013/2014 £000	2014/2015 £000
Revaluation Reserve	7,873	7,833
Available for Sale Financial Instrument Reserve	0	(19)
Capital Adjustment Account	30,535	30,449
Financial Instruments Adjustment Account	(70)	(55)
Pension Reserve	(40,372)	(52,208)
Deferred Capital Receipts	196	158
Collection Fund Adjustment Account	(1,043)	(713)
Accumulated Absences Adjustment Account	(60)	(44)
	(2,941)	(14,599)

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.

22. UNUSABLE RESERVES CONTINUED

	2013/2014 £000	2014/2015 £000
Balance at 1 April	7,447	7,873
Upward Revaluation of Assets	585	83
Downward Revaluation of Assets and Impairment losses not charged to the surplus/deficit on Provision of Services	(61)	(18)
Surplus/deficit on revaluation of non-current assets not posted to the surplus/deficit on Provision of Services	524	65
Difference between fair value depreciation and historical cost depreciation	(98)	(105)
Accumulated gains on assets sold or scrapped	0	0
Amounts written off to the Capital Adjustment Account	(98)	(105)
Balance at 31 March	7,873	7,833

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 instruments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

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

	2013/2014 £000	2014/2015 £000
Balance at 1 April	0	0
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0	(19)
Balance at 31 March	0	(19)

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties that have yet to be consumed by the Council.

22. UNUSABLE RESERVES CONTINUED

The Account also contains revaluation gains accumulated on property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2013/2014 £000	2014/2015 £000
Balance at 1 April	31,201	30,535
Reverse of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and impairment of non-current assets	(1,614)	(1,455)
Amortisation of Intangible Assets	(238)	(85)
Revenue Expenditure Funded from Capital Under Statute	(2,415)	(1,262)
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	(36)	(757)
	(4,303)	(3,559)
Adjusting amounts written out of the Revaluation Reserve	98	105
Write down long-term debtors	(118)	(165)
Net amount written out of the cost of non-current assets consumed in the year	(4,323)	(3,619)
Capital Financing Applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	2,008	1,504
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,520	720
Application of grants to capital financing from the Capital Grants Unapplied Account	103	289
Capital Expenditure charged against the General Fund Balance	378	819
	4,009	3,332
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(352)	201
Balance at 31 March	30,535	30,449

22. UNUSABLE RESERVES CONTINUED

Financial Instruments Adjustment Account

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

	2013/2014 £000	2014/2015 £000
Balance at 1 April	(87)	(70)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs charged in the year in accordance with statutory requirements	17	15
Balance at 31 March	(70)	(55)

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.

	2013/2014 £000	2014/2015 £000
Balance at 1 April	(34,306)	(40,372)
Actuarial gains or losses on pensions assets and liabilities	(3,961)	(9,729)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,701)	(2,877)
Employer's pensions contributions and direct payments to the pensioners payable in the year	1,596	1,353
Adjustment for opening balance of Streetwise Liability	0	(583)
Balance at 31 March	(40,372)	(52,208)

22. UNUSABLE RESERVES CONTINUED

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by capital receipts. When the deferred cash settlement eventually tales place, amounts are transferred to the Capital Receipts Reserve.

	2013/2014 £000	2014/2015 £000
Balance at 1 April	229	196
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0
Transfer to the Capital Receipts Reserve on receipt of cash	(33)	(38)
Balance at 31 March	196	158

Collection Fund Adjustment Account

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

	2013/2014 £000	2014/2015 £000
Balance at 1 April	75	(1,043)
Council Tax	49	(18)
Non Domestic Rates	(1,167)	348
Balance at 31 March	(1,043)	(713)

Accumulated Absences Account

The Accumulated Absences Account absorbs differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, for example, annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to/from the Account.

22. UNUSABLE RESERVES CONTINUED

	2013/2014 £000	2014/2015 £000
Balance at 1 April	(60)	(60)
Settlement or cancellation of accrual made at the end of the preceding year	60	60
Amounts accrued at the end of the current year	(60)	(44)
Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0	16
Balance at 31 March	(60)	(44)

23. CASHFLOW STATEMENT – OPERATING ACTIVITIES

	2013/2014 £000	2014/2015 £000
Net (Surplus) or Deficit on the Provision of Services	3,948	(552)
Adjust net surplus or deficit on the provision of services for non-cash movements		
Depreciation	(1,651)	(1,489)
Impairment or downward valuations	37	34
Amortisation	(238)	(85)
Increase/Decrease in impairment for bad debts		(99)
Increase/Decrease in Creditors	(831)	615
Increase/Decrease in Debtors	(557)	814
Increase/Decrease in Inventories	(27)	9
Pension Liability	(2,105)	(1,524)
Movement in Provisions	(696)	(245)
Carrying amount of non-current assets sold	(36)	(757)
Collection Fund Adjustment Account	(1,118)	330
Other non-cash items charged to the net surplus or deficit on the provision of services	(387)	(40)
	(7,609)	(2,437)
Adjust for items in the net surplus or deficit on the provision of services that are investing or financing activities		
Proceeds from short-term and long-term investments	0	39
Capital Grants credited to surplus or deficit on the provision of services	1,549	870
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	143	2,148
	1,692	3,057
Net Cash Flows from Operating Activities	(1,969)	68

23. CASHFLOW STATEMENT – OPERATING ACTIVITIES CONTINUED

The cash flows for operating activities include the following items:

	2013/2014 £000	2014/2015 £000
Interest received	(240)	(197)
Interest paid	0	0
Dividends received	0	(23)
Total	(240)	(220)

24. CASHFLOW STATEMENT – INVESTING ACTIVITIES

	2013/2014 £000	2014/2015 £000
Purchase of property, plant and equipment, investment property and intangible assets	1,731	1,597
Purchase of Short-term and Long-term Investments	143,096	21,502
Other payments for investing activities	0	542
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(143)	(2,148)
Proceeds from Short-term and Long-term Investments	(130,592)	(17,539)
Other receipts from investing activities	(400)	(1,901)
Total Cash Flows from Investing Activities	13,692	2,053

25. CASHFLOW STATEMENT – FINANCING ACTIVITIES

	2013/2014 £000	2014/2015 £000
Cash receipts of short and long term borrowing	0	0
Other receipts from financing activities	0	0
Repayment of short and long term borrowing	0	0
Other payments for financing activities	941	1,055
Total Cash Flows from Financing Activities	941	1,055

26. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports that analyse across service areas. These reports are prepared on a different basis from the accounting policies used in the financial statements.

In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the revaluation and amortisations are charged to services in the Comprehensive Income and Statement).
- The cost of retirement benefits is based on cash flows (payments of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

26. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

Service Areas Income and Expenditure 2014/2015	Communities	Corporate Governance	Finance and Commercial	Neighbourhoods	Transformation	Total
Income	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(1,905)	(97)	(1,351)	(2,351)	(1,285)	(6,989)
Government Grants	(5)	0	(18,118)	0	0	(18,123)
Total Income	(1,910)	(97)	(19,469)	(2,351)	(1,285)	(25,112)
Operating Expenses						
Employee expenses	1,529	1,828	1,687	3,162	1,148	9,354
Other operating expenses	817	1,248	19,788	2,554	786	25,193
Total Operating Expenses	2,346	3,076	21,475	5,716	1,934	34,547
Net Cost of Services	436	2,979	2,006	3,365	649	9,435

Service Areas Income and Expenditure 2013/2014	Communities	Corporate Governance	Finance and Commercial	Neighbourhoods	Transformation	Total
Income	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(1,564)	(46)	(1,538)	(1,909)	(1,405)	(6,462)
Government Grants	(7)	0	(17,928)	(8)	0	(17,943)
Total Income	(1,571)	(46)	(19,466)	(1,917)	(1,405)	(24,405)
Operating Expenses						
Employee expenses	1,743	1,967	2,571	3,431	1,001	10,713
Other operating expenses	749	1,149	19,619	1,505	882	23,904
Total Operating Expenses	2,492	3,116	22,190	4,936	1,883	34,617
Net Cost of Services	921	3,070	2,724	3,019	478	10,212

26. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS CONTINUED

Reconciliation of Service Area Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of service area income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2013/2014 £000	2014/2015 £000
Net expenditure in the Service Area Analysis	10,097	9,435
Net expenditure of services and support services not included in the Analysis	0	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	10,003	8,366
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(5,825)	(5,715)
Cost of Services in the Comprehensive Income and Expenditure Statement	14,275	12,086

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of service area income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

26. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS CONTINUED

Reconciliation to Subjective Analysis 2014/2015	Service Analysis £000	Not reported to Mgmt £000	Not included in I & E £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Income						
Fees, charges and other service income	(6,989)	(1,088)	1,828	(6,249)	0	(6,249)
Financing and Investment Income	0	0	0	0	(1,740)	(1,740)
Income from council tax	0	0	0	0	(7,164)	(7,164)
Business Rates Income	0	0	0	0	(1,674)	(1,674)
Government grants and contributions	(18,123)	0	0	(18,123)	(4,890)	(23,013)
Total Income	(25,112)	(1,088)	1,828	(24,372)	(15,468)	(39,840)
Operating Expenses						
Employee Expenses	9,354	254	(3,809)	5,799	0	5,799
Other service expenses	24,968	4,179	(3,509)	25,638	0	25,638
Support Service recharges	0	3,952	0	3,952	0	3,952
Depreciation, amortisation and impairment	0	1,069	0	1,069	0	1,069
Interest payments	0	0	0	0	1,350	1,350
Precepts and Levies	225	0	(225)	0	1,948	1,948
Gain or Loss on Disposals of Fixed Assets	0	0	0	0	(468)	(468)
Total Operating Expenses	34,547	9,454	(7,543)	36,458	2,830	39,288
Surplus or deficit on the provision of services	9,435	8,366	(5,715)	12,086	(12,638)	(552)

26. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS CONTINUED

Reconciliation to Subjective Analysis 2013/2014	Service Analysis £000	Not reported to Mgmt £000	Not included in I & E £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Income						
Fees, charges and other service income	(6,462)	(1,518)	1,639	(6,341)	0	(6,341)
Financing and Investment Income	0	0	0	0	(972)	(972)
Income from council tax	0	0	0	0	(7,068)	(7,068)
Business Rates Income	0	0	0	0	(1,357)	(1,357)
Government grants and contributions	(17,943)	0	0	(17,943)	(4,641)	(22,584)
Total Income	(24,405)	(1,518)	1,639	(24,284)	(14,038)	(38,322)
Operating Expenses						
Employee Expenses	10,713	1,131	(4,908)	6,936	0	6,936
Other service expenses	23,568	5,329	(2,335)	26,562	0	26,562
Support Service recharges	0	3,851	0	3,851	0	3,851
Depreciation, amortisation and impairment	0	1,210	0	1,210	0	1,210
Interest payments	0	0	0	0	1,926	1,926
Precepts and Levies	221	0	(221)	0	1,911	1,911
Gain or Loss on Disposals of Fixed Assets	0	0	0	0	(126)	(126)
Total Operating Expenses	34,502	11,521	(7,464)	38,559	3,711	42,270
Surplus or deficit on the provision of services	10,097	10,003	(5,825)	14,275	(10,327)	3,948

27. MEMBERS ALLOWANCES

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

	2013/2014 £000	2014/2015 £000
Expenditure		
Allowances	304	304
Other Expenses	14	10
Total Expenditure	318	314

28. OFFICERS REMUNERATION

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

Post Title	Year	Salary, Fees & Allowances £	Lease Car, Car Compensation & Car Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
Chief Executive	2014/15	120,831	0	0	15,340	136,171
	2013/14	112,522	6,500	0	14,448	133,470
Deputy Chief Executive – 2	2014/15	0	0	0	0	0
	2013/14	61,173	1,096	61,912	7,886	132,067
Executive Manager – Corporate Governance	2014/15	85,144	0	0	11,036	96,180
	2012/13	84,081	0	0	10,843	94,924
Executive Manager – Finance & Commercial	2014/15	82,682	0	0	10,702	93,384
	2013/14	80,893	0	0	10,350	91,243
Executive Manager – Neighbourhoods	2014/15	79,005	0	0	10,200	89,205
	2013/14	78,007	0	0	10,022	88,029
Executive Manager – Communities	2014/15	79,078	0	0	10,200	89,278
	2013/14	78,254	0	0	10,022	88,276
Executive Manager – Transformation	2014/15	78,465	0	0	10,200	88,665
	2013/14	77,688	0	0	10,022	87,710

The Council has the following number of employees receiving more than £50,000 remuneration for the year (Excluding Pension Costs)

Remuneration Band	Number of Employees 2013/14	Number of Employees 2014/15
£50,000 - £54,999	1	2
£55,000 - £59,999	5	2

29. EXIT PACKAGES & TERMINATION BENEFITS

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

2014/2015				
Exit Package Cost Band	Number of Compulsory Redundancies	Number of other departures agreed	Total Exit Packages Number	£
0 – 20,000	1	10	11	81,285
20,001 – 40,000	1	1	2	53,476
Total	2	11	13	134,761

In 2014/15 no payments above £40,000 were made.

2013/2014				
Exit Package Cost Band	Number of Compulsory Redundancies	Number of other departures agreed	Total Exit Packages Number	£
0 – 20,000	3	3	6	42,981
20,001 – 40,000	1	1	2	52,881
40,001 – 60,000	0	1	1	55,884
60,001 – 80,000	1	0	1	63,273
80,001 – 100,000	0	0	0	0
100,001 – 150,000	1	0	1	144,678
150,001 – 200,000	0	1	1	197,503
Total	6	6	12	557,200

The Council terminated the contracts of a number of people in 2014/15, incurring liabilities of £134,761 (£557,200 in 2013/14). This relates to two officers who were made compulsorily redundant, four officers whose contracts were terminated under other agreed terms and seven officers who took early retirement.

30. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims, statutory inspections and for non-audit services provided by the Council's external auditors.

	2013/2014 £000	2014/2015 £000
Fees payable with regard to external audit services carried out by the appointed auditor	54	55
Rebate of Charges	(7)	(5)
Fees payable for the certification of grant claims and returns	12	7
Fees payable in respect of other services provided during the year	1	2
Total	60	59

31. GRANT INCOME

The Council credited the following capital grants and contributions to the Comprehensive Income and Expenditure Statement in 2014/15 and 2013/14.

Grant	2013/2014 £000	2014/2015 £000
Heritage Lottery Fund Bridgford Hall	0	33
Metropolitan Housing Trust contribution	48	0
Nottinghamshire County Council Dilapidations Bridgford Hall	0	150
S106 Alford Road	0	57
Total	48	240

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

Grant	2013/2014 £000	2014/2015 £000
DCLG – NNDR Cost of Collection	111	110
Nottinghamshire County Council – Leisure Centres	213	236
DWP – Housing Benefit Subsidy and Council Tax Rebates	17,365	17,694
DWP – Housing Benefit Administration	434	301
DCLG – Disabled Facilities Grant (REFCUS)	225	238
HCA – Support for RSLs (REFCUS)	123	80
DECC – Energy Efficiency (REFCUS)	53	0
S106 – Support for RSLs (REFCUS)	461	310
S106 – Planning Projects (REFCUS)	575	0
Total	19,560	18,969

The Council received grants, contributions and donations not yet recognised as income as they have conditions attached to them that will require the monies or property to be returned if the conditions are not met. The balances at year end are as follows:

Grant	2013/2014 £000	2014/2015 £000
S106 Planning Agreements		
Health Contributions	679	682
Transport Contributions	846	1,064
Education Contributions	909	1,420
Open Space Contributions	45	43
Leisure	61	5
Affordable Housing	431	123
Nature Conservation	81	81
Community Facilities	1,376	1,382
Other	27	385
LAA Grant – LSP Initiatives	8	6
HCA Cotgrave Masterplan	79	0
Total	4,542	5,191

32. RELATED PARTIES

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

Central Government

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Total grants received from government departments are shown in the subjective analysis in Note 26 on reporting for resource allocation decisions. Grant receipts above £50,000 are shown in Note 31.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total members allowances paid in 2014/15 are shown in Note 27. The members of the Council could potentially have a material related party transaction with the Authority. During 2014/15 the Authority, in accordance with the National Code of Local Government Conduct, maintained a register of pecuniary and non-pecuniary interest disclosed by members. This register has been reviewed and was found to contain nothing that would suggest a material related party transaction occurred.

Officers

Similarly, a register for officers' outside interests and hospitality is also maintained. Again this has been reviewed and found to contain no entry that would suggest a material related party transaction.

Other Public Bodies

The Council has determined that material transactions have occurred in 2014/15 with the following parties and most transactions with related parties are disclosed elsewhere in the Statement of Accounts, as follows:

Joint Use arrangements with Nottinghamshire County Council.

Parish Precepts of £1.723 million and Internal Drainage Board levies of £0.225m are disclosed in the Comprehensive Income and Expenditure Statement (Note 9).

Other local authorities, central government, the Nottinghamshire Police Authority and Nottinghamshire Fire Authority – disclosed in Note 3 and Note 5 to the Collection Fund Income and Expenditure Account.

Central Government – disclosed in all of the appropriate statements and notes.

Pensions Fund – administered by Nottinghamshire County Council (Note 36).

In addition, members and senior officers of the Council have been requested to complete a Declaration of Related Party Transactions return. These returns detailed that the Chief Executive, Executive Manager – Finance and Commercial and Service Manager (Corporate Governance) are Directors of Streetwise Environmental Limited (see Group Accounts section). They fulfil this role on behalf of the Council but hold no shares and received no payments either directly or indirectly for their Director roles.

33. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2013/2014 £000	2014/2015 £000
Opening Capital Financing Requirement	(505)	(505)
Capital Investment		
Property, Plant and Equipment	1,396	1,415
Heritage Assets	0	0
Investment Properties	150	129
Intangible Assets	48	60
Assets Held for Sale	0	0
Loans to Other Organisation	0	466
Revenue Expenditure Funded from Capital Under Statute	2,415	1,262
Sources of Finance		
Capital Receipts	(2,008)	(1,504)
Government Grants and Other Contributions	(1,623)	(1,009)
Direct Revenue Contributions	(378)	(819)
Closing Capital Financing Requirement	(505)	(505)
Explanations of movements in year		
Increase in the underlying need to borrow (unsupported by government financial assistance)	0	0
Assets acquired under finance leases	0	0
Increase/(decrease) in Capital Financing Requirement	0	0

34. LEASES

Council as a Lessor

Finance Leases

The Council leases out land for investment purposes generating income of £0.03m per annum. The Council recognises that this arrangement is a finance lease however it was entered into prior to 31 March 2010 as an operating lease. In accordance with its accounting policies (Note 1 xv) the Council continues to charge the income to the Comprehensive Income and Expenditure Statement.

Operating Leases

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

34. LEASES CONTINUED

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

	2013/2014 £000	2014/2015 £000
Not later than one year	961	966
Later than one year and not later than five years	1,736	1,836
Later than five years	3,617	3,509
Total	6,314	6,311

35. IMPAIRMENT LOSSES

Paragraph 4.7.4.2(1) of the Code requires disclosure by class of assets of the amounts for impairment losses and reversals charged to the surplus or deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Note 12 reconciling the movement over the year in the Property, Plant and Equipment balances. There is also movement on Heritage asset balances but these are not shown in a separate note as they are immaterial.

The revaluation and impairment exercise for 2014/15 gave rise to revaluation losses of £0.141m (arising from 4 assets, the largest of which was £0.089m on the Depot building) (2013/14 £0.111m from three assets). In addition, the exercise gave rise to the reversal of previously recognised revaluation losses totalling £0.175m (arising from 4 assets, the largest of which was £0.086m for Lutterell Hall) (2013/14 £0.148m). Both of these movements give rise to a net reversal of a previously recognised revaluation loss of £0.034m (2013/14 £0.037m from two assets). This figure comprises £0.076m revaluation recognised in the Surplus/Deficit on Provision of Services shown in note 12; offset by a downward revaluation of £0.042m on Heritage Assets (not shown in a separate note). In relation to Heritage Assets a further amount of £0.018m was written out of the Revaluation Reserve.

36. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not be payable until employees retire, the Council has the commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

The Local Government Pension Scheme, administered locally by Nottinghamshire County Council is a funded defined benefit scheme and until 31 March 2014 was a final salary scheme. Changes came into effect on 1 April 2014 and any benefits accrued from this date are based on career average re-valued salary, and length of service on retirement, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The arrangement for the award of discretionary post-retirement benefits upon early retirement, is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made.

However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they fall due.

36. DEFINED BENEFIT PENSION SCHEMES CONTINUED

The principal risks to the authority of the scheme are:

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.
- Statutory changes to the scheme.
- Structural changes to the scheme (ie large-scale withdrawals from the scheme)
- In addition, as many unrelated employers participate in the Nottinghamshire County Council Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note vii.

Transactions relating to retirement benefits

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

- As a result of some members transferring to Streetwise Environmental Ltd on 1 September 2014, liabilities have been settled at a cost different to the accounting reserve. The capitalised gain of this settlement is £0.442m.
- The liabilities of the fund are valued using a discount rate based on corporate bond yields that match the duration of the employer's liabilities and the Merrill Lynch AA-rated corporate bond yield curve.
- Bond yields have decreased significantly during the year and there is a greater spread at the year end. The effect of this change in discount rate is a significant increase in employer liability resulting in an actuarial loss of £13m reported in the 2014/15 accounts.

36. DEFINED BENEFIT PENSION SCHEMES CONTINUED

In contrast the return on assets reported in the accounts are £3m due to the strong performance of gilts and bonds over the latter half of the year, although falling relatively significantly since January 2015 and producing volatile returns in recent months. Equities have given a positive albeit low return overall with the majority of the annual return coming through performance in the past three months.

Local Government Pension Scheme	2013/2014 £000	2014/2015 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Current Service Cost	1,762	1,332
Administration Expenses	4	9
Past Service Gain	0	0
Settlements and Curtailments	449	(203)
Financing and Investment Income and Expenditure		
Net Interest Expense	1,486	1,739
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	3,701	2,877
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Re-measurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(831)	(3,181)
Actuarial (Gains)/Losses arising on changes in demographic assumptions	4,694	0
Actuarial (Gains)/Losses arising on changes in financial assumptions	193	12,910
Other	(95)	0
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	7,662	12,606
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit	(3,701)	(2,877)
Actual amount charged against the General Fund for Pensions in the year	0	0
Employers contributions payable to scheme	1,500	1,258

Discretionary Benefits	2013/2014 £000	2014/2015 £000
Retirement benefits payable to pensioners	96	95

36. DEFINED BENEFIT PENSION SCHEMES CONTINUED

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

Local Government Pension Scheme	2013/2014 £000	2014/2015 £000
Present value of the defined benefit obligation	88,756	102,818
Fair Value Plan Assets	(48,384)	(51,193)
	40,372	51,625

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

Local Government Pension Scheme	2013/2014 £000	2014/2015 £000
Opening Fair Value of Scheme Assets	50,451	48,384
Expected Return on Scheme Assets	0	0
Interest Income	2,193	2,072
Total Actuarial (gains)/losses	0	0
Re -measurement (gain)/loss:		
The return on plan assets, excluding the amount included in the net interest expense	831	3,181
Other	(3,842)	0
Contributions from employer	1,596	1,353
Contributions from employees into the scheme	392	384
Benefits Paid	(3,233)	(3,076)
Other	(4)	(9)
Settlements	0	(1,096)
Closing Fair Value of Scheme Assets	48,384	51,193

36. DEFINED BENEFIT PENSION SCHEMES CONTINUED

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

Local Government Pension Scheme	2013/2014 £000	2014/2015 £000
Opening Balance 1 April	84,757	88,756
Current Service Costs	1,762	1,332
Interest Cost	3,679	3,811
Contributions by scheme participants	392	384
Re – measurement gains/(loss)		
Actuarial (Gains)/Losses arising from changes in demographic assumptions	4,694	0
Actuarial (Gains)/Losses arising changes in financial assumptions	193	12,910
Other experience	(3,937)	0
(Gains)/Losses on Settlements / Curtailments	449	(1,299)
Benefits Paid	(3,137)	(2,981)
Unfunded Pension Payments	(96)	(95)
Closing Balance 31 March	88,756	102,818

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

	2013/14 £000	2014/15 £000
Equities	35,320	36,087
Gilts	3,871	1,600
Other Bonds	2,419	3,613
Property	5,322	5,975
Cash	1,452	2,490
Inflation-linked pooled fund	0	1,428
Total Assets	48,384	51,193

From the information we have received from the administering authority, we understand that of the Equities allocation above, 48% are UK investments, 52% are overseas investments. All of the above are listed in a market.

Of the Gilts allocation above, 100% are UK fixed interest Gilts. Of the Other Bonds allocation above, 96% are UK corporates, 4% are overseas corporates.

Of the Property and Cash allocation 100% are unquoted

Of the inflation linked pooled fund 100% were listed in an active market. This was included in equities in 13/14.

36. DEFINED BENEFIT PENSION SCHEMES CONTINUED

Basis for Estimating Assets & Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years that is dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been:

LGPS & Disc. Benefits	2013/14	2014/15
Mortality Assumptions		
Longevity at 65 for current pensioners (years)		
Men	22.0	22.1
Women	25.1	25.2
Longevity at 65 for future pensioners (years)		
Men	24.1	24.2
Women	27.4	27.6
Rates of Inflation		
RPI (Per Annum)	3.5%	3.2%
CPI (Per Annum)	2.7%	2.4%
CPI (Real)	-0.8%	-0.8%
Rates of Increase in Salaries		
(Per Annum)	4.5%	4.2%
(Real)	1.0%	1.0%
Rates of Increase in Pensions		
(Per Annum)	2.7%	2.4%
(Real)	-0.8%	-0.8%
Rates for Discounting Scheme Liabilities		
(Per Annum)	4.4%	3.3%
(Real)	0.9%	0.1%

Additional Assumptions

- Members will exchange half of their commutable pension for cash at retirement.
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age.
- 10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

36. DEFINED BENEFIT PENSION SCHEMES CONTINUED

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

Impact on the Defined Benefit Obligation in the Scheme

	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	3,707	(3,672)
Rate of increase in salaries (increase or decrease by 0.1%)	218	(216)
Rate of increase in pensions (increase or decrease by 0.1%)	1,583	(1,555)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(1,755)	1,787

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions. The employer contribution rate for 2015/16 is 13% (2014/15 13%) and the authority anticipates paying £1.273m in expected contributions to the scheme. The deficit recovery contribution is now expressed as monetary amounts and the contribution anticipated by the authority for 2015/16 is £0.556m (£0.478m in 2014/15). Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016. The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average re-valued earnings schemes to pay pensions and other benefits to certain public servants. The estimated duration of the defined benefit obligation for scheme members is 18 years.

36. DEFINED BENEFIT PENSION SCHEMES CONTINUED

Projected Pension Expense for the Year to 31 March 2016

Projected Pension Expense	2015/16 £'000
Service cost	1,433
Net Interest on the defined liability (asset)	1,749
Administration Expenses	3
Total	3,185
Employer contributions	1,273

Note: These figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2015.

These projections are based on the assumptions as at 31 March 2015, as described in the Barnett Waddington actuary report.

37. CONTINGENT LIABILITIES

At the 31st March 2015 the Council had one contingent liability requiring disclosure. The Council gave an environmental warranty as part of the housing stock transfer in 2003, both to Rushcliffe Homes – now Metropolitan Housing Trust and to their lender, Nationwide Building Society. The former is expected to run for 14 years until 2018 and the latter for 31 years to 2035. The value of the liability is unknown and to date there have not been any issues identified.

38. CONTINGENT ASSETS

At the 31 March 2015 the Council has two contingent assets requiring disclosure:

Following the large scale voluntary transfer of council houses to Metropolitan Housing Trust (formerly Rushcliffe Homes Ltd & Spirita Ltd) the Council is still entitled to preserved right to buy receipts. There were receipts of £0.429m in respect of 2014/15 disposals (2013/14 £0.129m). Future receipts will depend on further right to buy sales and it is difficult to predict the amount to be received in any one year.

In addition, the Council has identified a contingent asset relating to an overage agreement for Land at Sharphill, Edwalton. The agreement arises from a transfer of a piece of agricultural land to the original seller. The transfer back included a provision giving the Council a percentage of the uplift of the original value of the land in the event of it being sold with the benefit of planning permission. Cabinet (January 2005) approved that the Council would receive 40% of such an uplift thus potentially giving rise to a significant capital receipt.

The overage agreement defines the events which could trigger a payment or payments to the Council.

39. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council's activities expose it to a variety of financial risks:

- **Credit Risk** – the possibility that other parties might fail to pay amounts due to the Authority.
- **Liquidity Risk** – the possibility that the Authority might not have funds available to meet its commitments to make payments.
- **Market Risk** – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

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

Credit Risk

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

The risk is minimised through the Treasury Management Policy, which requires that deposits are not made with financial institutions unless they meet the identified minimum credit criteria. This means that, ordinarily, the counterparty must have long-term credit ratings of A-or above, but due to the current economic climate the Council is only lending money to institutions that can also access the Government's credit guarantee scheme.

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. There remains a risk that the Council's deposits could be unrecoverable in the event of an institution failing, but there was no evidence at the 31 March 2015 that this was likely to happen.

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

The Authority does not generally allow credit to its customers. The past due but not impaired amount can be analysed by age as follows:

39. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS CONTINUED

	2013/2014 £000	2014/2015 £000
Less than three months	748	378
Three to six months	112	93
Six months to one year	175	135
More than one year	558	730

Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrow from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the authority will be bound to replenish a significant proportion of its borrowings as a time of unfavourable interest rates. The authority sets limits on the proportion of its fixed rate borrowing during specific periods. All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movement in interest rates have a complex impact on the authority. For instance, a rise in interest rates could have the following effects:

- **Borrowings at variable rates** – the interest expense charged to the Surplus or Deficit on the Provision of Services would rise.
- **Investment at variable rates** – interest income credited to the Surplus or Deficit on the Provision of Services will rise.
- **Investments at fixed rates** – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income or Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. The Authority is cushioned to some degree as it does not have any debt at the balance sheet date. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

As the Council does not have any borrowings at the balance sheet date the management of interest rate exposure is focused on its investments. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated.

39. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS CONTINUED

According to this assessment strategy, at 31 March 2015, if interest rates had been 1% higher or lower with all variables held constant, the effect would be:

	2013/2014 £000	2014/2015 £000
Increase in Interest Receivable on Variable Rate Investments	176	133
Impact on Surplus or Deficit on the Provision of Services	176	133
Decrease in Fair Value of Fixed Rate Investments	0	0
Impact on Other Comprehensive Income and Expenditure	0	0

Price Risk

The Authorities investment in the CCLA Property Fund is subject to the risk of falling commercial property prices. The risk is limited by the Authorities maximum exposure to property investments of £1.5 million. A 5% fall in commercial property prices would result in a £0.075m charge to Other Comprehensive Income and Expenditure – this would have no impact on the General Fund until the investment was sold. A 5% increase would similarly result in a return of £0.075m.

Foreign Exchange Risk

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

F. COLLECTION FUND

Income and Expenditure Account

2013/2014 Council Tax £000	2013/2014 NNDR £000	2013/2014 Total £000		Note Ref	2014/2015 Council Tax £000	2014/2015 NNDR £000	2014/2015 Total £000
			INCOME				
63,571	0	63,571	Council Tax	2	65,482	0	65,482
			Transfers from General Fund				
0	0	0	• Council Tax Benefits		0	0	0
0	26,090	26,090	Income from business ratepayers		0	26,494	26,494
63,571	26,090	89,661			65,482	26,494	91,976
			EXPENDITURE				
			Precepts and Demands				
46,472	0	46,472	• Nottinghamshire County Council		47,914	0	47,914
6,608	0	6,608	• Nottinghamshire Police Authority		6,811	0	6,811
2,714	0	2,714	• Nottinghamshire Fire Authority		2,797	0	2,797
6,994	0	6,994	• Rushcliffe Borough Council		7,082	0	7,082
			Business Rate				
0	13,429	13,429	• Payments to Government		00	13,410	13,410
0	10,940	10,940	• Payments to Nottinghamshire County Council*		0	11,103	11,103
0	269	269	• Payments to Nottinghamshire Fire Authority		0	268	268
0	2,220	2,220	• Payments to Rushcliffe Borough Council		0	2,039	2,039
0	111	111	• Costs of Collection		0	110	110
			Impairment of Debts/Appeals				
92	121	213	• Write offs and uncollectable amounts		89	108	197

F. COLLECTION FUND CONTINUED

2013/2014 Council Tax £000	2013/2014 NNDR £000	2013/2014 Total £000		Note Ref	2014/2015 Council Tax £000	2014/2015 NNDR £000	2014/2015 Total £000
24	(132)	(108)	• Allowance for Impairment		31	(8)	23
0	1,290	1,290	• Provision for appeals		0	810	810
			Contributions				
231	0	231	• Distribution of previous year's Collection Fund surplus/(deficit)	3	912	(1,386)	(474)
63,135	28,248	91,383			65,636	26,454	92,090
436	(2,158)	(1,722)	Movement on Fund Balance	3,5	(154)	40	(114)
681	0	681	Opening Fund Balance	3	1,117	(2,158)	(1,041)
1,117	(2,158)	(1,041)	Closing Fund Balance		963	(2,118)	(1,155)

*This includes £8,689,000 (2013/14 £8,523,000) payable to the Nottinghamshire Business Rates Pool.

F. NOTES TO THE COLLECTION FUND

1. GENERAL

The Collection Fund is an agent's statement that reflects the statutory obligation of the billing authority to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to local government bodies and the Government.

2. CALCULATION OF COUNCIL TAX BASE

The calculation of the Council Tax base i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings is shown in the table below:

Band D Equivalents 2013/14	Band	Chargeable properties after discounts	Ratio	Band D Equivalents 2014/15
2,465	A	3,710	6/9	2,473
5,321	B	6,971	7/9	5,422
7,779	C	8,767	8/9	7,793
7,897	D	7,970	9/9	7,970
6,995	E	5,818	11/9	7,111
5,149	F	3,624	13/9	5,235
3,532	G	2,139	15/9	3,565
204	H	102	18/9	204
39,342				39,773
(394)	Non-Collection Impairment was 1% for 2014/15 (2013/14 1.00%)			(400)
38,948	Council Tax Base			39,373

3. COLLECTION FUND COUNCIL TAX BALANCE/REDISTRIBUTING SURPLUSES

The precepts detailed in the statement are shown net of the previous year's surpluses. The Council estimates the year end Collection Fund Council Tax balance in January each year and in accordance with the Local Authorities (Funds) (England) Regulations 1992 this amount is distributed in the following financial year to the major preceptors in proportion to the respective precepts and demands. Any difference between the estimated and outturn figure is adjusted for in the following year.

For 2014/15 a Collection Fund Council Tax surplus of £0.912m was redistributed between the major precepting authorities. Of this £0.461m reflected the estimated outturn on the 15 January 2014 and £0.451m surplus arose from the difference between the estimated and actual outturn positions for 2012/13.

F. NOTES TO THE COLLECTION FUND CONTINUED

At the 15 January 2015 the Collection Fund Council Tax surplus for 2014/15 was estimated at £0.754m comprising an in-year surplus of £0.548m and £0.206m surplus arising from the difference between the actual and estimated outturns for 2013/14. These funds will be redistributed to the major precepting authorities in 2015/16.

2013/14 £000		2014/15 £000	2015/16 £000
172	Nottinghamshire County Council	677	558
24	Nottinghamshire Police Authority	95	80
10	Nottinghamshire Fire Authority	40	32
25	Rushcliffe Borough Council	100	84
231		912	754

At the 31 March 2015 the actual outturn for the Collection Fund Council Tax was £0.963m, an increase of £0.209m for the estimated outturn. This will be adjusted for as part of the calculations for the redistribution of Collection Fund balances in 2016/17.

4. NON-DOMESTIC RATES

The Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate in the pound. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) which was managed by Central Government, which in turn paid a standard amount back to Councils on a per capita basis.

In 2013/14, the administration of NNDR changed following the introduction of the business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to a central pool, local authorities retain a proportion of the collectable rates due. For Rushcliffe Borough Council the local share is 40%, the remainder is distributed to preceptors in the following proportions: Central Government (50%), Nottinghamshire County Council (9%) and Nottinghamshire Fire Authority (1%).

As a result of the changes and to help manage risks surrounding business rates volatility, the Nottinghamshire Business Rates Pool was formed. This is administered by Nottinghamshire County Council and includes the seven Nottinghamshire Districts and Nottinghamshire County Council.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the Valuation Office so authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. Note 20 provides further details on the provision made in 2014/15.

The total non-domestic rateable value, amounts due to the national pool and the national non-domestic rate multiplier for the year, are shown in the table below.

F. NOTES TO THE COLLECTION FUND CONTINUED

2013/2014		2014/2015
£68.680m	Local Rateable Values	£69.10m
47.1p	National non-domestic rate multiplier	48.2p

5. NON-DOMESTIC RATES DEFICIT

At 31 March 2015 the actual outturn for the Collection Fund NNDR was a deficit of £2.118m (2013/14 £2.158m) which is then contributed towards by the preceptors as detailed in the following table.

	2013/14 £000	2014/15 £000
Central Government (50%)	(1,079)	(1,082)
Rushcliffe Borough Council (40%)*	(863)	(819)
Nottinghamshire County Council (9%)	(194)	(195)
Nottinghamshire Fire Authority (1%)	(22)	(22)
	(2,158)	(2,118)

*this includes £46,500 of renewable energy relief which is retained by the Council

RUSHCLIFFE BOROUGH COUNCIL GROUP CONSOLIDATED ACCOUNTS

INTRODUCTION

The authority is required under the Local Government Act 2003 to produce a set of Group accounts where it has subsidiaries, joint ventures or associates. The criteria for deciding if the authority has such relationships is laid down by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (referred to within these accounts as “the Code”). The Code has been developed to bring authority accounts in line with the International Financial Reporting Standards (IFRS) which other reporting bodies have to comply with and to assist users of the accounts to understand better the authority’s overall financial position.

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

Streetwise Environmental Ltd started trading on 1 September 2014.

Streetwise Environmental Ltd produce a set of company accounts with a year end of 31 March. The accounts for 2014/15, which have been consolidated here, have been audited by KPMG and have been given an unqualified audit opinion.

ACCOUNTING POLICIES

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

G. GROUP ACCOUNTS

GROUP MOVEMENT IN RESERVES STATEMENT (MIRS)

2014/2015	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Reserves of Subsidiaries	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance 31 March 2014	(2,604)	(10,222)	(10,949)	(412)	(24,187)	2,941	(21,246)	0	(21,246)
Movement in Reserves during 2014/2015									
(Surplus) or deficit on the provision of services	(552)	0	0	0	(552)	0	(552)	(94)	(646)
Other Comprehensive Income and Expenditure	0	0	0	0	0	10,266	10,266	64	10,330
Total Comprehensive Income and Expenditure	(552)	0	0	0	(552)	10,266	9,714	(30)	9,684
Adjustments between group accounts and authority accounts	0	0	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations	(683)	0	(848)	139	(1,392)	1,392	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(1,235)	0	(848)	139	(1,944)	11,658	9,714	(30)	9,684
Transfers to/from Earmarked Reserves	1,235	(1,235)	0	0	0	0	0	0	0
Increase/Decrease in 2014/2015	0	(1,235)	(848)	139	(1,944)	11,658	9,714	(30)	9,684
Balance at 31 March 2015 Carried Forward	(2,604)	(11,457)	(11,797)	(273)	(26,131)	14,599	(11,532)	(30)	(11,562)

G. GROUP ACCOUNTS

GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2013/2014				2014/2015		
Gross Exp £000	Gross Inc £000	Net Exp £000		Gross Exp £000	Gross Inc £000	Net Exp £000
2,548	(446)	2,102	Central Services to the Public	2,363	(457)	1,906
3,867	(657)	3,210	Cultural & Related Services	2,881	(699)	2,182
6,203	(1,586)	4,617	Environmental & Regulatory Services	6,564	(1,882)	4,682
3,377	(1,819)	1,558	Planning Services	2,300	(1,550)	750
357	(554)	(197)	Highways & Transport Services	284	(520)	(236)
20,129	(18,876)	1,253	Housing Services	19,915	(18,855)	1,060
1,528	(346)	1,182	Corporate and Democratic Core	1,643	0	1,643
550	0	550	Non Distributed Costs	391	(442)	(51)
38,559	(24,284)	14,275	Cost of Services (Note 1)	36,341	(24,405)	11,936
1,911	(126)	1,785	Other Operating Exp.	9,934	(8,458)	1,476
1,926	(972)	954	Financing & Investment Inc. & Exp.	1,357	(1,729)	(372)
0	(13,066)	(13,066)	Taxation & Non-Specific Grant Income	0	(13,728)	(13,728)
42,396	(38,448)	3,948	(Surplus)/Deficit on Provision of Services	47,632	(48,320)	(688)
		0	Tax expenses of subsidiaries			42
		0	Group (Surplus)/Deficit on Provision of Services			(646)
		(524)	Surplus or deficit on revaluation of non-current assets			(65)
		0	Available for Sale Financial Instruments			19
		3,961	Actuarial gains/losses on pension assets/liabilities			10,376
		3,437	Other Comprehensive Income & Expenditure			10,330
		7,385	Total Comprehensive Income & Expenditure (Note 2)			9,684

G. GROUP ACCOUNTS

GROUP BALANCE SHEET

31 March 2014 £000		Note Ref	31 March 2015 £000
26,203	Property, Plant and Equipment		25,885
169	Heritage Assets		108
10,323	Investment Property		10,585
0	Long Term Investments		4,482
117	Intangible Assets		92
1,156	Long Term Debtors	3	582
37,968	Long Term Assets		41,734
17,540	Short Term Investments		17,144
18	Inventories		31
1,550	Short Term Debtors	3	2,251
16,095	Cash and Cash Equivalents		13,517
35,203	Current Assets		32,943
(54)	Short Term Borrowing		(54)
(180)	Short Term Provisions		(100)
(6,205)	Short Term Creditors	3	(4,513)
(6,439)	Current Liabilities		(4,667)
(572)	Long Term Provisions		(897)
(4,542)	Capital Grants Receipts in Advance		(5,191)
(40,372)	Pension Liability		(52,318)
0	Deferred Tax Liability		(42)
(45,486)	Long Term Liabilities		(58,448)
21,246	NET ASSETS		11,562
10,949	Usable Capital Receipts Reserve		11,797
2,604	General Fund Balance		2,604
10,222	Earmarked Reserves		11,457
412	Capital Grants Unapplied		273
0	Profit and Loss Reserve		30
24,187	Usable Reserves		(26,161)
(2,941)	Unusable Reserves		14,599
21,246	TOTAL RESERVES		(11,562)

G. GROUP ACCOUNTS

CASHFLOW STATEMENT (INDIRECT METHOD)

2013/2014 £000		2014/2015 £000
3,948	Net (surplus) or deficit on the provision of services	(646)
(7,609)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(3,001)
1,692	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	3,222
(1,969)	Net cash flows from Operating Activities	(425)
13,692	Investing Activities	1,948
941	Financing Activities	1,055
12,664	Net increase or decrease in cash and cash equivalents	2,578
(28,759)	Cash and cash equivalents at the beginning of the reporting period	(16,095)
(16,095)	Cash and cash equivalents at the end of the reporting	(13,517)

G. GROUP ACCOUNTS

INTER COMPANY TRANSACTIONS

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

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

Comprehensive Income and Expenditure Statement	RBC Adjusted £000	Streetwise Environmental Ltd Adjusted £000	2014/2015 Group £000
(Surplus)/Deficit on Continuing Operations	11,160	776	11,936
Other Operating Expenditure	1,476	0	1,476
Financing and Investment Income and Expenditure	(385)	13	(372)
(Surplus)/Deficit on Provision of Services	(1,477)	789	(688)

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

	2014/2015 £000
(Surplus)/Deficit on the Council's Comprehensive Income and Expenditure Statement	9,714
Adjustments for transactions with other Group entities	(925)
(Surplus)/Deficit in the Group Comprehensive Income and Expenditure Statement attributable to the Council	**8,789**
(Surplus)/Deficit in the Group Comprehensive Income and Expenditure Statement attributable to the Group subsidiaries (adjusted for inter group transactions)	895
(Surplus)/Deficit for the year on the Group Comprehensive Income and Expenditure Statement	**9,684**

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

Balance Sheet	RBC £000	Streetwise Environmental Ltd £000	Adjustment £000	2014/2015 Group £000
Long Term debtors	897	583	(898)	582
Short Term Debtors	2,459	21	(229)	2,251
Long Term Investments	4,492	0	(10)	4,482
Short Term Creditors	(4,340)	(402)	229	(4,513)
Long Term Creditors	0	(326)	326	0
Long Term Provisions	(583)	0	583	0

H. GLOSSARY OF TERMS

ACCOUNTING PERIOD
This is the length of time covered by the accounts. It is normally a period of twelve months commencing on 1 April and ending on 31 March.

ACCRUALS
Income or expenditure relating to goods or services received / provided during the accounting period where payment has not been made or received at the end of the accounting period.

ACTUARIAL ASSUMPTIONS
Assumptions made by the Pension Fund Authority in valuing the funds' assets and liabilities.

ACTUARIAL GAINS AND LOSSES
For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with the actuarial assumptions made in the last
- the actuarial assumptions have changed.

ACTUARIAL VALUATION
An actuary undertakes a valuation by comparing the value of the pension scheme assets with its liabilities. The actuary then calculates how much needs to be paid into the scheme by the employer and members to ensure there will be adequate funds to pay the pensions when they become due.

AMORTISATION
This is a charge made to the service revenue accounts each year to reflect the reduction in the value of the assets used in the delivery of services.

ASSET
An asset is something the Council owns. Assets can be either current of fixed.

A **current asset** is one that will be used or cease to have a material value by the end of the next financial year.

A **fixed asset** provides a benefit to the Council for a period greater than one year.

BALANCE SHEET
A statement summarising the Council's financial position at the end of the accounting period. The statement shows the Councils assets and liabilities.

BILLING CONTROL
Rushcliffe Borough Council is classed as a billing Council as it has the responsibility of collecting the Council Tax and non-domestic rates. It collects the Council Tax on behalf of the County Council, Fire, Police and Crime Commissioner and Parish Councils and the non-domestic rates on behalf of the central government.

CAPITAL EXPENDITURE
Expenditure on the acquisition or enhancement of a fixed asset, which adds to and not merely maintains the value of existing assets.

CAPITAL FINANCING
Sources of money that have been used to finance the capital programme. The Council uses various methods to finance its capital expenditure, including direct financing, usable capital receipts, capital grants, revenue reserves and earmarked reserves.

CAPITAL ADJUSTMENT ACCOUNT

This account contains the amount that was required to be set aside from the capital receipts and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and the amount that must be set aside from revenue for the repayment of external debt.

CAPITAL GRANTS UNAPPLIED

These are capital grants that the Council has received, that have not yet been used to finance capital expenditure.

CAPITAL PROGRAMME

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

CAPITAL RECEIPTS

Proceeds arising from the sale of fixed assets (such as land and buildings) and repayments of the principle elements of capital loans. The Council can use the proceeds from capital receipts to finance new capital investments, the proceeds cannot be used to finance revenue expenditure.

CENTRAL SERVICES TO THE PUBLIC

The main service to the public often provided by central departments, includes, Council Tax, Council Tax Benefits, Elections, Emergency Planning, Local Land Charges and General Grants.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

Professional accountancy body specialising in the public sector.

COLLECTION FUND

A separate fund recording the income and expenditure relating to Council Tax and Business Rates.

COMBINED AUTHORITY

Collaborative working on infrastructure projects involving Nottinghamshire Local Authorities.

CONTINGENT LIABILITIES ASSETS

A contingent liability / asset is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control, or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities.

CREDITORS

Amounts owed by the Council for goods or services they have received for which payment has not been made.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefit schemes liabilities.

DCLG

Department for Communities and Local Government

DEBTORS
Amounts owed to the Council for goods or services the Council has provided for which payment has not been received.

DECC
Department of Energy and Climate Change

DEPRECIATION
This is a charge made to the service revenue accounts each year to reflect the reduction in the value of the asset used in delivery of services.

DWP
Department for Work and Pensions.

FINANCE LEASE
A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

GOVERNMENT GRANTS
Grants made by the government towards either revenue or capital expenditure or support the cost of provision of services. These grants may be specifically towards the cost of particular schemes or to support the revenue spend of the Council.

GROSS BOOK VALUE
The historical cost or the revalued amount of the asset before depreciation.

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

HCA
Homes and Communities Agency

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

IMPAIRMENT
Where the value of fixed assets reduces below its carrying amount on the balance sheet.

INVENTORIES
Items brought for consumption or resale, or raw materials, currently being held.

LAA
Local Area Agreement

LIABILITY

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

LSP
Local Strategic Partnership

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

NET BOOK VALUE
This is the value of an asset that is counted in the balance sheet. It represents its historical re-valued cost less than accumulated depreciation of the asset.

NET WORTH
The total value of an organisation expressed as total assets less total liabilities.

NON –DISTRIBUTED COSTS
Past service pension costs including settlements and curtailments which are not to be included in total individual service costs.

NATIONAL NON DOMESTIC RATES (NNDR)
A levy on business, based on a national rate in the pound set by the government multiplied by the rateable value of the premises they occupy. NNDR is collected by billing authorities on behalf of central government and then redistributed among all local authorities. New arrangements from 1 April 2013, the business rate retention scheme were introduced. These arrangements provide a direct link between business rates growth and the amount of money local authorities have to spend on services. Local authorities can keep a proportion of their business rates collected in their area after certain contributions to and from the Government have been made.

NON OPERATIONAL ASSET
Fixed assets held by the Council but are not directly occupied used or consumed in the delivery of services.

NOTTINGHAMSHIRE BUSINESS RATES POOL
As a result of the new business rates arrangements the Nottinghamshire Business Rates Pool was formed. This is administered by Nottinghamshire County Council and includes the seven Nottinghamshire Districts and Nottinghamshire County Council.

OPERATING LEASE
A lease where the ownership of the asset remains with the lessor.

OPERATIONAL ASSET
Fixed assets held and occupied, used or consumed by the Council in the direct delivery of services.

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

PROVISION
Provisions are liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain.

RATEABLE VALUE (RV)

The annual assumed rental value of a property that is used for business purposes.

REALISED VALUATIONS

Any revaluations in the Revaluation Reserve relating to individual assets when they are disposed of are transferred to the Capital Adjustment Account and are referred to as Realised Valuations. This ensures the Revaluation Reserves balance represents revaluations on assets that the Council still holds.

RELATED PARTIES

The Council is required to disclose material transactions with related parties- bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

REFCUS

Revenue Expenditure Funded by Capital Under Statute.

RENEWABLE ENERGY RELIEF

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

RESERVES

Funds set aside for expenditure in future years. Certain reserves have constraints on how they can be spent.

REVALUATION RESERVE

This reserve records unrealised revaluation gains/ losses from holding fixed assets.

REVENUE EXPENDITURE

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

REVENUE SUPPORT GRANT (RSG)

Grant from Central Government towards the cost of service provision.

S106

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

SERCOP

Stands for Service Reporting Code of Practice for Local Authorities and provides guidance on financial reporting to stakeholders and supports the objective to establish the widest range of financial reporting requirements, in order that date comparability is achieved.

TRANSFER PAYMENTS

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

Rushcliffe Borough Council	**Corporate Governance Group** **3 September 2015** **External Auditor's Report To Those Charged With Governance 2014/15**	**5**

Report of the Interim Executive Manager – Finance and Commercial

1. Summary

1.1 The purpose of this report is for KPMG, the Council's external auditors, to present their *"Report to those Charged with Governance*" for 2014/15. For Rushcliffe this responsibility is delegated to the Corporate Governance Group.

1.2 The report confirms that the Council has continued to improve the quality of the Statement of Accounts, supporting working papers whilst also speeding up the process and enhancing quality assurance arrangements. No significant issues were identified during the audit.

2 Recommendation

It is RECOMMENDED that the Corporate Governance Group receives the report to those Charged with Governance and determines what comments, if any, should be referred to Council with the Statement of Accounts.

3 Reasons for Recommendation

3.1 To demonstrate good governance in terms of scrutinising the Council's Statement of Accounts and compliance with International Auditing Standards.

4 Supporting Information

4.1 As part of the final accounts process KPMG as the Council's appointed auditor provide a detailed report on the conduct of the audit of the final accounts alongside representations on specific matters such as the Council's financial standing and whether the transactions with the accounts are legal and unaffected by fraud. These issues are addressed in the Report to those Charged with Governance which is attached at **Appendix A.**

4.2 The Statement of Accounts 2014/15 will be considered as a separate agenda item at this meeting. There are no significant adjustments to report regarding the Statement of Accounts. Representatives of KPMG will be attending the meeting to present their report and answer Members' questions.

4.3 Members will recall that over the past two years significant improvements have been made to the year-end closedown process resulting in both a good quality Statement of Accounts and supporting working papers. This report confirms the continued improvement; a speedier closedown process leading to more time to quality assure documents and making the audit process more efficient for all concerned.

4.4 The headlines in the KPMG report are at page 3 and confirm an unqualified audit opinion will be issued along with a positive value for money conclusion. Key risks identified prior to the audit (pages 5 and 6) were managed appropriately. The affirmation of on-going improvement is summarised on page 3 which states *'The authority has made particular progress in reviewing and streamlining its bank reconciliation process. This allowed us to review the year-end bank reconciliation earlier this year…'.*

4.5 The audit was more difficult this year given the emotion surrounding Peter Steed's sad passing. It is a testament to both Peter Steed and the finance team that the audit ran smoothly with a resilient final accounts closedown process in place (as acknowledged by KPMG on page 3 of their report).

5 Risk and Uncertainties

5.1 Failure to comply with good governance procedures and professional accounting and audit practice could result in criticism from stakeholders, including both Members and the Council's external auditors.

6 Implications

6.1 Finance

There are no direct financial implications.

6.2 Legal

None

6.3 Corporate Priorities

None.

6.4 Other Implications

None

For more information contact:	Name; Peter Linfield Interim Executive Manager - Finance and Commercial 0115 914 8439 email plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	Statement of Accounts 2014/15
List of appendices (if any):	Appendix A – KPMG Report to those charged with governance (ISA260) 2014/15

cutting through complexity

Report to those charged with governance (ISA 260) 2014/15

Rushcliffe Borough Council

September 2015

Contents

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andrew Bush, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This document summarises:

- the key issues identified during our audit of the financial statements for the year ended 31 March 2015 for the Authority; and
- our assessment of the Authority's arrangements to secure value for money.

Scope of this report

This report summarises the key findings arising from:

- our audit work at Rushcliffe Borough Council ('the Authority') in relation to the Authority's 2014/15 financial statements; and
- the work to support our 2014/15 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2014/15*, presented to you in March 2015, set out the four stages of our financial statements audit process.

This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during July and August 2015.

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM conclusion

Our *External Audit Plan 2014/15* explained our risk-based approach to VFM work. We have now completed the work to support our 2014/15 VFM conclusion. This included assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2014/15 financial statements of the Authority.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Headlines

This table summarises the headline messages for the Authority. The remainder of this report provides further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2015. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.
Audit adjustments	We are pleased to report that our audit of your financial statements did not identify any material adjustments. The Authority made a small number of non-trivial adjustments, most of which were of a presentational nature.
Key financial statements audit risks	We identified the following key financial statements audit risk in our 14/15 External audit plan issued in March 2015. This is specific to the Authority: ▪ Consolidated Group Accounts We have worked with officers throughout the year to discuss this risk and our detail findings are reported in section 3 of this report. There are no matters of any significance arising as a result of our audit work in this risk area.
Accounts production and audit process	The Authority has good processes in place for the production of the accounts and good quality supporting working papers. We acknowledge that the team is in a state of transition following the sad passing of Peter Steed, (Executive Manager – Finance and Commercial), but are pleased to report that this has not impacted on the audit, which is testimony to the strength of the accounts production process that exists. We noted that the authority has made particular progress in reviewing and streamlining its bank reconciliation process. This allowed us to review the year-end bank reconciliation earlier this year, which was completed as part of our interim audit visit. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.
Completion	At the date of this report our audit of the financial statements is substantially complete. Before we can issue our opinion we will need to perform our accounts finalisations and disclosure procedures. We will also require a signed management representation letter. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.
VFM conclusion and risk areas	We did not identify any VFM risks in our External audit plan 2014/15 issued in March 2015. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2015.

We have not identified any issues in the course of the audit that are considered to be material.

We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2015.

The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007

Proposed audit opinion

We anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Council on 24 September 2015.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality (see Appendix 2 for more information on materiality) level for this year's audit was set at £840,000. Audit differences below £42,000 are not considered significant.

We did not identify any material misstatements. We identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ('the Code')*. We understand that the Authority will be addressing these where significant.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Financial Statements (continued)
Significant risks and key areas of audit focus

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus

This section sets out our detailed findings on those risks

In our *External Audit Plan 2014/15*, presented to you in March 2015, we identified the significant risks affecting the Authority's 2014/15 financial statements. We have now completed our testing of these areas and set out our evaluation following our substantive work.

The table below sets out our detailed findings for each of the risks that are specific to the Authority.

Significant audit risk	Issue	Findings
Consolidated Group Accounts	**Risk** This is the first year the Authority are compiling Group Accounts. As part of the consolidation process the Authority will need to ensure it identifies all internal group transactions, it considers differences in accounting policies between the Group and subsidiary, and complies with the local government Code of Practice when mapping across the subsidiary's account balances and transactions into the consolidated accounts. **Our proposed audit work** We will hold early discussions with the finance team surrounding the consolidation of the group accounts. As part of our interim visit we will carry out an early review of the consolidation procedures the Authority intends to implement to identify any issues early on ahead of the accounts production process.	We reviewed the process undertaken by the authority to identify all internal group transactions and did not identify any issues. We reviewed the draft group accounts disclosures and found these complied with the requirements set out within the local government Code of Practice.

Financial Statements (continued)
Significant risks and key areas of audit focus (continued)

In our *External Audit Plan 2014/15* we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition.

The table below sets out the outcome of our audit procedures and assessment on these risk areas.

Areas of significant risk		Summary of findings
Management override of controls	Audit areas affected ■ All areas	Our audit methodology incorporates the risk of management override as a default significant risk. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit. In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual. There are no matters arising from this work that we need to bring to your attention.
Fraud risk of revenue recognition	Audit areas affected ■ None	Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. In our External Audit Plan 2014/15 we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue. This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

Financial Statements (continued)
Accounts production and audit process

The Authority has a well established and strong accounts production process. This operated well in 2014/15, and the standard of accounts and supporting working papers was high.

Officers dealt promptly and efficiently with audit queries and the audit process was completed within the planned timescales.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority continues to maintain a strong financial reporting process and produce statements of accounts to a good standard. We consider that accounting practices are appropriate
Completeness of draft accounts	We received a complete set of draft accounts on 30 June 2015. The Authority have made a small number of presentational changes to the accounts presented for audit however there have been no changes which we consider to be fundamental.
Quality of supporting working papers	We issued our *Accounts Audit Protocol* including our required working papers for the audit in March 2015. The quality of working papers provided was high and fully met the standards specified in our *Accounts Audit Protocol*.
Response to audit queries	Officers resolved all audit queries in a timely manner.

Element	Commentary
Group audit	To gain assurance over the Authority's group accounts, we placed reliance on work completed by component auditors on the financial statements of Streetwise Environmental Limited. There are no specific matters to report pertaining to the group audit.

Financial Statements (continued) Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Rushcliffe Borough Council for the year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and Rushcliffe Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 4 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Interim Executive Manager – Finance and Commercial for presentation to the Corporate Governance Group. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report.

Section four

VFM conclusion

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

Work completed

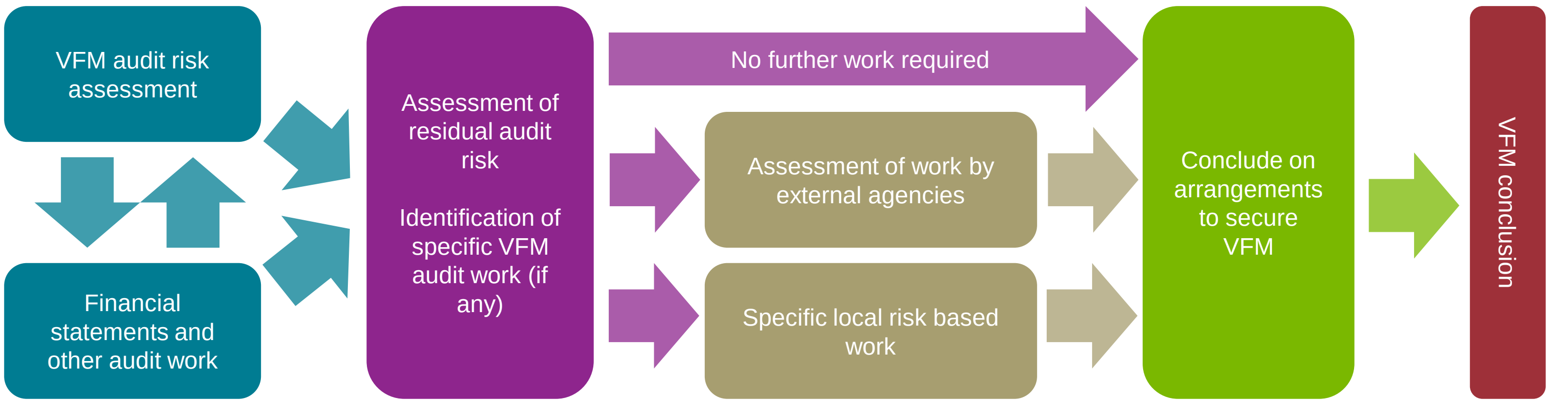
We performed a risk assessment earlier in the year and have reviewed this throughout the year.

We have not identified any significant risks to our VFM conclusion and therefore have not completed any additional work.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓



Appendix 1: Declaration of independence and objectivity

The *Code of Audit Practice* requires us to exercise our professional judgement and act independently of both Public Sector Audit Appointments Ltd and the Authority.

Requirements

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the *Code of Audit Practice* (the 'Code') which states that:

"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of ISA (UK &I) 260 Communication of *Audit Matters with Those Charged with Governance*' that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Corporate Governance Group.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Appendix 1: Declaration of independence and objectivity (continued)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of Rushcliffe Borough Council for the financial year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and Rushcliffe Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Appendix 2: Materiality and reporting of audit differences

For 2014/15 our materiality is £840,000 for the Authority's accounts.

We have reported all audit differences over £42,000 for the Authority's accounts to the Corporate Governance Group.

Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

Materiality for the Authority's accounts was set at £840,000 which equates to around two percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Corporate Governance Group

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Corporate Governance Group any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £42,000 for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Corporate Governance Group to assist it in fulfilling its governance responsibilities.

Appendix 3: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. Andrew Bush as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

Appendix 3: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery: Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

Public Sector Audit Appointments Ltd publishes information on the quality of work provided by us (and all other firms) for audits undertaken on behalf of them (http://www.psaa.co.uk/audit-quality/principal-audits/kpmg-audit-quality/).

The latest Annual Regulatory Compliance and Quality Report showed that we are meeting the overall audit quality and regulatory compliance requirements.

cutting through complexity™

Rushcliffe Borough Council	**Corporate Governance Group** **3 September 2015** **Revenue and Capital Budget Monitoring 2015/16 - Quarter 1 Update**	**7**

Report of the Interim Executive Manager – Finance and Commercial

1. Summary

1.1. This report presents the budget position for revenue and capital as at 30 June 2015 along with appropriate recommendations for referral to Cabinet. Given the current financial climate it is imperative that the Council maintains due diligence with regards to its finances and ensures necessary action is taken to maintain a robust financial position.

2. Recommendation

It is RECOMMENDED that the Corporate Governance Group

a) note the projected revenue and capital underspend positions for the year of £415k and £1,735k respectively; and

b) note the use of £30k revenue underspend in relation to the first approved Funding Circle loan which is revenue in nature. This is reflected in the £415K figure quoted above.

3. Reasons for Recommendation

3.1. To demonstrate good governance in terms of scrutinising the Council's on-going financial position and compliance with Council Financial Regulations.

4. Supporting Evidence

Revenue Monitoring

4.1 The revenue monitoring statement by service area is attached at **Appendix A** with detailed variance analysis as at 30 June 2015 attached at **Appendix B**. This shows an underspend against profiled budget to date of £227,000 and a projected underspend for the year of £415,000. It is anticipated that this will continue to improve throughout the remainder of the year as managers continue to drive cost savings, and raise income, against existing budgets.

4.2 As documented at **Appendix B** the underspend to date reflects a number of positive variances including projected increased income from planning fees arising from a number of major applications; better income returns through more proactive management of council investments; the lack of current calls made on the contingency budget; and on-going rental income from the lease of the garage to Nottinghamshire County Council.

4.3 One loan of £30,000 has been made via Funding Circle to support local businesses but is revenue in nature. This advance can be met from the projected revenue underspend for the year.

Capital Monitoring

4.4 The updated Capital Programme monitoring statement as at June 2015 is attached at **Appendix C**. A summary of the projected outturn and funding position is shown in the table below:-

CAPITAL PROGRAMME MONITORING - JUNE 2015			
EXPENDITURE SUMMARY	**Current Budget £000**	**Projected Actual £000**	**Projected Variance £000**
Transformation	2,113	1,114	(999)
Neighbourhoods	1,925	1,955	30
Communities	314	198	(116)
Corporate Governance	550	550	0
Finance & Commercial	8,596	8,096	(500)
Contingency	150	0	(150)
	13,648	**11,913**	**(1,735)**
FINANCING ANALYSIS			
Capital Receipts	(3,989)	(2,960)	1,029
Government Grants	(297)	(297)	0
Other Grants/Contributions	(1,067)	(406)	661
Use of Reserves	(5,009)	(4,964)	45
Internal Borrowing	(3,286)	(3,286)	0
	(13,648)	**(11,913)**	**1,735**
NET EXPENDITURE	**-**	**-**	**-**

4.5 The projected outturn on the capital programme remains lower than the budget, with a £1.735m underspend for a number of reasons as detailed below. The programme is ambitious and will see the commencement of the building works for the Arena Site and Bridgford Hall.

4.6 **Transformation**
The projected actual of £1.1million is just over 50% of the current budget primarily due to the uncertainty of projecting expenditure levels for strategic acquisitions in Cotgrave and contract costs for Bridgford Hall Refurbishment at this early stage. Approval of the second stage bid from the Heritage Lottery Fund is anticipated for late September. The programme contains a provision of £100,000 to address any necessary health and safety enhancement work on the Civic Centre, there are no commitments against this to date.

4.7 **Neighbourhoods**

A variance of £30,000 is currently projected primarily made up of an underspend of £409,000 on Support for Registered Housing Providers and an acceleration of £479,000 on the Vehicle Replacement Programme. Discussions are currently underway with Metropolitan and Waterloo Housing to explore future development options including a further programme of garage site developments. It is unlikely to be spent this year and the unspent balance will be carried forward to support new schemes in future years. In relation to the Vehicle Replacement Programme, it is planned to accelerate the purchase of 4 Refuse Freighters as they are now beyond their useful economic lives. The impact of this will be met by bringing forward the provision contained in the 2016/17 Capital Programme. The Vehicle Replacement Programme will be revisited later this year with corresponding adjustments made to future years' provisions. Expenditure on Disabled Facilities Grants continues to be steady and regularly monitored.

4.8 **Communities**

This programme continues to deliver Partnership Grants but it is difficult to predict the level of spend due to the timing of grant awards and completion of works carried out by third parties. The projected actual for Capital Grant Funding is based on likely grant payments in the year but claims continue to be assessed during the year and new grants could still be approved. It should be noted that discussions have previously taken place to reduce the in-year provision down from £60,000 to £48,000 and this means that the sum of £12,000 can be returned to Capital Contingency. Fencing and landscaping works have been carried out at Alford Road Play Area leaving an uncommitted provision of £45,000. This can only be used for works to Special Expense Play Areas. No schemes have been identified at this stage. If there are no commitments by December, £45,000 can be given up as a saving.

4.9 **Corporate Governance**

The in-year provision of £369,000 has been supplemented by a brought forward of £181,000 from 2014/15 to support infrastructure, Superfast Broadband, Channel shift web enhancement commitments together with technologies arising from the Leisure Strategy capital project. Expenditure to date includes ICT replacement kit.

4.10 **Finance & Commercial**

A variance of £500,000 is showing and arises from the uncertainty with regard to the level of Funding Circle loan approvals. No capital loans have been agreed at this stage, but a revenue loan of £30,000 has been granted (see paragraph 4.3). This means that there is a potential £30,000 available to support other capital projects in 2015/16. The contract has been awarded for the Arena Development project and works have now commenced. Minor enhancement works are to be undertaken at Rushcliffe and Bingham Leisure Centres. A request for £29,300 has been made from Capital Contingency to create extra letting space on level 4 of the Civic Centre; this should generate additional revenue income and create more jobs. A return of £12,000 to Capital Contingency is also to be processed to reflect the reduction to Partnership Grants as detailed in the Communities paragraph above.

4.11 **Summary**

The report overall projects underspends for both revenue and capital. It should be noted it is early in the financial year and opportunities and challenges can arise which may impact on the projected year-end position. There remain external financial pressures from developing issues such as the impact of the localisation of business rates, welfare reform, and continued financial pressures on individuals, businesses and partners. Against such a background it is imperative that the Council continues to keep a tight control over its expenditure, identifies any impact from income streams and maintains progress against its Transformation Strategy.

5 Risk and Uncertainties

5.1 Failure to comply with Financial Regulations in terms of reporting on both revenue and capital budgets could result in criticism from stakeholders, including both members and the Council's external auditors.

5.2 Areas such as income can be volatile according to external pressures such as the general economic climate. For example Planning income is variable according to the number and size of planning applications received.

6 Implications

6.1 **Finance**

Financial implications are covered in the body of the report.

6.2 **Legal**

None

6.3 **Corporate Priorities**

Changes to the budget enable the Council to achieve its corporate priorities.

6.4 **Other Implications**

None

For more information contact:	Name; Peter Linfield Interim Executive Manager - Finance and Commercial 0115 914 8439 email plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	Nil
List of appendices (if any):	Appendix A –Revenue Outturn Position 2015/16 – Quarter 1 Appendix B – Revenue Variance Analysis Explanations Appendix C – Capital Programme 2015/16 – Quarter 1 Position

Appendix A

Revenue Outturn Position 2015/16 – Quarter 1

	Q1 Position - excl recharges			Total Costs				
	Budget YTD £'000	Actual YTD £'000	Total Variation £'000	Budget £'000	Projected Outturn £'000	Total Variation £'000	Variation %	Variation Explanation
Communities	110	(35)	(145)	2,567	2,299	(268)	(10)	Agency £38k, Sals (£22k), Planning Income (£250k), Land Charges Tinkler claims (£38K)
Corporate Governance and Operations	942	1,066	124	1,368	1,368	0	0	CIO position - costs £70k, OLA contribn (£60k), Legal sals (£10k)
Finance and Commercial	1,103	1,022	(81)	3,143	2,976	(167)	(5)	Unused contingency (£82k), investment income (£53k), vacancies (£52k), Funding circle loan £30k
Neighbourhoods	240	110	(130)	4,322	4,359	37	1	Staff costs (£55k), Agency £79k, Tanker £10k
Transformation	257	262	5	217	217	0	0	
Net Service Expenditure	**2,652**	**2,425**	**(227)**	**11,617**	**11,219**	**(398)**	**(0)**	
Shelford & Newton Budget				20	20			
Capital Accounting Adjustments				(1,503)	(1,503)	0	0	
Revenue contribution to capital				159	159	0	0	
Transfer to/from (-) Reserves				898	1,313	415	0	Projected revenue underspend (£398k), specific grants (£17k).
Total Net Service Expenditure				**11,191**	**11,208**	**17**	**(0)**	
Central Government Grant				(1,679)	(1,679)	0		
Localised Business Rates				(1,521)	(1,521)	0		
Collection Fund Surplus				(84)	(84)	0		
Council Tax Income				(5,428)	(5,428)	0		
Specific Grants (including NHB & SBRR)				(2,420)	(2,437)	(17)		Additional S31 grants (net £17k)
Council Tax Freeze Grant				(59)	(59)	0		
Total Funding				**(11,191)**	**(11,208)**	**(17)**		
Gross Budget Deficit				**0**	**0**	**0**	**0**	

Appendix B

Revenue Variance Explanations

ADVERSE VARIANCES	Projected Outturn Variance £'000
Corporate Governance	
IT - New position of CIO to be partially offset by partner contributions	10
Neighbourhoods	
Licensing - Agency cover for vacancies and taxi licensing review costs	13
Fleet & Garage – Underspent as awaiting June invoice from Nottm CC. Projected additional costs of ageing tanker.	10
Total Adverse Variances	**33**
FAVOURABLE VARIANCES	**Projected Outturn Variance £'000**
Communities	
Development Control - Increased Application Fees	(250)
Land Charges - Return of over-provision for Tinkler claims due to receipt of grant	(38)
Corporate Governance	
Legal services - Partial retirement of Chief Legal Officer	(11)
Finance & Commercial	
Finance – Agency and redundancy costs less savings on vacancies	(52)
Contingencies - Contingency dependant on risks identified	(82)
Investment Interest - increase in income due to more creative investment strategies	(53)
Insurances - budget savings due to increase in excesses	(6)
Neighbourhoods	
Depot -NCC Additional lease of garage space	(62)
Total Favourable Variances	**(554)**
Sum of Minor Variances	**123**
TOTAL VARIANCE	**(398)**

Appendix C

Capital Programme 2015/16 – Quarter 1 Position

CAPITAL PROGRAMME MONITORING - JUNE 2015						
	Original Budget	Current Budget	Budget YTD	Actual YTD	Projected Actual	Variance
		£000	£000	£000	£000	£'000
TRANSFORMATION						
Cotgrave Masterplan	0	572	25	23	272	(300)
The Point Enhancements	0	80	0	0	80	0
Colliers Way Industrial Units	20	20	0	0	20	0
Bingham Market Place Improvements	0	80	42	34	80	0
Bridgford Hall Refurbishment	500	1,099	110	60	500	(599)
Civic Centre Enhancements - General	0	100	0	0	0	(100)
Nottinghamshire Broadband	162	162	0	0	162	0
	682	**2,113**	**177**	**117**	**1,114**	**(999)**
NEIGHBOURHOODS						
Support for Registered Housing Providers	369	409	2	6	0	(409)
Hound Lodge Enhancements	60	60	0	0	60	0
Wheeled Bins Acquisition	60	60	41	50	60	0
Disabled Facilities Grants	375	403	101	92	403	0
Discretionary Top Ups	0	60	0	0	20	(40)
Vehicle Replacement	877	933	365	365	1,412	479
	1,741	**1,925**	**509**	**513**	**1,955**	**30**
COMMUNITIES						
Community Partnership Reward Grants	0	25	0	0	25	0
Nottinghamshire Cricket Club - Grant	90	90	0	0	90	0
Capital Grant Funding	60	109	0	0	38	(71)
Alford Road Play Area	50	90	45	0	45	(45)
	200	**314**	**45**	**0**	**198**	**(116)**
CORPORATE GOVERNANCE						
IS Strategy	369	550	13	13	550	0
	369	**550**	**13**	**13**	**550**	**0**
FINANCE & COMMERCIAL						
BLC Floodlights	50	50	0	0	50	0
RLC - Gym Centre Enhancements	0	47	27	16	47	0
Arena Development	6,405	7,965	82	66	7,965	0
BLC Enhancements	0	34	0	0	34	0
Funding Circle Loans	0	500	0	0	0	(500)
	6,455	**8,596**	**109**	**82**	**8,096**	**(500)**
CONTINGENCY						
Contingency	150	150	0	0	0	(150)
	150	**150**	**0**	**0**	**0**	**(150)**
TOTAL	**9,597**	**13,648**	**853**	**725**	**11,913**	**(1,735)**

Rushcliffe Borough Council	Corporate Governance Group 3 September 2015 Treasury Management Outturn Position 2014/15	6

Report of the interim Executive Manager – Finance and Commercial

1. Summary

1.1 The purpose of this report is to summarise the transactions undertaken during the 2014/15 financial year as part of the Treasury Management function.

1.2 In addition the Corporate Governance Group received the half-yearly treasury management update report on 13 November 2014 and a training session from the Council's treasury advisors, Arlingclose, which was well received by Members across the Council.

2. Recommendations

2.1 It is recommended that the report be agreed by the Corporate Governance Group.

3 Reasons for Recommendation

3.1 This Council is required through regulations issued under the Local Government Act 2003 to produce an annual treasury report reviewing treasury management activities and the actual prudential and treasury indicators for 2014/15. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Finance in Local Authorities (the Prudential Code)

4 Supporting Information

Prudential Indicators

4.1 During 2014/15 the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year are as follows:

Prudential and treasury indicators	2013/14 Actual £000	2014/15 Estimate £000	2014/15 Actual £000
Capital expenditure	4,010	10,097	3,332
Total Capital Financing Requirement	(505)	(505)	(505)
Investments	(33,333)	(33,000)	(34,348)
External Debt	0	0	0
Net Borrowing	(33,333)	(33,000)	(34,348)

4.2 The approved capital programme for 2014/15 was £10.1 million. Actual expenditure against the approved programme was £3.33 million with carry forwards of £4.05 million approved by Cabinet on 21 July 2015 and savings totalling £2.72 million. Consequently there was no need to borrow and hence no change in the Capital Financing Requirement (CFR).

Capital Expenditure and Financing

4.3 The Council undertakes capital expenditure on both its own long-term assets and on grants that can be capitalised under statute (capital payments to third parties). These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc) which has no resulting impact upon the Council's borrowing need; or

- If insufficient financing is available or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

4.4 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed:

	2013/14 Actual £000	2014/15 Estimate £000	2014/15 Actual £000
Total Capital Expenditure	**4,010**	**10,097**	**3,332**
Financed by:			
Capital Receipts	(2,008)	(5,993)	(1,504)
Capital Grants	(1,624)	(1,209)	(1,009)
Reserves	(378)	(2,895)	(819)
Total Resources used to finance Capital Expenditure	**(4,010)**	**(10,097)**	**(3,332)**
Unfinanced Capital Expenditure	**0**	**0**	**0**

The Council's Overall Borrowing Need

4.5 The Council's underlying need to borrow for capital expenditure is called the Capital Financing Required (CFR). This figure is a gauge of the Council's debt position and represents the net capital expenditure in 2014/15 and prior years that has not yet been paid for by revenue or other resources.

4.6 Part of the Council's treasury management activity is to organise the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be through utilising temporary cash resources within the Council or sourced through borrowing from external bodies, for example, the Public Works Loan Board (PWLB).

4.7 Whilst borrowing can be undertaken within the confines of the treasury management strategy, the Council's underlying borrowing need, CFR, is not allowed to rise indefinitely. The Council would be required by statute to make an annual charge called the Minimum Revenue Provision (MRP) to reduce the CFR if it was positive which is effectively a repayment of the borrowing need. For 2014/15, the MRP is nil and the CFR remained static at (£505,000).

4.8 The total CFR can be reduced by:

- The application of additional resources (such as unapplied capital receipts); or

- Charging more than the statutory revenue charge (MRP) each year through a voluntary revenue provision (VRP).

4.9 The Council's CFR for 2014/15 represents a key prudential indicator and is shown below. The table shows that the Council has a negative CFR so therefore has no underlying need to borrow based on its current approved Capital Programme.

Capital Financing Requirement (CFR)	**2013/14 Actual £000**	**2014/15 Actual £000**
Opening Balance	**(505)**	**(505)**
Add: unfinanced Capital Expenditure (per above)	0	0
Less: MRP/VRP	0	0
Closing Balance	**(505)**	**(505)**

The borrowing activity is constrained by prudential indicators for net borrowing and the CFR and by the authorised limit.

Net Borrowing and the CFR

4.10 In order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. The Council needs to ensure that its net borrowing does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional increases to the CFR for the current and the following two financial years. This indicator allows the Council some flexibility for limited borrowing in advance of its immediate capital needs. The table below highlights the Council's net borrowing position against the CFR.

	2013/14 Actual £000	**2014/15 Actual £000**
Net Borrowing Position	(33,333)	(34,348)
CFR	(505)	(505)

Authorised Limit and Operational Boundary for External Debt

4.11 The authorised limit is the "affordable borrowing limit" required by section 3 (1) of the Local Government Act 2003 and represents the limit beyond which borrowing is prohibited. It shows the maximum amount the Council could afford to borrow in the short term to maximise treasury management opportunities and cover temporary cash flow shortfalls. The table below demonstrates that during 2014/15 the Council has maintained gross borrowing within its authorised limit.

4.12 The operational boundary is the expected borrowing position of the Council during the course of the year. The operational boundary is not a limit and actual borrowing can be either below or over the boundary subject to the authorised limit not being breached.

	Operational Boundary 31 March 2015 £000	Authorised Limit 31 March 2015 £000	Actual External Debt 31 March 2015 £000
Borrowing	4,000	9,000	0
Other Long-Term Liabilities	0	0	0
Total	4,000	9,000	0

The Ratio of Financing Costs to Net Revenue Streams

4.13 This compares net financing costs (borrowing costs less investment income) to net revenue income. This indicator shows how the proportion of net income used to pay for financing costs is changing over time and is negative as a result of investment yields exceeding borrowing costs.

	2013/14 Actual	2014/15 Estimate	2014/15 Actual
General Fund	-2.35%	-2.37%	-3.88%

Incremental Impact of Capital Investment Decisions

4.14 This is an indicator of affordability that shows the incremental impact of capital investment decisions on Council Tax. The indicator identifies the revenue costs associated with the capital programme for a particular year.

	2013/14 Actual £	2014/15 Estimate £	2014/15 Actual £
Increase in Council Tax – Band D	0.32	0.53	0.46

Upper Limits for Fixed and Variable Rate Exposure

4.15 The purpose of these indicators is to allow the Council to manage the extent to which it is exposed to changes in interest rates:

	2014/15 Limit	2014/15 Actual
Fixed		
Upper Limit for Fixed Interest Rate Exposure on Debt	100%	0%
Upper Limit for Fixed Interest Rate Exposure on Investments over 1 year	25%	8.7%
Upper Limit for Fixed Interest Rate Exposure on Investments up to 1 year	100%	65.5%
Variable		
Upper limit for Variable Interest Rate Exposure on Debt	100%	0%
Upper Limit for Variable Interest Rate Exposure on Investments	100%	25.8%

Upper Limit for Total Principal Sums invested over 1 year

4.16 This limit is intended to contain the exposure to the possibility of any loss that may arise as a result of the Council having to seek early repayment of any investments made. If an investment had to be repaid before its natural maturity date due to cash flow requirements then, if market conditions were unfavourable, there would be an adverse impact on the Council.

	2014/15 Estimate £000	2014/15 Actual £000
Upper Limit for Total Principal Sums Invested over 1 year	8,250	3,000

Treasury Position at 31 March 2015

4.17 The Council's debt and investment position is managed by the treasury team in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities in line with the approved treasury strategy. Procedures and controls to achieve these objectives are established through the Member reporting detailed in paragraph 3 of the treasury strategy and through officer activity detailed in the Council's Treasury Management Practices. The following table details the Counterparties that the Council had placed investments with at the end of 2014/15.

Financial Institution	Amount	Length of Investment	Interest Rate
CCLA Property Fund	£1,500,000	Ongoing	6.09%
Newcastle City Council	£3,000,000	4 years	2.04%
Barclays Bank	£5,001,481	12 months	1.02%
Lloyds Bank	£4,000,000	12 months	0.95%
Lloyds Bank	£3,000,000	12 months	0.95%
Standard Chartered	£2,000,297	6 months	0.66%
Standard Chartered	£1,000,149	6 months	0.64%
Toronto Dominion Bank	£2,000,297	6 months	0.53%
National Counties Building Society	£1,000,000	3 months	0.53%
Santander	£2,000,000	3 months	0.52%
Bank of Scotland	£1,000,000	1 month	0.50%
Nationwide Building Society	£1,500,000	1 month	0.43%
BlackRock	£100,916	Call	0.423%
Goldman Sachs	£1,343,247	Call	0.41%
HSBC	£82,236	Call	0.25%
Ignis	£4,812,318	Call	0.471%
Bank of Scotland Notice Account	£1,000,000	Call	0.57%
Residual MMF/Call Account balances eg Aviva, Invesco etc	£6,758	Call	0.286% to 0.40%
Total Investments/Average Interest Rate	**£34,347,699**		**1.09%**

The strategy for 2014/15

4.18 The expectation for interest rates within the strategy for 2014/15 anticipated that the Bank Rate would remain static at 0.5% and that short term money market rates would remain at very low levels. The Council continued with the prudent investment of the treasury balances to achieve the objectives of security of capital and liquidity of its investments whilst achieving the optimum return on investments. The continuing instability of the market resulted in restrictions remaining on which counterparties investments could be placed with and the duration they could be placed for, which affected the level of interest that could be achieved from investments. Given the impact of 'Bail-in' legislation the Council is continuing to diversify its investment portfolio.

Investment Rates and Outturn Position in 2013/14

4.19 The Bank Rate remained at 0.5% throughout the year; it has now remained unchanged for six years and short term money market rates also remained at very low levels which continued to have a significant impact on investment income. Whilst the Council continues to ensure investments are secure the Council is proactively looking to maximise its rate of return. The overall rate of return on investments for the year was 1.09% this compares favourably with 2013/14 0.63%. Consequently the income received was greater than that projected in the budget. This is due to the investments with the CCLA property Fund and Newcastle City Council which resulted in a return on investments of £343,000 (budget £260,000).

4.20 The Council's investment policy is governed by the annual investment strategy approved by Council on 6 March 2014. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, for example, rating outlooks and credit default swaps information. The investment activity during the year conformed to the approved strategy and the Council had no liquidity difficulties.

4.21 The Council's longer term cash balances comprise primarily of revenue and capital resources, although these will be influenced by cash flow considerations and the need for working balances and contingencies. The Council's core cash resources are detailed in the following table and confirm that whilst the Council has delivered a capital programme and has to operate with an increasingly constrained revenue budget, its reserves and balances remain in a healthy position given the on-going financial challenges going forward.

Balance Sheet Resources	**31 March 2014 £000**	**31 March 2015 £000**
General Fund Balance	2,604	2,604
Earmarked Reserves	10,222	11,457
Provisions	180	100
Usable Capital Receipts	10,949	11,797
Capital Grants Unapplied	412	273
Total	**24,367**	**26,231**

Conclusion

4.25 Treasury Management continues to be a difficult area. Officers will continue to be vigilant and report any significant issues to this Committee. Overall the Council has successfully achieved its objectives of ensuring investments were held with relatively secure counterparties; ensuring there was sufficient liquidity to operate efficiently and enable the delivery of objectives; and achieve the maximum yield on investment returns possible within the constraints placed upon the Council.

5 Other Options Considered

5.1 There are no other options.

6 Risk and Uncertainties

6.1 The report covers many treasury risks including counterparty and interest rate risk.

7 Implications

7.1 Finance
Financial implications are covered in the body of the report.

7.2 Legal
Compliance with the Local Government Act 2003.

7.3 Corporate Priorities
Efficient treasury management enables the Council to achieve its corporate priorities.

7.4 Other Implications
None.

For more information contact:	Name; Peter Linfield Interim Executive Manager (Finance and Commercial) 0115 914 8439 email plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	Statement of Accounts 2014/15; Treasury Management Strategy 2014/15
List of appendices (if any):	None

Rushcliffe Borough Council	Corporate Governance Group 3 September 2015 Work Programme	8

Report of the Executive Manager - Operations and Corporate Governance

1. Summary

1.1. This report sets out a proposed work programme for the next year. In determining the proposed work programme due regard has been given to matters usually reported to the Group and the timing of issues to ensure best fit within the Council's decision making process.

1.2. The table does not take into account any items that need to be considered by the Group as special items. These may occur, for example, through changes required to the Constitution or financial regulations, which have an impact on the internal controls of the Council.

2. Recommendation

It is RECOMMENDED that the Group agrees the work programme as set out in the table below.

3. Reasons for Recommendation

Date of Meeting	Item
3 September 2015	• Internal Audit Progress Report 2015/16 • Statement of Accounts 2014/15 • External Auditors Annual Governance Report 2014/15 • Treasury Management Annual Report • Revenue & Capital Budget Monitoring • Work Programme
3 December 2015	• Internal Audit Progress Report 2015/16 • Health and Safety Interim report • Risk Management Update • Annual Audit Letter • Treasury Management Six Month Monitoring Report • Revenue & Capital Budget Monitoring • Work Programme

Date of Meeting	Item
11 February 2016	• Internal Audit Progress Report 2014/15 • Treasury Management Update • Revenue and Capital Budget Monitoring • Certification of Grants and Returns – Annual Report 2013/14 • Work Programme
21 April 2016	• External Audit Plan 2014/15 • Internal Audit Progress Report 2014/15 • Internal Audit Strategy 2015/16 • Risk Management Update • Revenue & Capital Budget Monitoring • Work Programme

4. Implications

4.1. **Finance**

No direct financial implications arise from the proposed work programme.

4.2. **Legal**

There are no direct legal implications arising from the proposed work programme.

4.3. Corporate Priorities

Items included in the work programme assist the Council to meet its Corporate Priorities.

4.4. Other Implications

There are no other implications.

For more information contact:	Name: Member Services 0115 914 8482 email memberservices@rushcliffe.gov.uk
Background papers Available for Inspection:	None
List of appendices (if any):	None