



13 July 2018

Dear Sir/Madam

A meeting of the Governance, Audit and Standards Committee will be held on Monday, 23 July 2018 in the New Council Chamber, Town Hall, Foster Avenue, Beeston NG9 1AB, commencing at 7.00 pm.

Should you require advice on declaring an interest in any item on the agenda, please contact the Monitoring Officer at your earliest convenience.

Yours faithfully

Chief Executive

| | | |
|-----------------|---------------------------|-------------------|
| To Councillors: | E H Atherton (Vice-Chair) | J C Patrick |
| | S A Bagshaw | K E Rigby |
| | T P Brindley | R S Robinson |
| | J C Goad | A W G A Stockwell |
| | J W Handley (Chair) | J S Briggs |
| | J M Owen | S Kerry |

A G E N D A

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

Members are requested to declare the existence and nature of any disclosable pecuniary interest and/or other interest in any item on the agenda.

3. MINUTES

PAGES 1 - 4

The Committee is asked to confirm as a correct record the minutes of the meeting held on 21 May 2018.

4. AUDIT OF ACCOUNTS 2017/18 AND ASSOCIATED MATTERS

The Council's external auditors, KPMG, will be present at the meeting to present the documents referred to above, which will be circulated in due course.

5. INTERNAL AUDIT REVIEW PAGES 5 - 18
To inform the Committee of the work of Internal Audit during 2017/18.
 6. INTERNAL AUDIT PROGRESS REPORT PAGES 19 - 34
To inform the Committee of the recent work completed by Internal Audit.
 7. COMPLAINTS ANNUAL REPORT PAGES 35 - 58
To provide members with a summary of complaints made against the Council.
 8. REVIEW OF POLLING DISTRICTS AND POLLING PLACES PAGES 59 - 60
To inform the Committee of the arrangements for the review of polling districts and polling places to be carried out later in the year.
 9. WORK PROGRAMME PAGES 61 - 62
To consider items for inclusion in the Work Programme for future meetings.
- DOCUMENTS CIRCULATED AT THE MEETING PAGES 63 - 242

GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

23 JULY 2018

Present: Councillor J W Handley, Chair

Councillors: J S Briggs (substitute)
T P Brindley
D Elliott (substitute)
J C Goold
S Kerry (substitute)
W J Longdon (substitute)
J M Owen
M Radulovic
K E Rigby

Apologies for absence were received from Councillors E H Atherton, R S Robinson and A W G A Stockwell.

7. DECLARATIONS OF INTEREST

There were no declarations of interest.

8. MINUTES

The minutes of the meeting held on 21 May 2018 were confirmed and signed, subject to the deletion of Councillor J Briggs as being in attendance as a substitute.

9. AUDIT OF ACCOUNTS AND ASSOCIATED MATTERS

Members were informed that the external auditors, KPMG, had examined the Council's draft Statement of Accounts 2017/18 and set out their findings in their External Audit Report 2017/18. The external auditors were present at the meeting and reported that the Council had produced a complete set of accounts by the 31 May 2018 deadline. Subject to all outstanding queries being resolved to their satisfaction, KPMG anticipated that an unqualified opinion would be issued before 31 July 2018.

In response to a question regarding the level of the Council's reserves, it was confirmed that the General Fund balance at 31 March 2018 was in excess of £6m.

The Chair thanked KPMG and officers for their work in producing and auditing the accounts in line with the deadlines.

RESOLVED that:

- 1. The Statement of Accounts 2017/18 as circulated be approved.**
- 2. The letter of representation be approved.**
- 3. The response to those matters identified within the External Audit Report 2017/18 be approved.**

10. INTERNAL AUDIT REVIEW

In accordance with the Public Sector Internal Audit Standards, developed by the Chartered Institute of Public Finance and Accountancy and the Chartered Institute of Internal Auditors, the Chief Audit and Control Officer must deliver an annual internal audit opinion and report which can be used by the Council to inform its Annual Governance Statement. The Committee considered the report which detailed the work undertaken by Internal Audit during 2017/18 and stated that it is the opinion of the Chief Audit and Control Officer that the current internal control environment is satisfactory such as to maintain the adequacy of the governance framework. In terms of the audits completed, it was found that services are operating with appropriate internal controls and, where actions have been agreed, progress is largely being made for their implementation.

A question was raised regarding the audits of stores and procurement the Interim Procurement and Contracts Officer was looking into Stores contracts which needed to be updated. The Chief Audit and Control Officer explained that an updated Procurement Strategy and contracts register were being prepared.

11. INTERNAL AUDIT PROGRESS REPORT

The Committee noted a report on the recent work completed by Internal Audit and progress against the agreed Internal Audit Plans for 2017/18 and 2018/19.

Regarding the review of the systems and procedures operating in respect of the Construction (Design and Management) Regulations 2015, officers stated that online training had been launched which would be undertaken by all officers with responsibilities for procuring and commissioning construction related work. The Intranet page had also been updated and the matter had been raised at a team briefing.

In response to a question regarding the checking of benefits claims, officers explained that this had stopped due to the member of staff who had been trained to carry out this work leaving the Council. However, the Head of Revenues and Benefits Shared Service was keen to reinstate the second checks as soon as possible.

The Interim Deputy Chief Executive explained in relation to CCTV management and control that an apprentice had been appointed to Parking Services who would undertake some of the section's more routine work. This would enable the Parking Services Manager to progress the outstanding actions from the audit.

12. COMPLAINTS REPORT 2017/18

The Committee noted a report detailing the complaints which had been made against the Council in 2017/18. Further information was requested on the complaints about unacceptable standards of service and whether social media had had an influence on the number of complaints received over the last 10 years. This would be circulated to members of the Committee.

13. REVIEW OF POLLING DISTRICT AND POLLING PLACES

The Committee considered a report on the arrangements for the review of polling districts and polling places to be carried out later in the year. Suggestions as to alternative venues which could be used as polling stations instead of the temporary units would be welcome.

The working group which had considered these issues previously would not be reconvened. Members would however be able to raise concerns about proposed changes and these would be reported back to the Committee in December for consideration before a recommendation is made to full Council.

14. WORK PROGRAMME

The Committee considered the Work Programme for future meetings.

RESOLVED that the Work Programme be approved.

This page is intentionally left blank

Report of the Chief Audit and Control Officer

INTERNAL AUDIT REVIEW 2017/181. Purpose of report

To inform the Committee of the work of Internal Audit during 2017/18.

2. Detail

Under the Council's Constitution and as part of the overall governance arrangements, this Committee is responsible for monitoring the performance of Internal Audit.

In accordance with the Public Sector Internal Audit Standards, developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (IIA), the Chief Audit and Control Officer must deliver an annual internal audit opinion and report that can be used by the authority to inform its Annual Governance Statement. The Internal Audit Annual Review Report for 2017/18 is included in the appendix.

The Council has to conduct, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review is informed by the work of senior management who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Review Report and from comments made by the external auditors and other inspectorates.

The system of internal control has been reviewed. It is the opinion of the Chief Audit and Control Officer that the current internal control environment is satisfactory such as to maintain the adequacy of the governance framework. In terms of the audits completed, it was found that services are operating with appropriate internal controls. Where actions have been agreed, progress is largely being made for their implementation. Where this is not the case, outstanding significant recommendations are reported to this Committee as part of the regular progress reports.

Overall, 89% of the revised planned audits were complete or awaiting finalisation at the year-end, which is slightly below the target of 90%. All outstanding and deferred audits will now be completed as early as practicable in 2018/19.

Recommendation

The Committee is asked to NOTE the work of Internal Audit in 2017/18.

Background papers

Nil



Internal Audit Annual Review Report 2017/18

1. INTRODUCTION AND BACKGROUND

This annual review report provides a summary of Internal Audit activities for the year ended 31 March 2018.

The Accounts and Audit Regulations 2015 require the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper practices. The Public Sector Internal Audit Standards and the Local Government Application Note constitute proper practices so as to satisfy the requirements for larger relevant bodies as set out in the Regulations.

The Public Sector Internal Audit Standards requires the Chief Audit and Control Officer, as the Council's designated 'chief audit executive', to deliver an annual internal audit opinion and report that can be used by the Council to inform its governance statement. The opinion must conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion, and;
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

2. OPINION ON THE OVERALL ADEQUACY AND EFFECTIVENESS OF THE COUNCIL'S INTERNAL CONTROL ENVIRONMENT

The Council has to conduct, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review is informed by the work of senior management within the Council who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Review Report and by comments made by the external auditors and other review agencies and inspectorates.

A periodical review of the effectiveness of the system of internal audit helps to ensure that the opinion in this report may be relied upon as a key source of evidence in the Annual Governance Statement. The latest review found Internal Audit to be sufficiently compliant with the requirements of the Public Sector Internal Audit Standards to ensure that the opinion given in this annual review report can be relied upon for assurance purposes.

There are no causes of concern with regard to the independence and objectivity of Internal Audit. Whilst reporting administratively to the Deputy Chief Executive (fulfilling the duties of Section 151 of the Local Government Act 1972), the Chief Audit and Control Officer also has:

- free and unrestricted access to the General Management Team.
- free and unrestricted access to the Governance, Audit and Standards Committee (or equivalent) and attends all of its meetings
- the right to meet with the Chair of the Governance, Audit and Standards Committee (or equivalent) and/or the relevant Member Portfolio Holder to discuss any matters or concerns that have arisen from Internal Audit work.

Internal Audit has reviewed the systems of internal control and should provide an opinion on both the corporate and service specific standards in place.

It is the opinion of the Chief Audit and Control Officer that the current internal control environment is satisfactory such as to maintain the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

In terms of audits completed, it was found that services are carried out with the appropriate internal controls. Where actions have been agreed, progress is largely being made for their implementation. Where this is not the case, any outstanding significant recommendation is reported to the Governance, Audit and Standards Committee as part of the regular progress reports.

3. QUALIFICATIONS

The opinions expressed in this report have been based upon the work carried out by Internal Audit for the year ended 31 March 2018 (and subsequent to year-end) and reports received from the Council's external auditors.

4. ISSUES RELEVANT TO THE ANNUAL GOVERNANCE STATEMENT

The Governance, Audit and Standards Committee considered significant governance issues as part of the draft Annual Governance Statement for 2017/18 at its meeting on 21 May 2018.

The Chief Audit and Control Officer has reviewed the draft Annual Governance Statement for 2017/18. The significant governance issues raised in the latest statement were found to be appropriate. It was also found that the issues carried forward from the previous year had been addressed or were ongoing items that were in the process of being addressed.

With regard to the audits completed during the year, no actions were classed as being fundamental where action was considered imperative to ensure that the Council was not exposed to high risks. Where a limited assurance opinion was issued, the outstanding actions from these audits are not thought to be relevant to the preparation of the Annual Governance Statement.

5. SUMMARY OF INTERNAL AUDIT ACTIVITY 2017/18

5.1 Performance Overview

A summary comparison of actual coverage in each area of audit activity against the annual plan for 2017/18 is shown in appendix 1. The list of audit reports issued during the year ended 31 March 2018 (and beyond for 2017/18 audits) is included at appendix 2. This list includes the levels of assurance that have been taken from each audit and the number of recommendations that were made.

Overall, 89% of the revised planned audits were completed or awaiting finalisation at the year-end, which is slightly below the target of 90%. A total of 13 audits were planned and completed in respect of the key financial systems, with the audits of Benefits, Financial Resilience and Sundry Debtors being substantively completed by 30 June 2018. All outstanding and deferred audits will be reconsidered as early as practicable in 2018/19.

During the period April 2017 to March 2018, 40 audit reports were issued (including eleven in respect of 2016/17) with a further 12 reports awaiting finalisation. The reports included 55 recommendations, of which 14 were considered to be 'significant'. No recommendation was classed as fundamental where action was considered imperative to ensure that the Council was not exposed to high risks.

A limited assurance opinion was issued in respect of the audits of Procurement and Stores. This opinion is given where Internal Audit considered that controls within the respective systems provided limited assurance that risks material to the achievement of the system's objectives are adequately managed. The outstanding issues from these audits are not thought to be sufficient to affect the overall opinion.

5.2 Internal Audit Resources

All three of the established officers at the commencement of the audit year remained in post throughout the period.

A Senior Internal Auditor had an application for additional unpaid leave approved in 2017/18. Whilst this generated a small financial saving, a total of 15 audit days was lost from the resources available.

No additional resources were requested to complete the revised audit plan.

5.3 Internal Audit Activity

A comparison of actual audit-days incurred for each area of audit activity against the resources allocated in the audit plan is shown in appendix 1.

A summary narrative of each audit completed during the year was included within the progress reports considered by the Governance, Audit and Standards Committee.

a. System, Functional and Departmental Audits

The total time spent on audits was not in accordance with planned allocations due to:

- the need to reassess priorities during the year because of the circumstances identified in some reviews
- adjustment of priorities in order to meet the requirements of senior management and the external auditors
- the need to re-arrange audits and timings to meet the service expectations of client departments
- extra time allocated to complete the following audit areas:

| | <u>Audit-days</u> |
|----------------|-------------------|
| Asset Register | 7 |
| Benefits | 6 |

It was considered that the budget allocations for the above areas were insufficient to accommodate the necessary level of testing. This will be monitored in future to assess whether allocations need to be increased or the level of audit coverage decreased. It should be noted that some of the remaining areas within the audit plan provided audit-day savings.

A number of audit reports were still to be finalised as at 31 March 2018 including the reviews of Benefits, Construction (Design and Management) Regulations, Financial Resilience, Gas Safety Servicing and Maintenance, Human Resources, Parks and Grounds Maintenance and Serious and Organised Crime. Only a nominal amount of audit time was needed to finalise these reports.

In addition, the following reviews were still to be completed at the year-end. The time anticipated to complete this work in 2017/18 is 10 audit-days as follows:

| | <u>Audit-days</u> |
|-----------------------|-------------------|
| Procurement | 5 |
| Risk Management | 3 |
| Choice Based Lettings | 2 |

The audits of Corporate Governance and Information Governance have been deferred for inclusion in the audit plan for 2018/19. The audits of Computer/ICT and Sundry Debtors are nearing completion having been amalgamated with the 2018/19 audit. Following developments during the course of the year, the audits of Fees and Charges and Local Authority Trading Company has been postponed.

b. Contract Audit

Whilst no specific time has been directly charged to contract audit during the year, Internal Audit has considered contracts as part of service reviews. In addition some audit work has been completed on the following contract related areas:

- assessments of the financial viability of potential contractors, suppliers and service providers applying to be considered for a number of tendered contracts
- reviewing the adequacy of the current arrangements and controls operating within the Environment Division, including Stores and Trade Waste Collection.

c. Special Investigations

Internal Audit completed 23 days of work on the following special investigations in 2017/18:

- A review of the list of users for the Capita OPEN Housing system in light of earlier enquiries made by the Council's external auditors (2 days)
- An audit of the Local Authorities Housing Statistics (LAHS) return prior to submission to Central Government (4 days)
- An investigation into concerns relating to the operation of a Social Activity Group Fund at a retirement living scheme, undertaken at the request of the Interim Senior Housing Manager (4 days)
- Associated work to support the Head of Finance Services with the production of property values required for the annual Statement of Accounts (5 days).
- Work involved in responding enquiries from the Council's external auditors relating to the Statement of Accounts (3 days)

- A review of the Pre-Eviction Protocol for Rent Arrears to confirm that the Protocol complies with legislation and is operating appropriately and effectively (5 days).

d. Value for Money Reviews (VFM)

Whilst Internal Audit did not undertake specific VFM project work in 2017/18, all systems and service reviews were completed with due consideration to the principles of economy, efficiency and effectiveness.

e. Erewash Audit

The collaboration with Erewash Borough Council to provide joint working and management arrangements of internal audit services commenced from April 2015. The key elements of the proposal were considered by the General Purposes and Audit Committee on 9 March 2015.

During 2017/18, a total of 10 audit days was allocated to work completed on behalf of Erewash, including an element of management time. Internal Audit has completed independent audits of their risk management arrangements and provided assurances relating to Bramcote Crematorium. A further review of Cemeteries was finalised in June 2018.

The collaboration with Erewash will continue into 2018/19 with the potential to develop further and allow for opportunities to provide more resilience, help with officer development and produce financial savings for both authorities.

f. Corporate Counter Fraud Activity and National Fraud Initiative (NFI)

A total of 18 audit days was allocated to corporate counter fraud activity in 2017/18 including work to co-ordinate and complete elements of the NFI data matching exercise.

An annual report on counter fraud and corruption and money laundering prevention activity was presented to the Governance, Audit and Standards Committee in March 2017. This included details of activity in 2017 and an action plan for the forthcoming year, the delivery of which will further strengthen the current arrangements in place.

Internal Audit will continue to take a prominent role in leading and co-ordinating anti-fraud and corruption activities. The Chief Audit and Control Officer will be supported in this by procuring specialist fraud investigation services as required from local partners, including Erewash Borough Council.

g. General Audit and Non-Audit

The time allocated to general audit tasks (including the management and general administration of the Internal Audit activity) was 94 audit days, compared to the allowance of 80 days.

The wider remit of the Audit and Control section is reflected in the allocation to 'non-audit' work. The majority of this time reflects the Chief Audit and Control Officer's management of the other control aspects of the section, including corporate performance management/business planning, insurance and risk management, procurement and grant aid, together with an involvement in other corporate management and democratic issues. The time allocated to non-audit activities was 139 audit days, compared to the allowance of 123 days. This overspend was largely attributed to the administrative support provided to the Chief Executive for the elections during 2017.

6. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

6.1 Compliance with Proper Practice

In order to facilitate the review of the effectiveness of internal control required by the Accounts and Audit Regulations 2015, it is necessary for the Council to complete a regular review of the effectiveness of its internal audit.

The latest review was completed in two parts:

- An internal self-assessment review against 'proper practice' consisting of the Public Sector Internal Audit Standards and the Local Government Application Note.
- An External Quality Assessment (EQA) by a qualified, independent assessor from outside of the organisation, which is a periodic requirement of the Standards.

The effectiveness of Internal Audit is not solely judged against the extent of compliance with the Standards since the reviews are about effectiveness and not process. In addition to the self-assessment checklist the following aspects provide evidence to support the review:

- reports on the results of completed audits and setting out significant findings
- reports setting out the Internal Audit Plan for the forthcoming year
- an annual report on the performance of Internal Audit.

The review concluded that progress continues to be made to strengthen the role of Internal Audit at a corporate level, not least through the formal reporting procedures to the Governance, Audit and Standards Committee.

The outcome of the EQA indicated that Internal Audit is substantially compliant with the Standards with some areas for development. Whilst a number of areas where improvements could be made were identified these were not felt to be fundamentally undermining the efficiency and effectiveness of Internal Audit, its role within the organisation or the Chief Audit and Control Officer's ability to assess the internal control environment of the Council. An improvement plan to address those areas where the arrangements are not fully compliant was approved by the Governance, Audit and Standards Committee in March.

6.2 Quality Assurance and Improvement Programme

Overall, 89% of the planned audits were complete or awaiting finalisation at the year-end, which is slightly below the target of 90%. In addition, 92% of the planned audits in respect of the key financial systems were complete or awaiting finalisation at the year-end.

The audits of Benefits and Financial Resilience have been completed since 31 March 2018. The only outstanding audit, in respect of Sundry Debtors, is awaiting finalisation which will be complete by 31 July 2018.

The achievement of a percentage completion of the audit plan is not considered to provide sufficient evidence in itself of the quality of the function. The Chief Audit and Control Officer will continue to develop the formal Quality Assurance and Improvement Programme (QAIP) as referred to in the Internal Audit Charter. The QAIP covers all aspects of Internal Audit activity and include both internal and external quality assessments.

The QAIP should provide sufficient evidence of the efficiency and effectiveness of the Internal Audit activity and enable conformance with all aspects of the Public Sector Internal Audit Standards to be evaluated. The programme should identify opportunities for improvement as appropriate.

The following points are noted with regards to the QAIP:

- An annual review of the effectiveness of internal audit, sufficient to meet the requirements of the Accounts and Audit Regulations 2015 was completed and the overall findings were satisfactory.
- This included an independent EQA which concluded that Internal Audit complies with the expectations of the Standards, which should provide Members with confidence in the assurance work provided by Internal Audit. The Assessor also acknowledged that the service benefits from an experienced team with a range of relevant qualifications, and that it receives positive feedback from Senior Management and from Members. Furthermore, the review outcomes were benchmarked against other providers in both the sector and wider industry and this showed that the team compares favourably against its peers.

- Membership of professional bodies and regional audit groups supports the Chief Audit and Control Officer in identifying best practice and other potential service improvements.
- The Chief Audit and Control Officer undertakes regular quality reviews of the work of the internal audit activity to provide assurance that it complies with the Standards and meets the requirements of the Internal Audit Charter and Internal Audit Direction document.
- In addition to the wider service review, each audit assignment is subject to a quality management review of audit working papers prior to the distribution of the draft audit report for discussion and agreement with senior management.
- Improvement plans arising from any review of internal audit shall be prepared and reported to the Deputy Chief Executive and the Governance, Audit and Standards Committee as appropriate.

Appendix 1

INTERNAL AUDIT ACTIVITY SUMMARY 2017/18

| | <u>Original Plan Days</u> | <u>Actual Days</u> |
|---|-----------------------------------|------------------------|
| Deputy Chief Executive's Department | | |
| • Corporate | 10 | 5 |
| • Revenues, Benefits and Customer Services | 78 | 87 |
| • Finance Services | 29 | 34 |
| • Environment | 26 | 28 |
| Chief Executive's Department | | |
| • Corporate | 18 | 6 |
| • Department | 44 | 58 |
| Housing and Property Services | 61 | 70 |
| Legal and Planning Services | 28 | 15 |
| Assurance Work | 294 | 303 |
| | | |
| Local Authority Trading Company | 15 | 11 |
| Corporate Counter Fraud Activity (incl. NFI) | 30 | 18 |
| Audit Follow-up Work | 10 | 5 |
| Audit Erewash | 30 | 10 |
| Contingency (including Special Investigations, Contract Audit, Financial Appraisals, Value for Money and Consultancy) | 20 | 24 |
| | 399 | 371 |
| | | |
| Annual Leave and Public Holidays | 127 | 134 |
| Sickness and Other Leave | 21 | 16 |
| Training and Seminars | 15 | 11 |
| Audit General | 80 | 94 |
| Non-Audit (including Elections) | 123 | 139 |
| Vacancy/Secondment | 15 | 15 |
| Total Days | 780 | 780 |

Appendix 2

INTERNAL AUDIT REPORTS ISSUED APRIL 2017 TO MARCH 2018

| No | Audit Title | SIA | Report Issued | Opinion | Actions Significant | Merits Attention | IA 2017/18 Complete | Plan |
|-----------|--|-----|---------------|-------------|---------------------|------------------|---------------------|------|
| 27 | Key Reconciliations 2016/17 | WL | 20/04/17 | Substantial | 0 | 1 | - | |
| 28 | Rent Arrears – Evictions 2016/17 | WL | 21/04/17 | Substantial | - | - | - | |
| 29 | Erewhash BC - Risk Management | CF | 21/04/17 | n/a | - | - | - | |
| 30 | Rents 2016/17 | WL | 24/04/17 | Substantial | 0 | 0 | - | |
| 31 | Bank Reconciliation 2016/17 | WL | 24/04/17 | Substantial | 0 | 0 | - | |
| 01 | Erewhash BC – Health and Safety | CF | 09/05/17 | n/a | - | - | - | |
| 32 | Flexi-time Management 2016/17 | CF | 11/05/17 | Reasonable | 1 | 2 | - | |
| 33 | Information Management 2016/17 | CF | 12/05/17 | Reasonable | 0 | 4 | - | |
| 34 | Shared Services 2016/17 | CF | 23/05/17 | Substantial | 0 | 0 | - | |
| 35 | Benefits 2016/17 | CF | 24/05/17 | Reasonable | 1 | 1 | - | |
| 36 | Beeston Square 2016/17 | WL | 05/07/17 | Reasonable | 0 | 3 | - | |
| 02 | Capita OPEN Housing System Users | WL | 10/07/17 | n/a | - | - | - | |
| 37 | Chilwell Olympia 2016/17 | WL | 20/07/17 | Substantial | 0 | 0 | - | |
| 03 | Cash Receipting | CF | 31/07/17 | Reasonable | 1 | 3 | 3% | |
| 38 | Sundry Debtors 2016/17 | CF | 10/08/17 | Reasonable | 1 | 0 | - | |
| 04 | Local Auth. Housing Statistics Return | WL | 08/09/17 | Substantial | 0 | 0 | - | |
| 05 | Asset Register (Estates Management) | CF | 15/09/17 | Reasonable | 1 | 2 | 6% | |
| 06 | Creditors and Purchasing | WL | 15/09/17 | Reasonable | 1 | 2 | 8% | |
| 07 | Land Charges | CF | 15/09/17 | Substantial | 0 | 0 | 11% | |
| 08 | Payroll | WL | 15/09/17 | Reasonable | 1 | 1 | 14% | |
| 09 | Car Parking | CF | 15/09/17 | Substantial | 0 | 1 | 17% | |
| 10 | Disabled Facilities Grants | WL | 19/10/17 | Substantial | 0 | 0 | 19% | |
| 11 | Prospective Tenant at The Square | CF | 26/10/17 | n/a | - | - | - | |
| 12 | Willow Court Social Fund | WL | 02/11/17 | n/a | - | - | - | |
| 13 | Capital Works | CF | 10/11/17 | Substantial | 0 | 1 | 22% | |
| 14 | NNDR | WL | 21/11/17 | Substantial | 0 | 0 | 25% | |
| 15 | Planning Applications and Income | CF | 23/11/17 | Substantial | 0 | 1 | 28% | |
| 16 | Treasury Management | WL | 23/11/17 | Substantial | 0 | 2 | 30% | |
| 17 | Fin App - Replacement CRM System | CF | 04/12/17 | n/a | - | - | - | |
| 18 | Housing Repairs | CF | 22/01/18 | Reasonable | 1 | 2 | 32% | |
| 19 | LLL – Leisure Membership Scheme | CF | 22/01/18 | Substantial | 0 | 0 | 35% | |
| 20 | HiMO Licences | WL | 23/01/18 | Substantial | 0 | 4 | 38% | |
| 21 | Stores | CF | 31/01/18 | LIMITED | 2 | 1 | 41% | |
| 22 | LLL – Kimberley Leisure Centre | CF | 07/02/18 | Substantial | 0 | 1 | 43% | |
| 23 | Trade Waste | CF | 07/02/18 | Substantial | 0 | 0 | 46% | |
| 24 | Council Tax | WL | 20/02/18 | Substantial | 0 | 1 | 49% | |
| 25 | Key Reconciliations | WL | 01/03/18 | Substantial | 0 | 0 | 51% | |
| 26 | Bank Reconciliation | WL | 06/03/18 | Substantial | 0 | 0 | 54% | |
| 27 | Rents | WL | 20/03/18 | Substantial | 0 | 0 | 57% | |
| 28 | Pre-Eviction Protocol for Rent Arrears | WL | 21/03/18 | Substantial | 0 | 0 | - | |
| Sub-total | | | | | 10 | 33 | | |

INTERNAL AUDIT REPORTS 2017/18 ISSUED POST-MARCH 2018

| No | Audit Title | SIA | Report Issued | Opinion | Actions Significant | Merits Attention | IA 2017/18 Complete | Plan |
|-------|--------------------------------------|-----|---------------|-------------|---------------------|------------------|---------------------|------|
| 29 | Gas Safety Servicing and Maintenance | CF | 20/04/18 | Substantial | 0 | 1 | 59% | |
| 30 | Financial Resilience | CF | 14/05/18 | Substantial | 0 | 0 | 62% | |
| 31 | CDM Regulations | CF | 18/05/18 | Reasonable | 1 | 0 | 65% | |
| 32 | Human Resources | CF | 22/05/18 | Substantial | 1 | 1 | 68% | |
| 03 | Procurement | CF | 07/06/18 | LIMITED | 1 | 1 | 70% | |
| 33 | Benefits | WL | 12/06/18 | Reasonable | 1 | 0 | 73% | |
| 34 | Risk Management | CF | 25/06/18 | Substantial | 0 | 3 | 76% | |
| 35 | Parks and Grounds Maintenance | WL | 28/06/18 | Substantial | 0 | 1 | 78% | |
| 36 | Choice Based Lettings | CF | 30/06/18 | Substantial | 0 | 1 | 81% | |
| Total | | | | | 4 | 8 | | |

REMAINING INTERNAL AUDIT PLAN 2017/18

| No | Audit Title | SIA/ Days | Progress | IA Complete | Plan |
|----|-------------------------------------|-----------|---|-------------|------|
| | Serious and Organised Crime Audit | WL | Draft report issued | 84% | |
| | Sundry Debtors | WL | Draft report issued (Amalgamate with 2018/19 audit) | 86% | |
| | Computer/ICT | WL | Ongoing (Amalgamate with 2018/19 audit) | 89% | |
| | Information Governance (Management) | 8 | Audit deferred to 2018/19 | 92% | |
| | Corporate Governance | 8 | Audit deferred to 2018/19 | 95% | |
| | Fees and Charges | 5 | Audit postponed | 97% | |
| | Local Authority Trading Company | 5 | Audit postponed | 100% | |

This page is intentionally left blank

Report of the Chief Audit and Control Officer

INTERNAL AUDIT PROGRESS REPORT1. Purpose of report

To inform the Committee of the recent work completed by Internal Audit.

2. Detail

Under the Council's Constitution and as part of the overall corporate governance arrangements, this Committee is responsible for monitoring the performance of Internal Audit.

A summary of the reports issued and progress against the agreed Internal Audit Plans for 2017/18 and 2018/19 is included at appendix 1. A brief narrative of the work completed by Internal Audit since the previous meeting of this Committee is also summarised at appendix 1.

Internal Audit has undertaken a review of progress made by management in implementing agreed actions within six months of the completion of the respective audits. Details of this follow-up work is included at appendix 2. Where agreed actions to address significant internal control weaknesses have not been implemented this may have implications for the Council. A key role of the Committee is to review the outcome of audit work and oversee the prompt implementation of agreed actions to help ensure that risks are adequately managed.

Further progress reports will be submitted to each future meeting of this Committee. A final report detailing the overall performance and productivity of Internal Audit for 2017/18 is included elsewhere on this agenda.

Recommendation

The Committee is asked to NOTE the report.

Background papers

Nil

APPENDIX 1

INTERNAL AUDIT REPORTS ISSUED SINCE SEPTEMBER 2017

| No | Audit Title | SIA | Report Issued | Opinion | Actions | | IA Plan 2017/18 Complete |
|----|--|-----|---------------|-------------|-------------|------------------|--------------------------|
| | | | | | Significant | Merits Attention | |
| 04 | Local Auth. Housing Statistics Return | WL | 08/09/17 | Substantial | 0 | 0 | - |
| 05 | Asset Register (Estates Management) | CF | 15/09/17 | Reasonable | 1 | 2 | 6% |
| 06 | Creditors and Purchasing | WL | 15/09/17 | Reasonable | 1 | 2 | 8% |
| 07 | Land Charges | CF | 15/09/17 | Substantial | 0 | 0 | 11% |
| 08 | Payroll | WL | 15/09/17 | Reasonable | 1 | 1 | 14% |
| 09 | Car Parking | CF | 15/09/17 | Substantial | 0 | 1 | 17% |
| 10 | Disabled Facilities Grants | WL | 19/10/17 | Substantial | 0 | 0 | 19% |
| 11 | Prospective Tenant at The Square | CF | 26/10/17 | n/a | - | - | - |
| 12 | Willow Court Social Fund | WL | 02/11/17 | n/a | - | - | - |
| 13 | Capital Works | CF | 10/11/17 | Substantial | 0 | 1 | 22% |
| 14 | NNDR | WL | 21/11/17 | Substantial | 0 | 0 | 25% |
| 15 | Planning Applications and Income | CF | 23/11/17 | Substantial | 0 | 1 | 28% |
| 16 | Treasury Management | WL | 23/11/17 | Substantial | 0 | 2 | 30% |
| 17 | Fin App - Replacement CRM System | CF | 04/12/17 | n/a | - | - | - |
| 18 | Housing Repairs | CF | 22/01/18 | Reasonable | 1 | 2 | 32% |
| 19 | Leisure Membership Scheme (LLL) | CF | 22/01/18 | Substantial | 0 | 0 | 35% |
| 20 | HiMO Licences | WL | 23/01/18 | Substantial | 0 | 4 | 38% |
| 21 | Stores | CF | 31/01/18 | LIMITED | 2 | 1 | 41% |
| 22 | Kimberley Leisure Centre (LLL) | CF | 07/02/18 | Substantial | 0 | 1 | 43% |
| 23 | Trade Waste | CF | 07/02/18 | Substantial | 0 | 0 | 46% |
| 24 | Council Tax | WL | 20/02/18 | Substantial | 0 | 1 | 49% |
| 25 | Key Reconciliations | WL | 01/03/18 | Substantial | 0 | 0 | 51% |
| 26 | Bank Reconciliation | WL | 06/03/18 | Substantial | 0 | 0 | 54% |
| 27 | Rents | WL | 20/03/18 | Substantial | 0 | 0 | 57% |
| 28 | Pre-Eviction Protocol for Rent Arrears | WL | 21/03/18 | Substantial | 0 | 0 | - |
| 29 | Gas Safety Servicing and Maintenance | CF | 20/04/18 | Substantial | 0 | 1 | 59% |
| 01 | Erewash BC – Risk Management | CF | 24/04/18 | - | - | - | - |
| 02 | Erewash BC – Crematorium | CF | 04/05/18 | - | - | - | - |
| 30 | Financial Resilience | CF | 14/05/18 | Substantial | 0 | 0 | 62% |
| 31 | CDM Regulations | CF | 18/05/18 | Reasonable | 1 | 0 | 65% |
| 32 | Human Resources | CF | 22/05/18 | Substantial | 1 | 1 | 68% |
| 03 | Procurement | CF | 07/06/18 | LIMITED | 1 | 1 | 3% 70% |
| 33 | Benefits | WL | 12/06/18 | Reasonable | 1 | 0 | 73% |
| 34 | Risk Management | CF | 25/06/18 | Substantial | 0 | 3 | 76% |
| 04 | Cemeteries (with Erewash BC) | CF | 25/06/18 | | | | 5% - |
| 35 | Parks and Grounds Maintenance | WL | 28/06/18 | Substantial | 0 | 1 | 78% |
| 36 | Choice Based Lettings | CF | 30/06/18 | Substantial | 0 | 1 | 81% |

REMAINING INTERNAL AUDIT PLAN 2017/18

| No | Audit Title | SIA/ Days | Progress | IA Plan Complete |
|----|-------------------------------------|--------------|---|---------------------|
| | Serious and Organised Crime Audit | WL | Draft report issued | 84% |
| | Sundry Debtors | WL | Draft report issued (Amalgamate with 2018/19 audit) | 86% |
| | Computer/ICT | WL | Ongoing (Amalgamate with 2018/19 audit) | 89% |
| | Information Governance (Management) | 8 | Audit deferred to 2018/19 | 92% |
| | Corporate Governance | 8 | Audit deferred to 2018/19 | 95% |
| | Fees and Charges | 5 | Audit postponed | 97% |
| | Local Authority Trading Company | 5 | Audit postponed | 100% |

REMAINING INTERNAL AUDIT PLAN 2018/19

| No | Audit Title | SIA/ Days | Progress | IA Plan Complete |
|----|---|--------------|---|---------------------|
| | Sundry Debtors | WL | Draft report issued (Amalgamate with 2018/19 audit) | 8% |
| | Computer/ICT | WL | Ongoing (Amalgamate with 2018/19 audit) | 11% |
| | Asset Register (Estates Management) | CF | Ongoing (Nearing completion) | 14% |
| | Creditors and Purchasing | CF | Ongoing (Nearing completion) | 16% |
| | Payroll (including Officers Allowances) | WL | Ongoing (Nearing completion) | 19% |
| | Electrical Testing | CF | Ongoing (Nearing completion) | 22% |
| | Information Governance | 8 | Expected to commence in Q2 | 24% |
| | Events (including Play Leadership) | 2 | Expected to commence in Q2 | 27% |
| | Cash Receipting | 8 | Expected to commence in Q2 | 30% |
| | Corporate Governance (incl. Ethics) | 8 | Expected to commence in Q2 | 32% |
| | Legionella Testing (incl. IL Schemes) | 5 | Expected to commence in Q2 | 35% |
| | Right to Buy | 5 | Expected to commence in Q2 | 38% |
| | Section 106 Agreements | 5 | Expected to commence in Q2 | 41% |
| | Safeguarding | 8 | Expected to commence in Q2/3 | 43% |
| | Commercial Properties (All) | 8 | Expected to commence in Q2/3 | 46% |
| | Garden Waste Collection | 5 | Expected to commence in Q2/3 | 49% |
| | Transport (Fleet Management) | 10 | Expected to commence in Q2/3 | 51% |
| | Commercialisation/Business Strategy | 8 | Expected to commence in Q2/3 | 54% |
| | Tenancy Management (incl. ASB) | 10 | Expected to commence in Q3 | 57% |
| | Beeston Town Centre Redevelopment | 6 | Expected to commence in Q3 | 59% |
| | Lifeline (Aids and Adaptations) | 5 | Expected to commence in Q3 | 62% |
| | Licensing (including Taxi Licences) | 8 | Expected to commence in Q3 | 65% |
| | Treasury Management | 6 | Expected to commence in Q3 | 68% |
| | Bramcote Leisure Centre | 8 | Expected to commence in Q3 | 70% |
| | Energy (including Procurement) | 8 | Expected to commence in Q3 | 73% |
| | Homelessness | 10 | Expected to commence in Q3/4 | 76% |
| | Risk Management (Risk Assessment) | 8 | Expected to commence in Q3/4 | 78% |
| | NNDR | 10 | Expected to commence in Q3/4 | 81% |
| | Rents (including Evictions) | 12 | Expected to commence in Q3/4 | 84% |
| | Choice Based Lettings | 12 | Expected to commence in Q4 | 86% |
| | Bank Reconciliation | 3 | Expected to commence in Q4 | 89% |

REMAINING INTERNAL AUDIT PLAN 2018/19 (CONTINUED)

| No | Audit Title | SIA/ Days | Progress | IA Plan Complete |
|----|---------------------|--------------|----------------------------|---------------------|
| | Key Reconciliations | 2 | Expected to commence in Q4 | 92% |
| | Benefits | 20 | Expected to commence in Q4 | 95% |
| | Council Tax | 12 | Expected to commence in Q4 | 97% |
| | Human Resources | 8 | Expected to commence in Q4 | 100% |

COMPLETED AUDITS

A report is prepared for each audit assignment and issued to the relevant senior managers at the conclusion of a review that will:

- include an overall opinion on the adequacy of controls within the system to provide assurance that risks material to the achievement of objectives are adequately managed – the opinion being ranked as either ‘Substantial’, ‘Reasonable’, ‘Limited’ or ‘Little’ assurance;
- identify inadequately addressed risks and non-effective control processes;
- detail the actions agreed with management and the timescales for completing those actions; and
- identify issues of good practice.

The recommendations made by Internal Audit are risk assessed, with the agreed actions being categorised accordingly as follows:

- Fundamental – urgent action considered imperative to ensure that the Council is not exposed to high risks (breaches of legislation, policies or procedures).
- Significant – action considered necessary to avoid exposure to significant risk.
- Merits Attention (Necessary Control) – action considered necessary and should result in enhanced control or better value for money.
- Merits Attention – action considered desirable to achieve enhanced control or better value for money.

The following audit reports have been issued with key findings as follows:

1. Gas Safety (Servicing and Maintenance) Assurance Opinion – **Substantial**

Internal Audit reports that the Council has an appropriate framework in place for the administration of operations in respect of gas safety. The review indicated one area for improvement to involve the Housing Performance Management team in providing ongoing independent assurance over the performance of the Gas Servicing and Maintenance team. This action was duly implemented by the Interim Senior Housing Manager and the Housing Repairs Manager.

2. Erewash Borough Council – Risk Management

As part of the Internal Audit Collaboration arrangements, Internal Audit has completed a review of the systems and procedures operating in respect of Risk Management at Erewash Borough Council which was carried out as part of the Erewash Internal Audit Plan for 2017/18.

3. Erewash Borough Council – Bramcote Crematorium

As part of the Internal Audit Collaboration arrangements, Internal Audit has completed a review of the systems and procedures operating at Bramcote Crematorium which was carried out as part of the Erewash Internal Audit Plan for 2017/18.

Members will be pleased to note that no significant issues were found and Internal Audit duly issued a substantial assurance opinion ‘clearance’ report.

4. Financial Resilience Assurance Opinion – **Substantial**

Internal Audit sought to ensure that the annual budget and medium term financial strategy (MTFS) are produced in a timely and appropriate manner based upon high quality financial and non-financial data and financial issues identified during their production are promptly addressed.

The Council has engaged the services of the Local Government Association in undertaking a desktop review of its financial position in order to assess the situation and suggest areas for further review to assist in addressing the challenging financial environment that it faces. The review was undertaken by a senior experienced public finance professional. The conclusions were that the Council has managed reductions in funding well over the past seven years. The review did identify specific areas that the Council could examine further in an attempt to strengthen its financial position. These have been considered by the Interim Deputy Chief Executive and have since been reported to the Finance and Resources Committee, with follow-up reports being added to the Committee work programme.

Internal Audit is assured that, going forward, the MTFS will be subjected to greater scrutiny through the General Management Team and the Finance and Resources Committee, with robust challenges being made of the budget assumptions. This level of scrutiny is to be welcomed.

Overall, the review did not indicate any significant weaknesses or areas for concern and, accordingly, a clearance report was duly issued.

5. CDM Regulations Assurance Opinion – **Reasonable**

Internal Audit reviewed the systems and procedures operating in respect of the Construction (Design and Management) Regulations 2015 and found that the Council has an appropriate framework in place to ensure compliance.

There was one 'significant' action proposed relating to the need to ensure overall compliance with the requirements of the CDM Regulations, as follows:

Overall Compliance with CDM Regulations

Internal Audit sought to ensure that processes and procedures within the Council's compliance framework are appropriate and robust.

The overall framework, processes and procedures were reviewed to ensure compliance with the CDM Regulations. These arrangements were found to be satisfactory. It was also noted that processes are operating effectively with regard to major construction projects.

However, the CDM Regulations cover a wide variety of construction type schemes, both large and small. A review of the centrally maintained contractor database suggested that this listing is incomplete, particularly with regard to smaller construction projects managed outside of Capital Works. This inevitably increases the risk of non-compliance.

Agreed Action (Significant)

The Head of Property Services will ensure that information and assistance is readily available to all those with responsibilities for procuring and commissioning construction related works. Expert support in this process will be provided by the Modernisations Manager.

The importance of compliance with CDM Regulations will be re-emphasised across the Council. This work will include:

- providing the revised 'Introduction to CDM 2015' document, the 'Health and Safety Code of Safe Working Practice for Construction Contractors' and the 'Contractors Health and Safety Assessment Form' on the intranet
- producing an e-Learning course to complement the existing Health and Safety suite of courses
- providing regular reminders to relevant managers and officers.

Managers Responsible

Head of Property Services

Capital Works Manager

Modernisations Manager

Target Date: 30 June 2018

6. Human Resources

Assurance Opinion – **Substantial**

This review identified areas for improvement. One 'significant' action was proposed relating to the need for robust controls in place to ensure that potential IR35 implications are considered and evidenced for all temporary appointments, as follows:

Process and Procedure for IR35

Internal Audit sought to ensure that recruitment is appropriately performed in accordance with Council policy and procedures.

The Council has an appropriate policy and procedure for managing the risks and other administrative matters relating to the impact of 'IR35 legislation' on agency workers, contractors, consultants and other temporary employees.

Unfortunately, an inspection of the records maintained under this policy revealed that the procedures detailed in the policy are not being followed. The central list maintained by the Payroll and Job Evaluation Manager contained the name of only one contractor. This is clearly not the case, given that some departments are known to make extensive use of agency staff and contractors.

Agreed Action (Significant)

The importance of compliance with the IR35 procedures will be reiterated across all senior management. Heads of Service have been reminded to consider IR35 implications for all temporary appointments and to submit the necessary returns to Payroll in a timely manner. The regular monthly emails from Payroll also now include reference to IR35 considerations. Progress will be kept under scrutiny and reported to GMT as necessary.

Managers Responsible

Human Resources Manager

Payroll and Job Evaluation Manager

Target Date: 30 June 2018

The review also indicated an area for improvement, with a 'Merits Attention – Necessary Control' action being proposed in respect of the need to maintain complete records of recruitment documentation and sickness absence with further controls to ensure that all documents are received and filed appropriately.

These actions were agreed by the Human Resources Manager and the Payroll and Job Evaluation Manager. Internal Audit will complete appropriate follow-up work at six months from the date of the audit report and will report back to Committee accordingly.

7. Procurement

Assurance Opinion – **Limited**

Internal Audit proposed a 'significant' action for the requirement to comprehensively review and update the Council's procurement activity, namely:

Comprehensive Review and Update of Procurement Activity

Internal Audit sought to ensure that a relevant Procurement Strategy is in place and that this is effectively implemented throughout the Council.

There had been a prolonged period of vacancy in the lead Procurement role whilst organisational arrangements were reviewed following the departure of the former postholder. It was found that:

- The Commissioning and Procurement Strategy was out-of-date and requires review and update.
- The Contracts Register was incomplete and required updating and action as set out below.
- There was only a limited central mechanism in place to monitor supplier spending and consider value-for-money and/or the need for formal tendering has been in place.

In response to this, the Council has recently appointed an expert Interim Procurement and Contracts Officer with a specific remit to remedy these and other key priorities. A document has been produced to clarify and formalise a work plan which has been considered/agreed by General Management Team.

Agreed Action (Significant)

An Interim Procurement and Contracts Officer has recently been appointed who has significant experience in public sector procurement/contract management. This officer's key priorities and tasks in the short to medium term include:

- Refreshing the Commissioning and Procurement Strategy to ensure compliance with the Public Contracts Regulations 2015 and current corporate requirements.
- Refreshing associated procurement guides on the intranet and website.
- Reviewing the current Contracts Register, in conjunction with senior management and the Legal Department, to ensure that the register is transparent and that there is a robust tendering work schedule covering all significant value transactions (and strategically important) for all Council activities. The initial focus will be on expired and soon to expire contracts.
- Ensuring that the Contracts Register is comprehensive, with analysis of management information to evaluate potential efficiencies/savings and identify areas of spend which should be awarded under contract following a competitive tendering exercise.
- Supporting the current review of the Council's Constitution, in particular relating to Financial Regulations/Contract Standings Orders.
- Establishing a suitable framework for contract management, including liaising with senior management to identify key contracts over £25,000 and advice on how the monitoring of these and operational performance management could be improved.
- Promoting the most efficient means of procurement activity, including the development of e-procurement systems and processes.

Managers Responsible

Head of Finance Services

Chief Audit and Control Officer

Interim Procurement and Contracts Officer

Target Date: 31 October 2018

The review also indicated a further area for improvement, with a 'Merits Attention – Necessary Control' action being proposed to develop a procurement e-Learning package to complement the existing support and guidance that is available on the intranet and website.

The actions were agreed by the Head of Finance Services, Chief Audit and Control Officer and the Interim Procurement and Contracts Officer. Internal Audit will complete appropriate follow-up work at six months from the date of the audit report and will report back to Committee accordingly.

8. Benefits Assurance Opinion – **Reasonable**

The Council has an appropriate framework in place for the administration of benefits. It was also pleasing to acknowledge the positive outcome of the review of the Benefits Subsidy claim by the external auditors where an unqualified audit report was provided for the second consecutive year. The positive outcome provides further management assurance that the DWP are comfortable with the adequacy of the arrangements in place.

Internal Audit proposed a 'significant' action relating to the need to ensure that benefits claim assessments and overpayment checks are undertaken regularly as prescribed and the performance monitored, as follows:

Checking of Claim Assessments and Overpayments Objectives

Internal Audit sought to ensure that appropriate measures are in place to ensure that the correct Housing Benefit and Council Tax Support, including any overpayments and subsidy, are applied in each case.

A small proportion (4%) of all claims for Housing Benefit and Council Tax Support should be checked by a second Benefits Assessor. It was found that this was not happening on a regular basis, with the last recorded check having been carried out several months prior to the date of the audit testing.

Concerns about the lack of checking were raised at the previous audit, as there is an obvious risk of errors being made that could lead to benefit claims being wrongly assessed.

A similar proportion (4%) of all Housing Benefit Overpayment calculations should also be checked by the Quality and Control team. At the previous audit there was evidence that these checks were being completed, but the error rate was high at around 10%.

Internal Audit confirmed that some checks in relation to overpayments had been completed this year. Whilst only a small number of 'critical' errors (which if undetected would have resulted in benefits being wrongly refused or underpaid/overpaid) were noted, this may have been because only a limited number of checks had been completed.

Management indicated that after this matter was raised at the previous audit, training was given to an officer to complete these checks. However, this officer has since left the authority. This departure has affected the number of reviews completed and another officer has to be trained. This matter raises concerns about accuracy and succession planning.

Agreed Action (Significant)

The checking process for Housing Benefit and Council Tax Support claim assessments and overpayments will be fully reinstated and monitored at the earliest opportunity.

Working practices will be adapted to ensure that the monitoring process is actioned on a regular basis. Some of the monitoring will be undertaken within the Performance team to ensure consistency in the monitoring process. Training will be provided by the Team Leaders to the relevant individual over the coming weeks.

Managers Responsible

Head of Revenues and Benefits Shared Service

Senior Benefits Assistant(s)

Quality and Control Manager

Target Date: 31 July 2018

Internal Audit will complete appropriate follow-up work at six months from the date of the audit report and will report back to Committee accordingly.

9. Risk Management Assurance Opinion – **Substantial**

Internal Audit reported that the Council has an appropriate framework in place for Risk Management. The review indicated areas for improvement regarding the need to review and refresh the approach to the risk management process, with three 'Merits Attention' recommendations (including two 'Necessary Control' actions) being proposed to:

- Review the approach to risk management, in conjunction with the Council's insurers, following which a refreshed Risk Management Strategy and Policy Statement should be submitted to this Committee for approval.
- Consider the effectiveness of the Strategic Risk Management Group as part of the risk management review.
- Produce and submit an annual report on the effectiveness of risk management to this Committee for consideration.

An action plan was duly agreed by the Head of Finance Services.

10. Cemeteries Assurance Opinion – **Substantial**

Internal Audit has completed a review of cemeteries, which also considered arrangements at Erewash Borough Council as part of the Internal Audit Collaboration arrangements.

Each Council has appropriate frameworks for its respective cemeteries. The review did indicate an area for improvement with one 'Merits Attention – Necessary Control' action being proposed relating to the need to provide an efficient solution for maintaining effective, full and accurate cemetery records.

The proposed action was agreed by the Head of Property Services (Broxtowe), Head of Green Space and Street Scene (Erewash), the Bereavement Services Manager and the Senior Cemeteries Officer.

11. Parks and Grounds Maintenance Assurance Opinion – **Substantial**

Internal Audit is pleased to report that the Council has an appropriate framework in place for the day-to-day administration of operations in respect of Parks and Grounds Maintenance. A potential area of efficiency was identified relating to the security contractor for the supply of attendants at the recreation grounds for the purpose of providing pavilions/changing facilities for pre-booked matches. If a suitable fixed fee could be negotiated and agreed with the contractor this could provide efficiencies in terms of the processing and checking of timesheets to the mutual benefit of both the Council and the security contractor. This matter is being taken forward by the Business and Projects Manager.

12. Choice Based Lettings Assurance Opinion – **Substantial**

The Council has an appropriate framework in place for the Choice Based Lettings system. Internal Audit was also pleased to note that a revised Allocations Policy was approved by the Housing Committee in June 2018 and is scheduled for full implementation in November 2018.

The review has indicated areas for improvement, with one 'Merits Attention - Necessary Control' action being proposed relating to the need to enhance controls relating to declarations of interest. A further observation was made regarding an ongoing review of user access permissions across the constituent authorities with special regard to GDPR provisions. Internal Audit will follow-up on this matter at the next audit.

An action plan was duly agreed by the Interim Senior Housing Manager, the Temporary Housing Options Manager and the Lettings Manager.

Further reviews in respect of the Asset Register (Estates/Asset Management), Computer, Creditors and Purchasing, Electrical Testing, Payroll (including Officers Allowances), Serious and Organised Crime and Sundry Debtors are ongoing and the reports have yet to be finalised. These will be included in the next progress report to Committee.

Current Audit Performance

Overall 22% of planned audits for 2018/19 are near to completion as at 30 June 2018. This level of performance is similar to what was achieved at this stage in the previous year and the target of 90% is expected to be achieved.

APPENDIX 3

INTERNAL AUDIT FOLLOW-UP

Internal Audit has undertaken a review of progress made by management in implementing agreed actions within six months of the completion of the audit.

The table below provides a summary of the progress made with agreed actions for internal audit reports issued between September 2014 and November 2017 (i.e. within six months of completion), excluding clearance reports. Those audits where all actions have previously been reported as completed have also been excluded from this list.

| No | Audit Title | Report Issued | Opinion | Number of Actions (Significant in brackets) | Progress |
|----|--|---------------|----------------|---|---------------|
| 14 | Leasehold Service Charges 2014/15 | 19/09/14 | Reasonable | 6 | Completed |
| 01 | Procurement 2015/16 | 28/05/15 | Reasonable | 3 (1) | Next Audit |
| 10 | CCTV 2015/16 | 09/09/15 | LIMITED | 3 (2) | 2 Outstanding |
| 36 | Household Refuse/Bulky Waste 2015/16 | 06/06/16 | Reasonable | 5 (1) | 1 Outstanding |
| 12 | Members Allowances 2016/17 | 06/10/16 | Substantial | 3 | 1 Outstanding |
| 32 | Flexi-time Management 2016/17 | 11/05/17 | Reasonable | 3 (1) | Completed |
| 33 | Information Management 2016/17 | 12/05/17 | Reasonable | 4 | 2 Outstanding |
| 35 | Benefits 2016/17 | 24/05/17 | Reasonable | 2 (1) | Next Audit |
| 03 | Cash Receipting 2017/18 | 31/07/17 | Reasonable | 4 (1) | Completed |
| 38 | Sundry Debtors 2016/17 | 10/08/17 | Reasonable | 1 (1) | Next Audit |
| 05 | Asset Register (Estates Management) | 15/09/17 | Reasonable | 3 (1) | Next Audit |
| 06 | Creditors and Purchasing 2017/18 | 15/09/17 | Reasonable | 3 (1) | 1 Outstanding |
| 08 | Payroll 2017/18 | 15/09/17 | Reasonable | 2 (1) | Completed |
| 09 | Car Parking 2017/18 | 15/09/17 | Substantial | 1 | Completed |
| 13 | Capital Works 2017/18 | 10/11/17 | Substantial | 1 | Completed |
| 15 | Planning Applications and Income 2017/18 | 23/11/17 | Substantial | 1 | Completed |
| 16 | Treasury Management 2017/18 | 23/11/17 | Substantial | 2 | Completed |

Further details of progress being made with agreed actions that have not yet been fully implemented are included below along with comments from management reflecting any updates on progress. Evidence of implementation will not be routinely sought for all actions as part of this monitoring process. Instead, a risk-based approach will be applied to conducting further follow-up work.

Where the agreed actions to address significant internal control weaknesses have not been implemented this may have implications for the Council. A key role of the Committee is to review the outcome of audit work and oversee the prompt implementation of agreed actions to help ensure that risks are adequately managed.

OUTSTANDING ACTIONS

| | | |
|---|--|---|
| 1. CCTV | | September 2015, Limited Assurance, Agreed Actions – 3 (with 2 Significant) |
| 1.1 CCTV Management and Control | | Progressing |
| 1.2 CCTV Policy | | Progressing |
| <p><u>Agreed Actions (Significant)</u></p> <p>There is consideration of establishing a central management and control function in respect of CCTV at Broxtowe, with the proposal to create this expertise under the revised remit of the Parking Manager.</p> <p>A comprehensive policy/guidance document covering the operation of CCTV systems across the Council will be created having due regard to the relevant legislation, regulations and codes of practice.</p> <p>To support this process, the Parking Manager will initially complete a schedule of visits to all satellite sites with CCTV systems to offer guidance and support. These visits will include a summary review of the respective systems in place and, where appropriate, immediate restrictions will be applied if found to be necessary.</p> <p>Whilst the Parking Manager will be the direct contact for advice and support, a responsible officer will be identified for individual systems at each site.</p> <p><u>Managers Responsible</u> Head of Property Services Parking Manager</p> | <p><u>Management Progress Report of the Head of Property Services</u></p> <p>Centralised management has taken place for 90% of the Council's camera surveillance stock. All sites have been visited with the purpose and need for each system being reviewed. Recommendations have been made regarding the appropriateness, centralisation and continued monitoring responsibilities of each system. All officers associated with surveillance systems have received guidance on appropriate use in line with the Government's Camera Surveillance Commissioner's principles.</p> <p>The Council is working in accordance with Government guidance, but policies need updating to reflect changes in circumstances.</p> <p>The Parking Manager has made progress with centralisation and has advised Liberty Leisure on its operations. Centralising all systems is difficult and will require further dedicated resources to fully complete this process. A lack of officer resources does not allow an alternative site visit-based monitoring and enforcement option. Some savings have been achieved by reducing monitoring costs for the shared service. Negotiations in relation to shared control room and CCTV maintenance management is taking place. This will hopefully secure funding for additional resource to support CCTV, Security and Parking Services.</p> <p>The process of developing updated and more accurate comprehensive policies to reflect surveillance activities has been delayed.</p> | |

| 2. HOUSEHOLD AND BULKY WASTE | | June 2016, Reasonable Assurance, Agreed Actions – 5 (including 1 ‘Significant’) |
|---|---|---|
| 2.1 Income Reconciliation for Special Collections | | Outstanding |
| <p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>The formal reconciliation of special collection income (bulky items) will be reinstated and completed on a monthly basis to ensure that all monies received agree to the amounts expected and to the transactions posted on the general ledger. This check will be evidenced by way of a signature.</p> <p><u>Managers Responsible</u> Environment and Business Development Manager</p> | <p><u>Management Progress Report of the Environment and Business Development Manager</u></p> <p>Due to resource issues and work priority this has still not been actioned. Discussions are taking place to determine how best this can be done within existing resources.</p> | |
| 3. MEMBERS ALLOWANCES | | October 2016, Substantial Assurance, Agreed Actions – 3 |
| 3.1 Motor Insurance – Business Use | | Progressing |
| <p><u>Agreed Action</u> (Merits Attention)</p> <p>Members will be asked to provide annual confirmation to the Council that their motor insurance policy provides cover for ‘business use’ wherever appropriate. This will be provided via Democratic Services.</p> <p><u>Managers Responsible</u> Head of Administrative Services/Chief Audit and Control Officer</p> | <p><u>Management Progress Report of the Head of Administrative Services</u></p> <p>This matter is being considered as part of a wider review of the Driving at Work Policy. Any requests for information will be supported by Democratic Services.</p> | |

| 4. INFORMATION MANAGEMENT | | May 2017, Reasonable Assurance, Agreed Actions – 4 |
|---|---|--|
| 4.1 Progress to address previously identified issues | | Progressing |
| <p><u>Agreed Action (Merits Attention – Necessary Control)</u> The SIRO audit will be completed as soon as the appropriate resources are identified. Internal Audit’s support with this matter would be appreciated and has been offered.</p> <p><u>Managers Responsible</u> Chief Information Officer</p> <p style="text-align: right;">Target Date: 30 June 2017</p> | <p><u>Management Progress Report of the Chief Information Officer</u> Progress on this piece of work was delayed due to officer time being taken up largely with GDPR related work and supporting the implementation of the action plan up to and beyond the end of March.</p> <p>The latest SIRO Audit has now commenced, with the Information Governance Officer starting to receive replies from Information Asset Owners (IAO). The Chief Information Officer will review the returns and produce the combined report that will be presented to GMT before the end of July.</p> | |
| <p>The summary findings of the forthcoming SIRO audit will be presented to GMT for consideration. GMT will be encouraged to consider the actions identified within their respective departmental management team meetings to ensure transparency and to encourage progress.</p> <p><u>Managers Responsible</u> All Chief Officers</p> <p style="text-align: right;">Target Date: Ongoing from July 2017</p> | <p>As above, the latest SIRO audit findings will be presented to GMT for consideration and with Chief Officers for consultation with their respective management teams.</p> | |
| 4.2 Destruction of Records | | Progressing |
| <p><u>Agreed Action (Merits Attention – Necessary Control)</u> The next SIRO audit will include the need for Information Asset Owners to confirm deletion in line with their agreed documented arrangements (Information Asset Register).</p> <p><u>Managers Responsible</u> Chief Information Officer</p> <p style="text-align: right;">Target Date: 30 June 2017</p> | <p><u>Management Progress Report of the Chief Information Officer</u> This information has been captured as part of the Information Asset Registers (which form part of the GDPR Action Plan). Any identified risks regarding deletion arrangements and controls will be followed up as part of the current SIRO audit.</p> | |

| 5. CREDITORS AND PURCHASING | | September 2017, Reasonable Assurance, Agreed Actions – 3 (including 1 ‘Significant’) |
|--|--|--|
| 5.1 Authorisation for Payment | | Outstanding |
| <p><u>Agreed Action (Significant)</u> The Creditors system approval groups will be comprehensively reviewed and updated to ensure that invoices are being appropriately authorised. In the meantime, authorisers will be reminded (via email to Heads of Service and Administrative Officers) of their obligations when approving invoices for payment.</p> <p><u>Managers Responsible</u> Head of Finance Services Chief Accountant</p> <p style="text-align: right;">Target Date: 31 March 2018</p> | <p><u>Management Progress Report of the Head of Finance Services</u> A reminder email was sent to Heads of Service and administrators in March 2018.</p> <p>Following the completion of priority work to produce the annual Statements of Accounts, there is now a commitment to complete the comprehensive review and update approval groups as part of the forthcoming system upgrade, with a revised target date of 30 September 2018.</p> | |

Report of the Interim Strategic Director

COMPLAINTS REPORT 2017/20181. Purpose of report

To provide members with a summary of complaints made against the Council.

2. Detail

This report outlines the performance of the Council in dealing with complaints against it at stage one to service departments, at stage two to the Monitoring Officer and at stage three to the Local Government Ombudsman (LGO).

- Appendix 1 provides a summary of the Council's internal complaint statistics.
- Appendix 2 provides a summary of the complaints investigated by the Council formally under stage two of the Council's formal complaint procedure.
- Appendix 3 provides a summary of the complaints determined by the LGO.

The Council has seen an overall improvement in the management of the complaints service. Through the enhanced use of digital technology the Council has raised the number of complaints being acknowledged within 3 working days. The number of complaints acknowledged on the same day has risen from 128 in 2016/17 to 160 in 2017/18. The number complaints acknowledged after three working days has been reduced from 46 in 2016/17 to 20 in 2017/18, marking a significant improvement in meeting the 3 working day target and improving communication as a whole for the service.

Of the 276 complaints received overall, 23 were investigated under the stage 2 complaints procedure and 3 were investigated by the LGO.

Under the stage 2 complaints procedure, 18 complaints (79%) were not upheld, 2 complaints (8%) were partially upheld and 3 complaints (13%) were upheld. Further detail can be found in appendix 2.

The LGO investigated 3 complaints made against the Council. These 3 complaints (100%) were recorded as not upheld and no further action was required by the Council.

Recommendation

The Committee is asked to NOTE the report.

Background papers

Nil

APPENDIX 1

Complaints received

| | Total | Chief Execs | Deputy Chief Execs | Housing Leisure & Property | Legal & Planning | Members | Liberty Leisure Ltd |
|---|---------------------|--------------------|---------------------------|---------------------------------------|-----------------------------|----------------|----------------------------|
| Number of Stage 1 complaints | 276 (269) | 8 | 84 | 145 | 22 | 10 | 7 |
| No. of complaints investigated under Stage 2 | 23 (11) | 4 | 1 | 13 | 5 | - | - |
| No. of complaints determined by the Ombudsman | 3 (4) | 2 | - | 1 | - | - | - |

This table shows the figures for the overall complaints received in 2017/18 and the previous 2016/17 figures are shown in brackets for comparison.

The Council has registered a total of 276 stage 1 complaints in the year 1 April 2017 to 31 March 2018, compared to 269 in the year 2016/17. The number of complaints concluded under stage 2 of the complaints procedure is 23 (compared to 11 in 2016/17), and 3 complaints (compared to 4 in 2016/17) have been determined by the Local Government Ombudsman and the Housing Ombudsman Service.

Time taken to acknowledge receipt of stage one complaints (3 working day target)

| | Total | Chief Execs | Deputy Chief Execs | Housing Leisure & Property | Legal & Planning | Liberty Leisure Ltd | Members |
|--|---------------------|--------------------|---------------------------|---------------------------------------|-----------------------------|----------------------------|----------------|
| Number of complaints acknowledged on the same day | 160 (128) | 6 | 60 | 77 | 11 | 4 | 2 |
| Number of complaints acknowledged within one to three days | 96 (73) | 2 | 30 | 48 | 7 | 1 | 8 |
| Number of complaints acknowledged after three working days | 20 (46) | 1 | - | 15 | 3 | 1 | - |

160 stage 1 complaints (58%) were acknowledged on the same day. 96 (35%) were acknowledged in one to three days and 20 (7%) took more than three working days to acknowledge.

The Council has seen an improvement in the time taken to acknowledged complaints. The Council has made better use of electronic facilities in order to keep customers updated as to the progression of their complaint.

Time taken to respond to stage 1 complaints (15 working day target)

| | Total | Chief Execs | Deputy Chief Execs | Housing Leisure & Property | Legal & Planning | Liberty Leisure Ltd | Members |
|---------------------------|---------------------|--------------------|---------------------------|---------------------------------------|-----------------------------|----------------------------|----------------|
| Less than 5 working days | 100 (117) | 4 | 67 | 27 | 2 | - | - |
| 5 to 10 working days | 40 (35) | 1 | 22 | 15 | 2 | - | - |
| 10 to 15 working days | 76 (37) | - | 3 | 60 | 6 | 7 | - |
| More than 15 working days | 60 (46) | 2 | 6 | 47 | 5 | - | - |
| Carried Forward | - (9) | - | - | - | - | - | - |

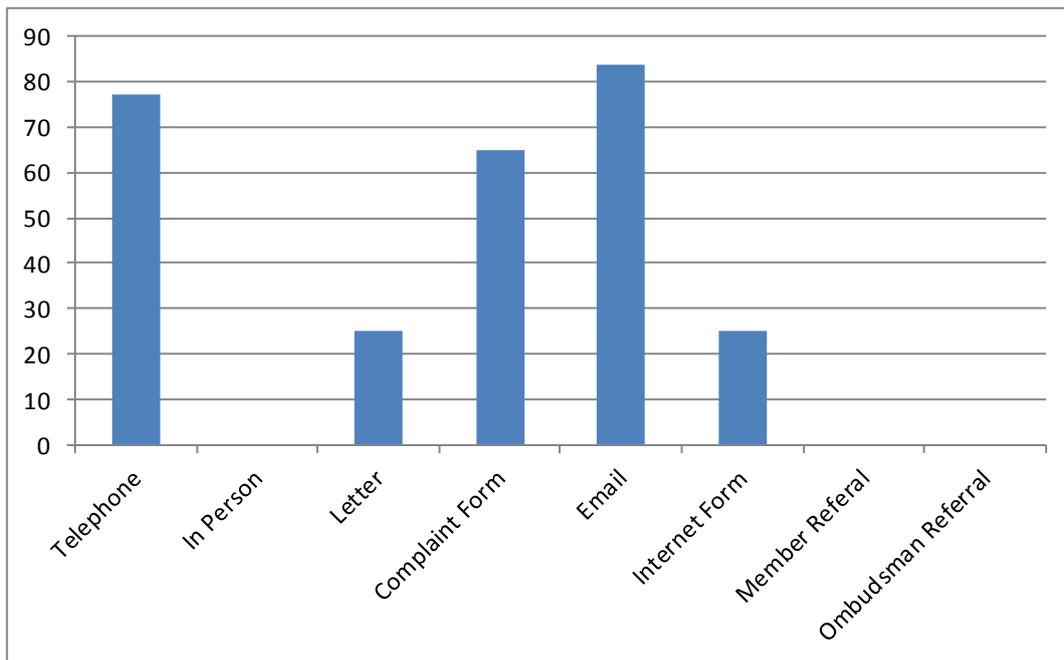
100 stage 1 complaints (36%) were responded to in less than five working days, 40 (14%) within five to ten days, 76 (28%) within ten to fifteen working days. 60 (22%) took longer than fifteen working days to provide a response. In these cases the Heads of Service are asked to write to complainants to advise that a response will take longer and provide the complainant with an estimated timescale for completion.

Reasons for delays could include:

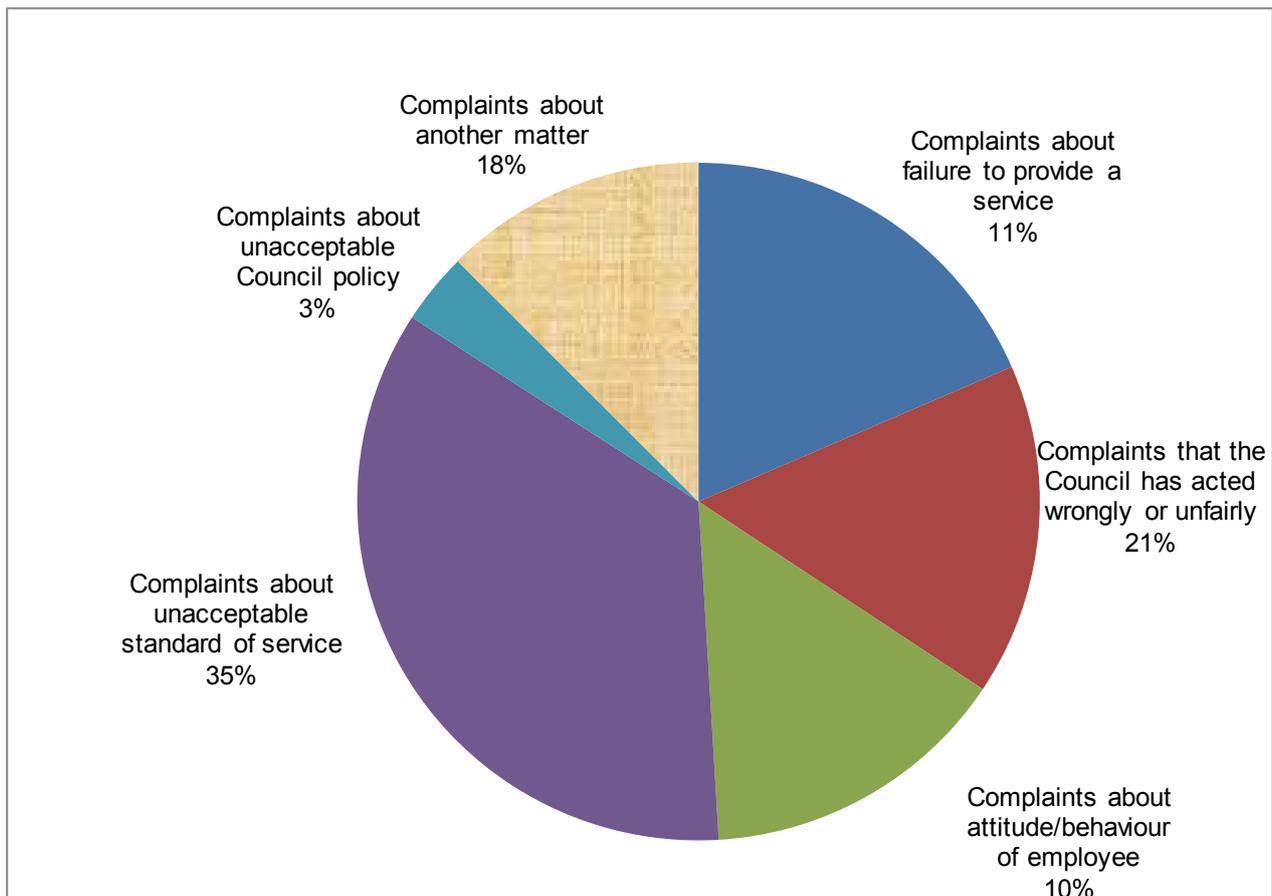
- Further information is required from the complainant
- Complexity of the complaint
- Key officers being unavailable (out of office)

(This list is not exhaustive)

How the complaints were made



What the complaints were about



Number of stage 2 complaints

| | Total | Chief Execs | Deputy Chief Execs | Housing Leisure & Property | Legal & Planning | Members |
|------------------------------|-------------------|--------------------|---------------------------|---------------------------------------|-----------------------------|----------------|
| Number of Stage 2 complaints | 23 (11) | 4 | 1 | 13 | 5 | - |

Time taken to acknowledge to stage 2 complaints (3 working day target)

| | Total | Chief Execs | Deputy Chief Execs | Housing Leisure & Property | Legal & Planning | Members |
|------------------------------------|--------------|--------------------|---------------------------|---------------------------------------|-----------------------------|----------------|
| Acknowledged within 3 working days | 23 | 4 | 1 | 13 | 5 | - |

Time taken to respond to stage 2 complaints (20 working day target)

| | Total | Chief Execs | Deputy Chief Execs | Housing Leisure & Property | Legal & Planning | Members |
|--|--------------|--------------------|---------------------------|---------------------------------------|-----------------------------|----------------|
| Responded in less than 10 working days | - | - | - | - | - | - |
| Responded in 11 to 20 working days | 15 | 4 | 1 | 5 | 5 | |
| Responded in more than 20 working days | 8 | 1 | - | 7 | - | - |

23 complaints were investigated and responded to under stage 2 of the formal complaint procedure. 100% were acknowledged within three working days and 15 (65%) were responded to within the 20 working day timescale. All the complainants who received their responses after 20 working days were informed that there would be a delay and were told the reason. The main factors in delays being involved in complaint response are, further information being required from the complainant or officers, the complexity of the complaint and key officers not being available to interview.

Of the 276 stage 1 complaints recorded, 126 were completed with the monitoring data.

Equalities Monitoring

Gender

Male – 48
 Female – 61
 Not stated - 17

Age groups

| | |
|------------|-----------------|
| <17 - 0 | 45–59 – 39 |
| 18–24 – 6 | 60–64 – 3 |
| 25–29 – 10 | 65+ – 16 |
| 30–44 – 32 | Not stated – 20 |

Ethnic Groups

British – 99
 White & Black Caribbean – 1
 African - 1
 Not stated – 25

Long term health problem that limits daily activity?

Yes – 30
 No – 96

Compliments

There have been a total of 97 compliments registered in the period. 47 of which were in relation to specific employees and 50 were related to the service received.

Financial Settlements

| | Total | Chief Execs | Deputy Chief Execs | Housing Leisure & Property | Legal & Planning |
|--------------|--------------|--------------------|---------------------------|---------------------------------------|-----------------------------|
| Stage 1 | - | - | - | - | - |
| Stage 2 | - | - | - | £357.90 | - |
| Stage 3 | - | - | - | - | - |
| TOTAL | - | - | - | £357.90 | - |

This financial settlement was offered due to a housing repair issue and equates to half of the tenants rent while these issue were occurring. Please see appendix 2, item 19 for further information.

Breakdown of complaints and compliments by department and section**Chief Executive's department**

| Section | Stage 1 Complaints | Stage 2 Complaints | Ombudsman Complaints | Compliments |
|--------------------------|---------------------------|---------------------------|-----------------------------|--------------------|
| Communities | 4 | 3 | 2 | - |
| Corporate Communications | 1 | - | - | - |
| Environmental Health | 1 | - | - | - |
| Human Resources | 1 | - | - | - |
| ICT | - | 1 | - | - |
| Private Sector Housing | 1 | - | - | - |

Deputy Chief Executive's department

| Section | Stage 1 Complaints | Stage 2 Complaints | Ombudsman Complaints | Compliments |
|---------------------|---------------------------|---------------------------|-----------------------------|--------------------|
| Benefits | 8 | - | - | - |
| Customer Services | 5 | - | - | 3 |
| Data Protection | 1 | 1 | - | - |
| Finance Services | - | - | - | - |
| Parks & Environment | 1 | - | - | - |
| Revenues | 12 | - | - | - |
| Waste & Recycling | 57 | - | - | 4 |

Legal & Planning Services

| Section | Stage 1 Complaints | Stage 2 Complaints | Ombudsman Complaints | Compliments |
|------------------------|---------------------------|---------------------------|-----------------------------|--------------------|
| Administration | - | - | - | - |
| Democratic Services | 2 | - | - | - |
| Development Control | 16 | 4 | - | - |
| Economic Development | - | - | - | 1 |
| Elections | - | - | - | 1 |
| Freedom of Information | 2 | - | - | - |
| Legal Services | 1 | - | - | - |
| Town Centre Management | 1 | 1 | - | - |

Housing, Leisure & Property Services

| Section | Stage 1 Complaints | Stage 2 Complaints | Ombudsman Complaints | Compliments |
|------------------------|---------------------------|---------------------------|-----------------------------|--------------------|
| Capital Works | 11 | 1 | - | 3 |
| Estates | 4 | - | - | - |
| Garage Services | 1 | - | - | - |
| Housing Options | 26 | 1 | - | 31 |
| Housing Repairs | 53 | 3 | - | 23 |
| Leaseholder Services | 1 | 1 | - | - |
| Neighbourhood Services | 46 | 7 | 1 | 13 |

| | | | | |
|------------------------|----------|---|---|----------|
| Parking | 2 | - | - | - |
| Strategy & Performance | 1 | - | - | 1 |

Liberty Leisure Ltd

| Section | Stage 1 Complaints | Stage 2 Complaints | Ombudsman Complaints | Compliments |
|--------------------------|---------------------------|---------------------------|-----------------------------|--------------------|
| Bramcote Leisure Centre | 1 | | | |
| Kimberley Leisure Centre | 4 | | | |
| Leisure | 2 | | | |

Standards

| Section | Stage 1 Complaints | Stage 2 Complaints | Ombudsman Complaints | Compliments |
|-------------------|---------------------------|---------------------------|-----------------------------|--------------------|
| Community Trigger | - | - | - | - |
| Members | 10 | - | - | - |

APPENDIX 2

Stage 2 – Formal Complaints1. Complaint against Neighbourhood Services

Acknowledgement – 3 working day
Response – 31 working days
Advised that an extension was required
Complaint not upheld

Complaint

The complainant complained that during a clean and clear of their home, items were disposed of that they wanted to keep.

Council's response

The Council undertook the clean and clear of the complainant's home at their request. The Council undertook this process as the property had been allowed to enter a state of disrepair by the complainant and they could not be discharged from hospital until the property was brought to a reasonable standard. The Complainant and their social worker produced a list of items that were required to be kept. This list of items was signed by the complainant and they informed the Council that all their belongings not on the list could be disposed of.

After this process had been undertaken the complainant raised the issue that the some items were disposed of that they wanted to keep. However, these items were not included on the signed list provided by the complainant and were disposed of accordingly. The Council acted under instruction of the tenant to clear the property and all items requested on the sign list were kept. Therefore the complaint was not upheld.

2. Complaint against Neighbourhood Services

Acknowledgement – 1 working day
Response – 20 working days
Complaint not upheld

Complaint

The complainants complained that through various correspondence with the Housing Department, over a number years, their issues in relation to neighbour harassment, Anti-Social Behaviour, delays in information being provided when requested, not being supported by the Housing Department when an anonymous Christmas card was received had not been effectively dealt with. Additionally, the complainants stated they had been victimised by the Housing Department because of a previous upheld complaint determined by the Ombudsman.

Council's response

The Housing Department were informed by the complainants that they were experiencing issues with their neighbours in relation to parking matters and that an altercation that had taken place between the complainants and their neighbours. The Housing Department

contacted the complainant to arrange a meeting to discuss the incident and attempt to provide a solution. This invitation was declined by the complainant and they stated that they believed the matter rested within the police's authority. As no further incidents were reported to the Council no further action was taken.

The complainants stated that the Housing Department had routinely delayed providing information to them when they requested it. Council records showed that the Housing Department responded to these enquiries promptly and these records showed that complainant had acknowledged receiving the responses to these enquires promptly.

The Council acted promptly and courteously in all correspondence with the complainants and there was no evidence to suggest that they had been victimised by the Housing Department. Therefore, the complaint was not upheld.

3. Complaint against Capital Works

Acknowledgement – 3 working day
Response – 28 working days
Advised that an extension was required
Complaint not upheld

Complaint

The complainants complained that following an assessment for adaptations at their property they were advised that their property was unsuitable and they were required to move to a new property to suit their needs. The complainant further complained that they had not received any communication in regards to this process.

Council's response

An assessment to the complainants' property was carried on 9 October and it was deemed that the adaptations required for the property to be suitable for the complainants' needs could not be carried out. The Council wrote to the complainant on 9 November 2017 to confirm these findings. However, there was a delay in providing this assessment outcome. An apology was provided to the complainants for the delay in providing a response.

4. Complaint against Development Control

Acknowledgement – 3 working days
Response – 20 working days
Complaint not upheld

Complaint

The complainant contacted the Council to complain that there was a lack of consultation in regards to a development taking place near their property. The complainant further complained that the development would lead to a loss of privacy.

Council's response

The complainant stated that they and several neighbours had not received notification and were not consulted on a nearby development.

Council records show that the complainant and their neighbour's property were not adjoining the development and were not required to be consulted. Additionally, the case officer assessed the site for additional neighbours to consult. However, the case officer's assessment was that the complainant's property was not adversely affected due the distance, angle and not immediately adjoining the site. Additionally, as the development was at an oblique angle and a sufficient distance from the complainant's property it was noted that there would be little impact on their privacy.

5. Complaint against Neighbourhood Services

Acknowledgement – 1 working day

Response – 30 working days

Complaint not upheld

Complaint

The primary complaint to the Council was that the complainant's mother lived in a retirement living scheme and the Council had refused to install an additional external flood light to the property.

Council's response

The complainant was advised that the Council could not undertake these works as requested. However, the Council could grant permission for the works to be undertaken by the tenant at their expense. It was stated that in order for these works to be carried out the Council required a formal written request to be submitted by the tenant for such works. As the Council had not received a formal written request from the tenant, permission was not granted for the works to be undertaken. The Council officers acted in line with appropriate policy and therefore the complaint was not upheld.

6. Complaint against Development Control

Acknowledgement – Same working day

Response – 20 working days

Complaint not upheld

Complaint

The complainant contacted the Council in order to complain about a piece of untidy land. The complainant stated that the land was in a state of disrepair and the Council had not taken any action to remedy this issue.

Council's response

The complainant was informed that the land in question was an unregistered piece of land, and enquiries had been made with the Land Registry, the Broxtowe Borough Council Tax section and neighbours to determine ownership. The Council had been unable to determine ownership of the land but had taken steps to ensure that the land was cleared and sealed. The Council repaired the fencing surrounding the site and a contractor was hired to clear and weed the site. The Council was in the process of completing these

works when the complaint was submitted. The complainant was satisfied with the work that had been undertaken by officers.

7. Complaint against Communities

Acknowledgement – same working day
Response – 13 working days
Complaint not upheld

Complaint

The complainant submitted a complaint in relation to the Council not enforcing a Public Space Protection Order (PSPO).

Council's response

The complainant was informed that the Council was responsible for the creation of this particular PSPO. However, as the PSPO related to vehicle offences, the Council did not have the authority to enforce any reported breaches of the PSPO. This was the responsibility of Nottinghamshire Police to enforce. The complainant had been informed of the correct authority to complain to and this was further reinforced in the stage 2 complaint response.

8. C/7/2310 Complaint against Neighbourhood Services

Acknowledgement – 3 working day
Response – 19 working days
Complaint partially upheld
Apology provided

Complaint

The Council received a complaint from a resident who stated that they had been allocated a parking space outside their property and this was subsequently rescinded by the Housing Department.

Council's response

The complainant undertook a mutual exchange and stated that a Housing officer informed them that this property had an allocated parking space outside the property. The parking space was attached to a retirement living complex and an out-dated sign was visible indicating that the parking space was reserved for the Retirement Living Warden who once occupied the complainant's property. However, this was a role that was no longer applicable to the Council and the property was reintroduced into general housing. When the complainant raised this issue with the Council the Housing Department identified that the sign was out-dated and had it replaced.

The complainant was informed that the Council does not allocate parking spaces in communal parking areas and an apology was offered for an out-dated sign being in place for an extended period of time. Additionally, information was provided to the complainant on how to apply for a dropped curb and on-street parking was an option available for the complainant.

As an outcome of this complaint it was requested that the Council's Tenancy Agreement be updated to provide greater clarity on the Council's position of not allocating parking spaces.

9. Complaint against Housing Options

Acknowledgement – 2 working day
Response – 29 working days
Advised that an extension was required
Complaint not upheld

Complaint

The complainant contacted the Council to complain that they had not been allocated a property despite being in the highest bidding position on the Council's Home Search website. The complainant suggested that this is because the Council was victimising them because of their sexual orientation.

Council's response

The property for which the complainant was bidding was advertised as preference being given to a non-transfer applicant. The complainant was already housed by the Council and as such was not considered a non-transfer applicant. The property was let to a non-transfer applicant in line with the Council's Allocations Policy and as it had been advertised on the Council's website. There was no evidence to suggest that the property had not been allocated to the complainant due to their sexual orientation. Officer within the Housing Department acted appropriately and in line with the Council's policies.

As part of this complaint it was highlighted that there had been a delay in information being processed by the Housing Department and being sent by them to other departments within the Council. The Housing Department was reminded of the need to process information in a timely manner and an apology was provided to the complainant.

10. Complaint against Communities

Acknowledgement – 3 working day
Response – 35 working days
Advised that an extension was required
Complaint not upheld

Complaint

The primary complaint received was that the Council refused to review the issuing of the Community Protection Warning (CPW) and the Head of Service refused to confirm this position in writing.

Council's response

The complainant was issued a CPW by the Communities Department after an incident involving their dogs in which a cat died. The Council explained to the complainant that the CPW was only a warning and could not be appealed at this stage. The complainant was offered a further meeting with the Head of Service and appropriate officers to discuss the

CPW issued to them. It was found that the officers involved had dealt with the complainant in an efficient manner and had issued advice when requested by the complainant.

11. Complaint against Communities

Acknowledgement – 3 working day
Response – 35 working days
Advised that an extension was required
Complaint not upheld

Complaint

The complainant complained that, following the incident reported above at complaint 10, the Neighbourhood Wardens had not issued any advice to the complainant nor had they called them back as had been requested.

Council's response

Following the incident involving the complainant's dogs and a cat, the complainant contacted the Council to report the incident. The complainant was issued advice over the telephone by the Neighbourhood Wardens team and the complainant was informed that a follow up phone call would only be appropriate should further complaints or incidents were received in relation to the complainant's dogs. Additionally, the incident had been referred to Nottinghamshire Police and therefore the Council was unable to take further action.

12. Complaint against Neighbourhood Services

Acknowledgement – 1 working day
Response – 15 working days
Complaint not upheld

Complaint

The complainant contacted the Council to complain that proper legal process was not followed when garage rents were increased in 2017/18.

Council's response

The complainant stated that the Council had not followed due legal process by giving 28 days' notice before increasing the garage rent charges. However, as stated in the garage tenancy agreement, the Council is not required to provide 28 days' notice to increase garage rents, only confirmation in writing that the charges are to be increased. A copy of the garage tenancy agreement was provided to the complainant for further information.

Additionally, it was noted that the purpose of the letter sent to inform residents of the increase in rent was not clear. An apology was provided to the complainant for any confusion caused.

13. Complaint against Town Centre Management

Acknowledgement – 1 working day
Response – 20 working days
Complaint upheld

Complaint

The complainant complained to the Council that their trial period to trade in a town centre had been cancelled without proper notice and without explanation.

Council's response

The Council set up a trial with the complainant to trade within a town centre in the Borough. As part of the Council's 'Use of Town Squares Conditions of Use' it states that the Council reserves the right to cancel any booking at short notice. However, the complainant was informed by an officer that the booking could only be cancelled with one weeks' notice. The trial was cancelled a day before the complainant was due to trade on the town centre. Therefore, the complainant received incorrect information and the correct procedure was not followed.

When the trial was cancelled a day before the complainant was due to trade, an explanation was not provided, only that the trial had been cancelled. An explanation was later provided a week later after the complainant contacted the Council to enquire after this explanation.

The Council did not follow the correct procedure and there was a delay in providing an explanation into why the trial had been cancelled. Therefore, the complaint was upheld.

The complainant was refunded the payments made to rent the town centre as part of the cancellation. Additionally, further compensation was offered as part of the stage 2 complaint but this was refused by the complainant as being too low.

14. Complaint against Data Protection

Acknowledgement – 1 working day

Response – 19 working days

Complaint upheld

Complaint

The complainant contacted the Council to complain that they had not received an apology in relation to a data breach.

Council's response

The Council was made aware of a potential data breach made by the Planning Department. The Council investigated this complaint and determined that a breach had occurred as the Planning Department was unaware of a property being occupied by two people with the same name. The Council issued an apology to the individual who raised the data protection breach. However, this complainant had not originally complained about this issue and had not received an apology. As the Council had formally received a complaint from this individual an apology was issued.

15. Complaint against Neighbourhood Services

Acknowledgement – 1 working day

Response – 29 working days

Complaint not upheld

Complaint

The Council received a complaint from a Council tenant who stated that the Housing Department had not dealt with their claims of a neighbour not clearing their dog fouling from their garden. Additionally, they complained that the Housing Department have raised issues with the condition of their own garden. The complainant believed that the Housing Department were investigating the condition of their garden because they had complained about the dog fouling issue and of their racial background.

Council's response

The complainant contacted the Council to complain that their neighbour was not cleaning their dog fouling in a timely manner. As a response the Housing Officer contacted the complainant to further discuss the matter and a site visit was conducted by the Area Housing Officer. The site visit concluded that their neighbour was cleaning the dog fouling in a timely manner and no further action was necessary. The complainant was subsequently written to to conclude this matter.

Upon inspecting the neighbour's garden, the Area Housing Officer identified that the complainant's garden was in breach of the Tenancy Agreement. The complainant was written to to explain that items within their garden were causing a breach of their tenancy and would need to be disposed of or tidied.

The complainant was informed that the Area Housing Officer was acting in line with the Tenancy Agreement in asking the complainant to comply with their tenancy. There was no evidence to suggest that these actions were racially motivated. The officers involved acted in line with Council policy.

16. Complaint against Housing Repairs

Acknowledgement – 1 working day

Response – 30 working days

Advised that an extension was required

Complaint not upheld

Complaint

The complainant contacted the Council to state that a property they were shown for a potential let was in a state of disrepair and was not suitable for their needs.

Council's response

The complainant stated that there was a smell upon entering the property, wall paper was hanging off the walls, the kitchen and bathroom were dated and that the storage heaters were not suitable for their medical needs.

It was explained to the complainant that the property had stood empty for an extended period of time with no heating or ventilation causing a smell. The property had been cleaned by the Council's cleaning contractor during the void process and met the Council's re-lettable standard. Additionally, Council records showed that the kitchen and bathroom were modernised in 2005 and were due for refurbishment in 2025. The Council expects these modernisation have a 20 year usable period.

The Council were unaware of the effect storage heaters would have on the complainant's wellbeing. As a result their file was updated to not show them properties with storage heaters. The property met Council's re-let standard but did not meet the complainant's expectations.

17. Complaint against ICT

Acknowledgement – Same working day
Response – 14 working days
Complaint not upheld

Complaint

A complaint was raised in relation to the complainant's auto-forwarding rule to a personal e-mail account being deactivated from their official Broxtowe e-mail account.

Council response

The complainant was informed that during a Council meeting in 2012 it was resolved that all auto-forwarding rules to personal e-mails were to be deactivated. However, due to an oversight the auto-forwarding rule had not been deactivated in 2012 and remained active until 2017 when an audit of the Council's servers had taken place and identified it as still being active. The auto-forwarding rule had been deactivated following the audit. However, the individual was not informed that this had taken place. An apology was offered to the complainant for this deactivation not being communicated to them.

The complainant was advised that the auto-forwarding rule had been deactivated to make the Council compliant with the data protection principles.

18. Complaint against Housing Repairs

Acknowledgement – Same working day
Response – 18 working days
Complaint not upheld

Complaint

The Council were contacted by the complainant who wished to raise a complaint against the state of disrepair of their property.

Council's response

Council records showed that the property was cleaned by the Council's cleaning contractor and they had identified remedial works that needed to be undertaken. These works were undertaken before the complainant moved into the property. Additionally, further works were identified by the complainant and these were carried out by the Housing Repairs team within the time frames given to the complainant. The complainant's primary complaint to the Council was that the property was not decorated to their standard.

The complainant was awarded a £50 decoration voucher before they moved into the property. It was explained that the property satisfied the re-lettable standard but the Council do not redecorate properties. This remained the responsibility of the tenant.

19. Complaint against Housing Repairs

Acknowledgement – 3 working day

Response – 20 working days

Complaint upheld

Complaint

The Council received a complaint about the state of disrepair of a tenant's property. In particular, there were weeds growing behind the wall paper and up the tenant's walls and the level of compensation offered as part of the stage 1 complaint was not acceptable.

Council's response

The Council recognised that mistakes had been made and the tenant's property had not been thoroughly inspected during the void process. This meant that there was an extensive weed growth behind the complainant's wall paper and floorboards. The Council offered a total of £357.90, 50% of the rent payable from when the complainant occupied the property while they experienced these issues.

However, the complainant stated that their solicitor recommended a compensation fee of £11,750. The complainant was invited to submit the evidence provided by their solicitor as how this their compensation figure had been calculated. No evidence was submitted and the complainant accepted the offer originally extended to them.

20. Complaint against Development Control

Acknowledgement – 2 working day

Response – 35 working days

Advised that an extension was required

Complaint not upheld

Complaint

The primary complaint received was that a description on a neighbouring planning application was not accurate. Additionally, it was raised that the applicant had written comments in the application that the complainant believed to be inaccurate and slanderous against them and should be removed from the website.

Council's response

The Council informed the complainant that the description that was placed on the website was examined by a team leader within the Planning Department and deemed appropriate. While the complainant may have requested that the description be expanded upon, it was sufficient to provide a basis of understanding for the application.

The complainant was further informed that the Council was unable to remove the application from the website as these comments formed supporting evidence of the applicant. The Planning Department would only remove applications from the website in exceptional circumstances, such as where extremist language had been used. However, this was not the case for this application.

The complainant was advised to contact the Council's Mediation Service as this presented an opportunity for them to talk to their neighbour.

21. Complainant against Neighbourhood Services

Acknowledgement – 2 working day
Response – 41 working days
Advised that an extension was required
Complaint partially upheld

Complaint

The complainant contacted the Council to raise concern that during a Keep in Touch visit Housing officers were recording the conversation, had shown a poor attitude toward the complainant and had made derogatory comments when leaving the property.

Council response

Two Housing Officers visited the complainant to conduct a routine Keep in Touch Visit. During the visit the complainant became agitated and the Housing Officers felt threatened by their behaviour. The Housing Officers activated their loan worker device for an independent person to monitor the situation and provide support should it escalate further. However, the independent person, based with the company Skyguard, asked through the loan worker device if the officers still required the situation to be monitored. This statement was projected from the loud speaker fitted in the loan worker device alerting the complainant to fact that the situation was being monitored. The complainant became more agitated and the officers left the property.

It was explained to complainant as part of the complaint response that the while the situation was being monitored it was not being recorded. The officers felt it necessary to

activate the device during this visit but it was explained that the feeling of being threatened was a matter personal perception.

The officers involved recognised that following the incidents some comments were made. An apology was offered to the complainant and the Housing Department has been reminded that remarks in regards to tenants and properties, no matter the situation or context, are not appropriate in a public area.

As a result of this complaint the Housing Department has been in touch with Skyguard to ensure that this situation is not repeated.

22. Complaint against Neighbourhood Services

Acknowledgement – 1 working day
Response – 19 working days
Complaint not upheld

Complaint

The complainant contacted the Council to complain about the management of their mother's Life Line service and, in particular, about a discrepancy as to where letters regarding arrears were being sent.

Council's response

The Council's records showed that all invoices and reminder letters were being sent to the nominated person, this being the complainant. The Council had received payment for previous outstanding Life Line arrears and therefore there was no evidence to suggest that these letters had not been received or sent to the correct address. The Council had no record from the complainant that sending these letters to this address was no longer appropriate. The complainant was asked, as the nominated person, to pay the remaining outstanding arrears.

23. Complaint against Development Control

Acknowledgement – 1 working day
Response – 19 working days
Complaint not upheld

Complaint

The primary concern raised by the complainant was that deliveries were taking place to a takeaway establishment despite planning conditions being in place which restricted such activities.

Council's response

The complainant was informed that, while the Council had originally determined the conditions on the takeaway, these were later determined by the Planning Inspectorate following an appeal.

The understanding of the Council was that deliveries could take place to and from the premises, more specifically deliveries of ingredients/foodstuff and packaging. Within this understanding of the condition is also the collection of refuse from the premises. The delivery of food, the takeaway's business function, is defined within condition 3 of the Planning Inspectorate approval letter subject to opening hours of the premises. The Council had found no breach in the conditions of this planning approval. The definition of commercial deliveries is not defined and the Council are of the understanding that deliveries can take place to and from the premises.

APPENDIX 3

Stage 3 - Ombudsman Complaints**1. Complaint against Chief Executive's Department – Communities**Complaint

The complainant complains about the actions of the Council's dog control officers who issued her with a Community Protection Notice. She disputes the reasons for issuing the warning and complained about the attitude of the officers.

Ombudsman's conclusion

The complainant says the Council's dog control officers issued her with a Community Protection Warning because her dogs were out of control in a public place. The complainant disputes the account of what took place and claims their dogs were attacked by a cat.

The Council served the Warning by hand to her home. The complainant stated that she was under medication at the time and was unable to give a clear account or contest it. The complainant wanted the Council to reconsider the warning because it has damaged their self-esteem and it was unfair. The Council says it will not withdraw the warning and that its officers followed the correct procedure in issuing the warning.

The Ombudsman cannot question whether a council's decision is right or wrong simply because the complainant disagrees with it.

The Ombudsman recorded their decision as: '**Closed after initial enquiries - no further action.**'

2. Complaint against the Chief Executive's Department – CommunitiesComplaint

The complainant says the Council failed to give adequate advice or assistance about dog control during a telephone call with the Dog Warden, following an incident between the complainant's dogs and a cat.

Ombudsman's conclusion

The complainant's dogs were involved in an incident where they caught and killed a cat. The Police logged the incident as an accident.

The Council's Dog Warden and the complainant spoke for 20 minutes. The complainant was told that they would receive a call back from a manager, and therefore expected some further assistance.

The Council says general advice was offered during the conversation. As this was the first reported incident involving the complainant's dogs, and that the Police were satisfied it was an accident, no follow up action was deemed necessary or agreed by the Warden.

The Ombudsman recorded their decision as: **'Closed after initial enquiries - no further action.'**

3. Complaint against Housing, Leisure and Property Services – Neighbourhood Services

Complaint

The complainant complained that the Council gave them incorrect information about allocated parking spaces when they were in the process of exchanging their tenancy with another tenant.

Ombudsman's conclusion

The complainant, until recently stated that they were able to use a parking space in the residents' car park which was suitable. There was a sign next to the space differentiating it from other parking spaces.

The Council has accepted there was an obsolete parking space sign in place for some years. It has apologised for not identifying and putting this right sooner. The Council has explained to the complainant it does not provide parking spaces for its properties which do not have a driveway. It says this is a consistent practice across the borough. The Ombudsman would not criticise the Council for applying its policy on parking spaces consistently.

The Ombudsman recorded their decision as: **'Closed after initial enquiries - no further action.'**

This page is intentionally left blank

Report of the Interim Strategic Director

REVIEW OF POLLING DISTRICTS AND POLLING PLACES1. Purpose of report

To inform the Committee of the arrangements for the review of polling districts and polling places to be carried out later in the year.

2. Background

All relevant local authorities are responsible for reviewing UK Parliamentary polling districts and places for so much of any constituency as is situated in their area. The Electoral Registration and Administration Act 2013 introduced a change to the timing of compulsory reviews; the next is to be started and completed between 1 October 2018 and 31 January 2019 (inclusive). The length of the process is not specified in legislation but should allow sufficient time for consultation to be carried out. Details of the process to be followed when carrying out a review is set out in the appendix.

The review in Broxtowe will be carried out between 1 October and 11 November 2018. A further report will be submitted to this Committee on 3 December 2018 setting out responses received to the consultation and recommendations for any changes to be considered by Council on 19 December 2018.

If any changes are made to polling district boundaries the Electoral Registration Officer must amend the electoral register accordingly. A revised register will, if necessary, be published on 1 February 2019, the first publication of a notice of alteration after the register is published on 1 December 2018. The (Acting) Returning Officer will also be required to comment on both existing polling stations and the polling stations which would likely be used if any new proposals for polling places were accepted. Election rules require the (Acting) Returning Officer to decide how many polling stations are required for each polling place and must allocate electors to the polling stations as they think most convenient.

While legislation does not provide a role for the Electoral Commission in the review process, specified interested parties may make representations to the Commission to reconsider any polling districts and polling places once the Council has published the results of its review. The Commission may direct the Authority to make any alterations to the polling places which it thinks necessary and, if the alterations are not made within two months, may make the alterations itself.

3. Financial implications

There are no financial implications associated with the review.

Recommendation

The Committee is asked to NOTE the report.

Background papers

Nil

APPENDIX

Review process

When carrying out the review, local authorities must:

- publish a notice of the holding of a review
- consult the (Acting) Returning Officer for every parliamentary constituency which is wholly or partly in its area
- publish all representations made by an (Acting) Returning Officer within 30 days of receipt by posting a copy of them at the local authority's office and in at least one conspicuous place in their area and, if the authority maintains a website, by placing a copy on the authority's website
- seek representations from such persons as it thinks have particular expertise in relation to access to premises or facilities for persons who have different forms of disability. Such persons must have an opportunity to make representations and to comment on the representations made by the (Acting) Returning Officer(s).
- on completion of a review, give reasons for its decisions and publish:
 - a. all correspondence sent to an (Acting) Returning Officer in connection with the review
 - b. all correspondence sent to any person whom the authority thinks has particular expertise in relation to access to premises or facilities for persons who have different forms of disability
 - c. all representations made by any person in connection with the review
 - d. the minutes of any meeting held by the Council to consider any revision to the designation of polling districts or polling places within its area as a result of the review
 - e. details of the designation of polling districts and polling places within the local authority area as a result of the review
 - f. details of the places where the results of the review have been published

Notice of the review will be sent to the Acting Returning Officers for the Broxtowe and Ashfield Parliamentary Constituencies, all members of Broxtowe Council, County Councillors for electoral divisions within Broxtowe, the MPs for the Broxtowe and Ashfield Parliamentary Constituencies, local political parties and members of the Disability Forum. It will also be advertised on the Council's website and through social media.

Report of the Interim Strategic Director

| |
|-----------------------|
| WORK PROGRAMME |
|-----------------------|

1. Purpose of report

To consider items for inclusion in the Work Programme for future meetings.

2. Background

Items which have already been suggested for inclusion in the Work Programme of future meetings are given below. Members are asked to consider any additional items that they may wish to see in the Programme.

| | |
|-------------------|--|
| 24 September 2018 | <ul style="list-style-type: none"> • Annual Audit Letter 2017/18 • Internal Audit Progress Report • Internal Audit Improvement Plan Progress Report • Review of Strategic Risk Register • Standards Complaints Update • Electoral Security |
| 3 December 2018 | <ul style="list-style-type: none"> • Internal Audit Progress Report • Review of Strategic Risk Register • Proposals from Polling District Review • Member Induction Programme – May 2019 |
| 18 March 2019 | <ul style="list-style-type: none"> • Internal Audit Plan 2019/20 • Internal Audit Progress Report • External Audit Plan 2018/19 • Review of Strategic Risk Register |

3. Dates of future meetings

The dates for future meetings have been confirmed as follows:

24 September 2018

3 December 2018

18 March 2019

(All meetings to start at 7.00 pm)

| |
|------------------------------|
| <u>Recommendation</u> |
|------------------------------|

| |
|---|
| The Committee is asked to CONSIDER the Work Programme and RESOLVE accordingly. |
|---|

Background papers

Nil

This page is intentionally left blank



External Audit ISA260 Report 2017/18

**Broxtowe Borough
Council**

—
July 2018



Summary for Audit Committee

This document summarises the key findings in relation to our 2017/18 external audit at Broxtowe Borough Council ('the Authority').

This report covers both our on-site work which was completed in March and July 2018 on the Authority's significant risk areas, as well as other areas of your financial statements, and the control environment in place to support the production of timely and accurate financial statements.

Controls over key financial systems and IT control environment

We have tested controls as part of our focus on significant audit risks and other parts of your key financial systems on which we rely as part of our audit. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

We have raised five recommendations as a result of our work which are documented in Appendix One.

Accounts production

We received a complete set of accounts for audit on 31 May 2018, which is the statutory deadline.

The Authority has succeeded in meeting the reduction in timetable which is a significant achievement having experienced a number of pressures resulting in missed the statutory deadline in 2016/17.

Financial statements

Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Authority's financial statements before the deadline of 31 July 2018.

Based upon our initial assessment of risks to the financial statements (as reporting to you in our *External Audit Plan 2017/18* and updated during our audit) we identified the following significant risks (excluding those mandated by International Standards on Auditing – see Page 10):

- **Faster Close** – The Authority presented its accounts for audit on the required deadline of 31 May 2018 and has provided the supporting information to conduct an audit within the required timeframes.
- **Valuation of PPE** – As a result of our work, we determined that the valuation of land and buildings recognised in 2017/18 are appropriate.
- **Pensions Liabilities** – As a result of our work, we determined that the valuation of pensions liabilities recognised in 2017/18 are appropriate. We identified that the Authority had taken advantage of making a lump sum payment in the year but had incorrectly reflected this as a prepayment in the draft accounts but has updated accordingly.

Based on our work, we have raised five recommendations. Details of our recommendations can be found in Appendix 1.

We are now in the completion stage of the audit and anticipate issuing our Annual Audit letter by September 2018.

Summary for Audit Committee (cont.)

Value for money arrangements

We have completed our risk-based work to consider whether in all significant respects the Authority has proper arrangements to ensure has taken properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. 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 value for money opinion

We set out our assessment of those areas requiring additional risk based work in our *External Audit Plan 2017/18* and have updated this assessment during our interim visit. As a result of this we identified the following significant VFM audit risks:

- **Financial Resilience** – Within its Medium Term Financial Strategy, updated in February 2018, the Authority identified a potential shortfall in resources of £1.530m for the period 2018/19 to 2021/22, after including significant assumptions relating to achieving £1.0m of savings per annum and a vacancy savings of £0.3m. This requires the Authority to have significant focus on identifying and implementing its savings plans and addressing the residual shortfall over the medium term. The Authority has, however, underspent against budget in 2017/18 and is due to reflect this underspend and initial reduced pressure on its General Fund balances in its revised MTFS in October 2018.

See further details on page 17.

Exercising of audit powers

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.

We have not identified any matters that would require us to issue a public interest report.

In addition, we have not had to exercise any other audit powers under the Local Audit & Accountability Act 2014.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help

Section one

Control Environment



Organisational and IT control environment

We have identified no significant issues with the Authority's organisational and IT control environment and consider that the overall arrangements that have been put in place are reasonable.

Work completed

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. We obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing of these controls.

The Authority relies on information technology ("IT") to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we test controls over access to systems and data, system changes, system development and computer operations.

Key findings

We consider that your organisational and IT controls in relation to financial systems are effective overall. We noted that the Authority has proposed further development of its Risk Register through the Governance, Audit and Standards Committee and therefore have not raised a separate recommendation.

Controls over key financial systems

The controls over the majority of the key financial systems are sound.

However, there were some weaknesses identified in respect of procurement during the course of the year due to the Authority being unable to appoint a substantive Procurement and Contracts Officer.

Work completed

Where we have determined that this is the most efficient audit approach to take, we evaluate the design and implementation of the control and then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Our assessment of a system will not always be in line with your internal auditors' opinion on that system. This is because we are solely interested in whether our audit risks are mitigated through effective controls, i.e. whether the system is likely to produce materially reliable figures for inclusion in the financial statements.

Key findings

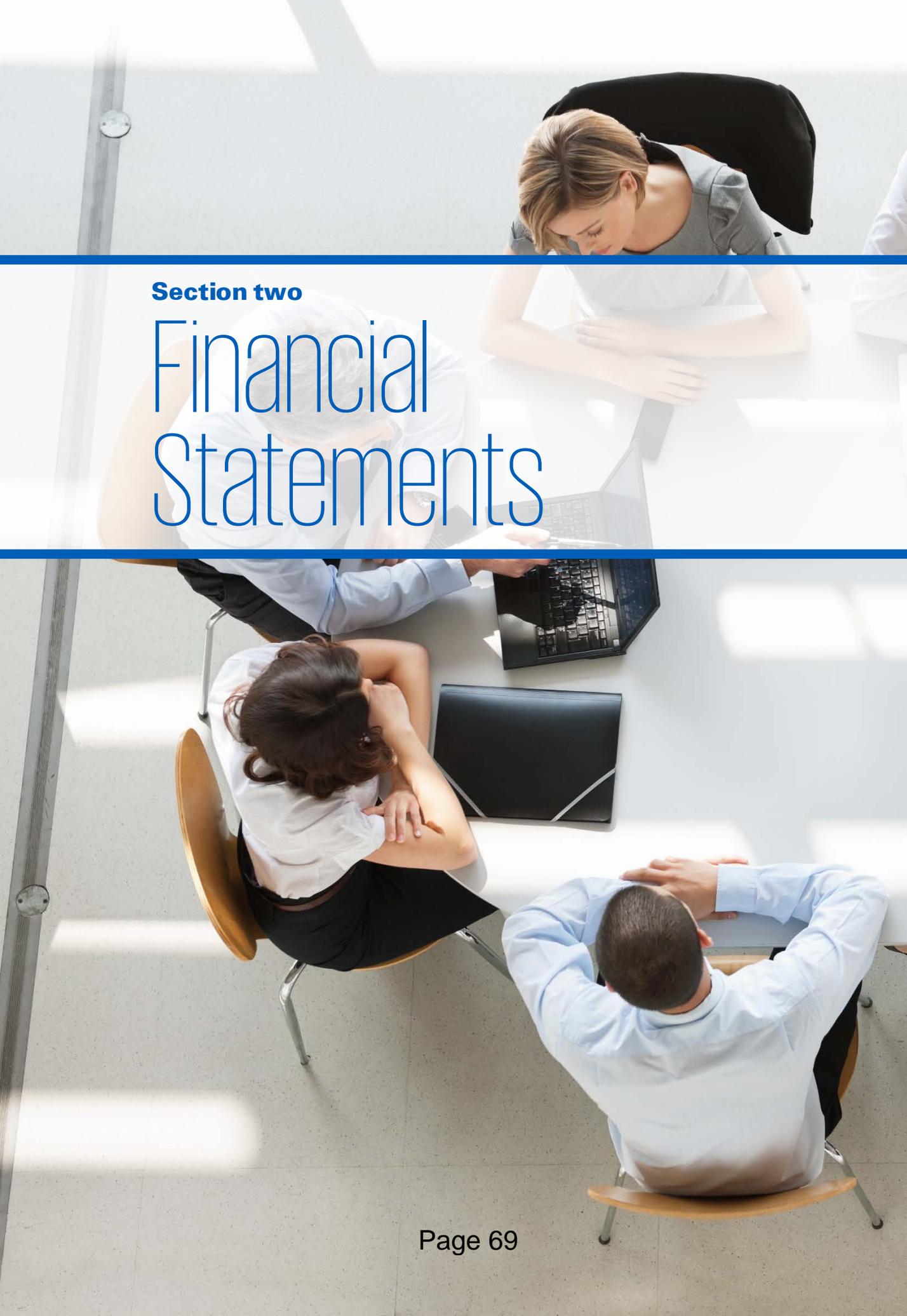
Based on our work we have determined that the controls over the majority of the key financial systems are sound.

We noted some weaknesses in respect of individual financial systems that had an impact on our audit:

- **Procurement:** During our interim audit testing we identified that the Authority's Procurement and Contracts Officer had left his employment on 30 June 2017 but the Authority had been unable to source a replacement. As a result the Authority's contract register was not up to date at the point of our review. Where contracts had expired or were due to expire, the Authority had made temporary arrangements to extended existing service provision
- **Recoverability of debtors:** We established that the Authority had aged debtors aged over 12 months of £223k, with one debtor aged 24 years although this was subject to an arrangement where payments were still being made. Whilst for the purposes of our audit the bad debt provision made was appropriate, the Authority's control environment would benefit from more transparent reporting of aged debt so the levels, age profile and type of debtor are clear and routinely actioned.

Recommendations are included in Appendix 1.

We have followed up our prior year recommendations and evaluated our recommendation in respect of three way match controls as partially implemented for the Authority to continue to monitor its action plan against this recommendation.

An overhead photograph of four business professionals (three men and one woman) sitting around a white conference table. They are dressed in business attire. Two laptops are open on the table. The scene is brightly lit, with shadows cast across the table and floor. A blue horizontal bar is overlaid across the middle of the image, containing the text.

Section two

Financial Statements

Accounts production and audit process

Audit standards (ISA 260) require us to communicate our views on 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. The efficient production of the financial statements and good-quality working papers are critical to meeting the tighter deadlines.

The Authority’s overall process for the preparation of the financial statements is adequate.

The Authority has implemented the majority of the recommendations in our ISA 260 Report 2016/17.

Accounts practices and production process

The Authority incorporated a number of measures into its closedown plan to improve the project management of this complex process. This has included the appointment of an Interim Chief Accountant in 2017/18 to support the process and deliver the action plans from the 2016/17 audit. Specifically, the Authority recognised the additional pressures which the earlier closedown brought and we engaged with officers in the period leading up to the year end in order to proactively address issues as they emerge. The Authority has navigated further staff changes, namely the departure of the Chief Accountant, well.

We consider that the overall process for the preparation of your financial statements is adequate. We note the Authority will be undertaking a full valuation of its Council Dwellings portfolio in 2018/19 and therefore it needs to plan this carefully and obtain some external support to comply with RICS valuation standards.

We also consider the Authority’s accounting practices appropriate.

Going concern

The financial statements of the Authority have been prepared on a going concern basis. We confirm that we have identified no significant matters which would, in our view, affect the ability of the Authority to continue as a going concern.

Further commentary on the Authority’s arrangements in place to secure the effective delivery of budgets is included at page 20.

Implementation of recommendations

We raised nine recommendations in our ISA 260 Report 2016/17. The Authority has implemented the majority of the recommendations relating to the financial statements in line with the timescales of the action plan. The table below sets out the Authority’s progress against high priority recommendations. Further details are included in Appendix 2.

| Issue | Progress |
|--|---|
| Accounting for PPE | Implemented |
| Accounts and working paper production and review | Implemented |
| Three-way match control | Partially Implemented The Authority should continue to champion three way match processes to ensure expenditure is tightly controlled in line with best practice approval principles. |

Accounts production and audit process (cont.)

Completeness of draft accounts

We received a complete set of draft accounts on 31 May 2018, which is the statutory deadline.

Quality of supporting working papers

We issued the final draft of our Accounts Audit Protocol to the Chief Accountant in May 2018. This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Authority to provide to support our audit work. This helps the Authority to provide audit evidence in line with our expectations.

We worked with management to ensure that working paper requirements are understood and aligned to our expectations. We are pleased to report that this has resulted in good-quality working papers with clear audit trails in the majority of cases.

Response to audit queries

Our agreed turnaround time for dealing with audit queries was achieved in most areas, except for areas where staff who prepared the working papers or needed to provide supporting information were not part of the finance team or were not available during the audit. For example, we undertook extensive sampling of non pay expenditure but items were fragmented across the Authority so we are pleased that the Authority is progressing to Intelligent Scanning as part of the solution to address this going forward.

Group audit

We are pleased to report that there were no issues to note in relation to the group account consolidation process.

To gain assurance over the Authority's group accounts, we placed reliance on the work completed by Lingham Phipp on the financial statements of the Authority's subsidiaries (Liberty Leisure)

Specific audit areas

We anticipate issuing an unqualified audit opinion on the Authority's 2017/18 financial statements by 31 July 2018. We will also report that your Annual Governance Statement complies with the guidance issued by CIPFA/ ('Delivering Good Governance in Local Government') published in April 2016.

For the year ending 31 March 2018, the Authority has reported a surplus on the provision of services of £2.8m. The Authority's General Fund balance has increased to £6.054m.

Auditing standards require us to consider two standard risks for all organisations. We consider these as a matter of course in our audit and will have set out the findings arising from our work in our ISA 260 Report below.

01

Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant because 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.

Our audit methodology incorporates the risk of management override as a default significant risk. 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.

02

Fraudulent revenue recognition

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 2017/18* 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.

Over the following pages we have set out our assessment of the specific significant risks and areas of audit focus we identified in relation to the audit of the Authority's financial statements.

Specific audit areas

Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Authority.

| | |
|--|--|
| Risk: | <p>Valuation of PPE</p> <p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years.</p> <p>This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value.</p> |
| Our assessment and work undertaken: | <p>We reviewed the approach that the Authority adopted to assess the risk that assets not subject to valuation were materially misstated and considered the robustness of that approach.</p> <p>In addition, we considered movements in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values had moved materially over that time.</p> <p>In relation to those assets which have been revalued during the year we reviewed the accounting entries made to record the results of the revaluation in order to ensure that they were appropriate.</p> <p>We also assessed the Authority’s internal valuer’s qualifications, objectivity and independence to carry out such valuations and reviewed the methodology used (including testing the underlying data and assumptions).</p> <p>As a result of this work we determined that in 2018/19 the Authority is due to undertake a full valuation of its Council Dwelling stock. In accordance with the guidance, the Authority has undertaken a rolling programme in the interim period but for the full valuation RICS valuation standards will require some element of testing by an external valuer.</p> <p>There are no other matters for us to bring to your attention.</p> <p>We have set out our view of the assumptions used in relation to accounting for Property, Plant & Equipment at page 13.</p> |

Specific audit areas (cont.)

Significant Audit Risks (cont.)

| | |
|--|---|
| Risk: | <p>Pension Liabilities</p> <p>The net pension liability represents a material element of the Authority’s balance sheet. The Authority is an admitted body of Nottinghamshire County Council Pension Fund, which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority’s overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Authority’s valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Authority’s employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in the valuation of the Authority’s pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.</p> |
| Our assessment and work undertaken: | <p>As part of our work we reviewed the controls that the Authority has in place over the information sent directly to the Scheme Actuary. We also liaised with the auditors of the Pension Fund in order to gain an understanding of the effectiveness of those controls operated by the Pension Fund. This included consideration of the process and controls with respect to the assumptions used in the valuation. We also evaluated the competency, objectivity and independence of Barnett Waddingham.</p> <p>We reviewed the appropriateness of the key assumptions included within the valuation, compared them to expected ranges and involved a KPMG Actuary to provide a specialist assessment of those assumptions. We also reviewed the methodology applied in the valuation by Barnett Waddingham.</p> <p>In addition, we reviewed the overall Actuarial valuation and considered the disclosure implications in the financial statements.</p> <p>In order to determine whether the net pension liability has been appropriately accounted for we also considered the valuation of pension assets. We obtained assurance from the Pension Fund auditors over the overall value of fund assets. We then liaised with the actuary to understand how these assets are allocated across participating bodies and reperformed this allocation.</p> <p>As a result of this work we determined that the Authority took advantage of the opportunity offered by the Pension Fund to pay the lump sum element for the years from 2017/18 to 2019/20 in a single payment of £2.013m in April 2017 rather than the total £2.122m due over the three year period. The Authority initially recognised this as a prepayment in its accounts which is not consistent with the guidance proposed by the Pension Fund, and has therefore subsequently amended its accounting treatment appropriately.</p> <p>We have set out our view of the assumptions used in valuing pension assets and liabilities at page 13.</p> |

Specific audit areas (cont.)

Significant Audit Risks (cont.)

| | |
|--|---|
| Risk: | <p>Faster Close</p> <p>In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July.</p> <p>These changes represent a significant change to the timetable that the Authority has previously worked to. The time available to produce draft accounts has been reduced by one month and the overall time available for completion of both accounts production and audit is two months shorter than in prior years.</p> <p>In order to meet the revised deadlines, the Authority may need to make greater use of accounting estimates. In doing so, consideration will need to be given to ensuring that these estimates remain valid at the point of finalising the financial statements. In addition, there are a number of logistical challenges that will need to be managed. These include:</p> <ul style="list-style-type: none"> — Ensuring that any third parties involved in the production of the accounts (including valuers and actuaries) are aware of the revised deadlines and have made arrangements to provide the output of their work in accordance with this; — Revising the closedown and accounts production timetable in order to ensure that all working papers and other supporting documentation are available at the start of the audit process; — Ensuring that the Audit Committee meeting schedules have been updated to permit signing in July; and — Applying a shorter paper deadline to the July meeting of the Audit Committee meeting in order to accommodate the production of the final version of the accounts and our ISA 260 report. <p>In the event that the above areas are not effectively managed there is a significant risk that the audit will not be completed by the 31 July deadline.</p> <p>There is also an increased likelihood that the Audit Certificate (which confirms that all audit work for the year has been completed) may be issued separately at a later date if work is still ongoing in relation to the Authority’s Whole of Government Accounts return and the Pension Fund Annual Report. This is not a matter of concern and is not seen as a breach of deadlines.</p> |
| Our assessment and work undertaken: | <p>We liaised with officers in preparation for our audit in order to understand the steps that the Authority was taking in order to ensure it met the revised deadlines. We also advanced audit work into the interim visit in order to streamline the year end audit work.</p> <p>We received draft financial statements on the statutory deadline of 31 May 2018. The quality of this draft was better than that of prior years and marked a step change from the quality of the accounts produced in the previous year which resulted in a number of delays. We note that the Authority is actively planning for the production of the 2018/19 financial statements having made further substantive appointments to the finance team.</p> <p>There are no other matters from our work which we need to draw to your attention.</p> |

Proposed opinion and audit differences

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's 2017/18 financial statements following approval of the Statement of Accounts by the Audit Committee on 23 July 2018.

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 4) for this year's audit was set at £1 million. Audit differences below £50k are not considered significant.

We identified a number of issues that have been adjusted by management as set out in Appendix 3.

The tables below illustrate the total impact of audit differences on the Authority's movements on the General Fund and Housing Revenue Account for the year and balance sheet as at 31 March 2018.

In addition, we identified a 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 2017/18 ('the Code'). We have set out details of significant presentational adjustments in Appendix 3. We understand that the Authority will be addressing these where significant.

Balance Sheet as at 31 March 2018

| £m | Pre-Audit | Post-Audit | Ref ¹ |
|-----------------------------|-------------|-------------|------------------|
| Property, Plant & Equipment | 214.5 | 214.5 | - |
| Other long term assets | 3.4 | 2.7 | 1 |
| Current assets | 16.1 | 15.4 | 1 |
| Current liabilities | (21.7) | (21.7) | - |
| Long term liabilities | 140.0 | (138.6) | 1 |
| Net worth | 72.2 | 72.2 | |
| General Fund | 6.3 | 6.3 | - |
| Other useable reserves | 7.2 | 7.2 | - |
| Unusable reserves | 58.8 | 58.8 | - |
| Total Reserves | 72.2 | 72.2 | |

¹ See referenced adjustments in Appendix 3.

Proposed opinion and audit differences (cont.)

Annual governance statement

We have reviewed the Authority's 2017/18 Annual Governance Statement and confirmed that it is not misleading and is consistent with other information we are aware of from our audit of the financial statements.

Narrative report

We have reviewed the Authority's 2017/18 narrative report and have confirmed that it is consistent with the financial statements and our understanding of the Authority.



Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's 2016/17 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 Broxtowe Borough Council for the year ending 31 March 2018, we confirm that there were no relationships between KPMG LLP and Broxtowe 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 5 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 Head of Financial Services for presentation to the Audit Committee. 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 or our previous reports relating to the audit of the Authority's 2017/18 financial statements.

Section three

Value for Money Arrangements



Specific value for money risk areas

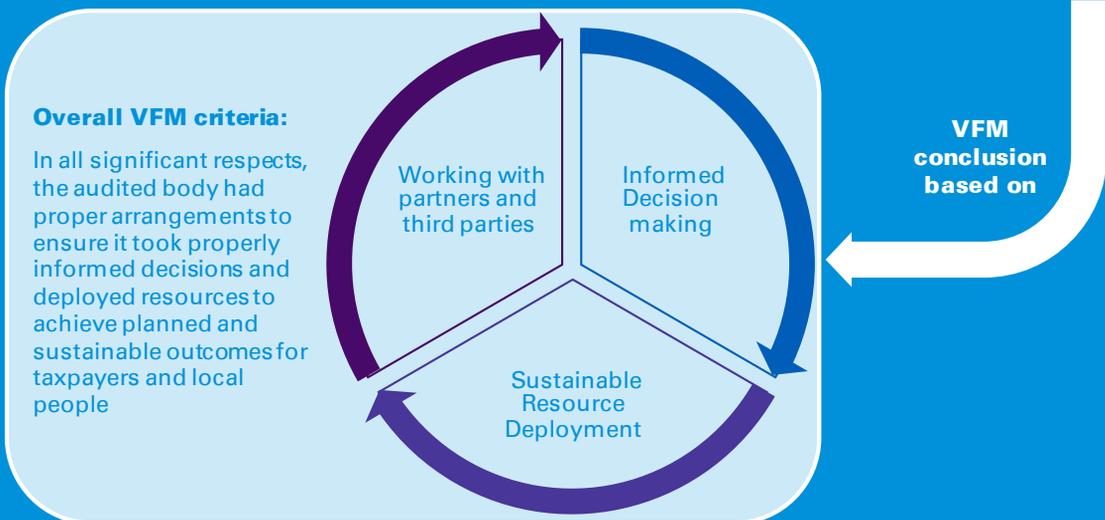
Our 2017/18 VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have concluded that the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the Authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

We follow a risk based approach to target audit effort on the areas of greatest audit risk.



Specific value for money risk areas (cont.)

The table below summarises our assessment of the VFM risk identified against the three sub-criteria. This directly feeds into the overall VFM criteria and our value for money opinion.

Applicability of VFM Risks to VFM sub-criteria

| VFM Risk | Informed decision making | Sustainable resource deployment | Working with partner and third parties |
|----------------------|--------------------------|---------------------------------|--|
| Financial Resilience | ✓ | ✓ | ✓ |

In consideration of the above, we have concluded that in 2017/18, the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Further details on the work done and our assessment are provided on the following pages.



Specific value for money risk areas (cont.)

As communicated to you in our *External Audit Plan 2017/18* we have identified one risk requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

In relation to the risk identified, we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

We have provided below a summary of the risk areas identified, our work undertaken and the conclusions reached.

Risk:

Financial Resilience

The Authority continues to face similar financial pressures and uncertainties to those experienced by others in the local government sector. The Authority needs to have effective arrangements in place for managing its annual budget and generating income required to balance its medium term financial plan. This is relevant to the sustainable resource deployment sub-criteria of the VFM conclusion.

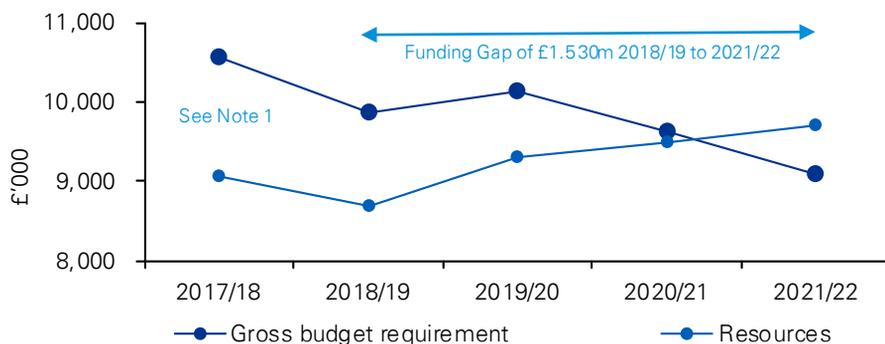
The risk for the Authority is that given the unpredictability in the local government environment and cost pressures, it is not able to develop and deliver its strategy.

Our assessment and work undertaken:

We have reviewed the controls the Authority has in place to ensure financial resilience, specifically that the Medium Term Financial Strategy has duly taken into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors.

Like most of local government, the Authority faces a challenging future driven by funding reductions and an increase in demand for services.

The Authority's Medium Term Financial Strategy presented in February 2018 identified a potential shortfall in resources of £1.530m for the period 2018/19 to 2021/22 as set out below. This is after an assumption of significant savings of £1.0m per annum and a vacancy factor of £0.3m.



In 2017/18, the Authority has subsequently reported an underspend of £2.2m on its general fund for 2017/18, against a budgeted reduction of £1.0m. This continues a pattern of underspend against budget over a period of time, during which the Council has frozen Council taxes (over a period of eight years).

Note 1: Against a £1.5m deficit per the MTFS for 2018/19 and £1.0m reduction in General Fund, Authority has achieved a £2.2m underspend, mainly driven by non recurrent MRP measure.

Continued overleaf

Specific value for money risk areas (cont.)

Our assessment and work undertaken (cont.)

Financial Resilience (cont.)

A key driver of the 2017/18 underspend attainment is the non recurrent adjustment to the Minimum Revenue Provision. During the course of the year, the Authority engaged the Local Government Association Council to undertake a brief desktop review of the Authority's finances. This resulted in recommendations to explore seven areas, and the Authority has reported progress against each area to the Finance and Resources Committee in July 2018.

The Authority's Treasury Management advisors identified that a significant overprovision of £0.934m for MRP had been made from 2008/09 to 2016/17 in respect of borrowing for capital expenditure incurred prior to the introduction of new regulations from 2008/09 due to not applying a reducing balance approach to 4% MRP charge in respect of pre 2007/08 borrowing. The correction of this has contributed to a significant underspend on the MRP budget in 2017/18 of £1.085m.

Going forward, the Authority is scheduled to provide an update on its MTFs to the Finance and Resources Committee in October 2018. We note the Authority provided an update in July 2018 which reduced the planned withdrawal of the General Fund in 2018/19 by £0.4m.

We note that the Authority has achieved a good financial and other performance outcomes during 2017/18 despite the reliance on a temporary senior management team, primarily comprised of the substantive Chief Executive Officer with an Interim Deputy Chief Executive and Interim Strategic Director seconded from Rushcliffe Borough Council. In addition, the Authority has an Interim Monitoring Officer in post following a number of senior management and statutory officer departures.

Whilst these appointments were considered necessary as a result of grievances arising and the Authority's Governance Improvement plan, ongoing interim arrangements risk being more costly to the Authority and potentially inhibit the development and execution of medium to long term strategies to maximise service delivery.

We have raised two recommendations in respect of our work in Appendix One.

Appendices

Key issues and recommendations

Our audit work on the Authority’s 2017/18 financial statements has identified a number of issues. We have listed these issues in this appendix together with our recommendations which we have agreed with Management. We have also included Management’s responses to these recommendations.

The Authority should closely monitor progress in addressing the risks, including the implementation of our recommendations.

We have given each recommendation a risk rating and agreed what action management will need to take.

Priority Rating for Recommendations

| | | | | | |
|----------|--|----------|--|----------|---|
| 1 | <p>Priority One: Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p> <p>Recommendations Raised: 1</p> | 2 | <p>Priority Two: Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p> <p>Recommendations Raised: 2</p> | 3 | <p>Priority Three: Issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p> <p>Recommendations Raised: 2</p> |
|----------|--|----------|--|----------|---|

| No. | Risk | Issue & Recommendation | Management Response |
|-----|------|---|---|
| 1 | 1 | <p><i>Embedded procurement arrangements</i></p> <p>We sought to undertake testing of the Authority’s contract register during our interim audit.</p> <p>We identified that following the departure of the Authority’s Procurement Officer on 30 June 2017 the post had remained vacant throughout the remainder of the year. As a result the Authority’s contract register was not up to date at the point of our review. Where contracts had expired or were due to expire, the Authority had made temporary arrangements to extended existing service provision. We note that since the end of the financial year the Authority now has a substantive Procurement and Contracts officer in post.</p> <p>Medium term procurement planning should be a key driver of savings attainment as the Authority seeks to achieve the savings outlined in its Medium Term Financial Strategy.</p> <p><i>Recommendation</i></p> <p>The Authority should ensure that it has robust contract monitoring arrangements in place to retrospectively review contracts that expired in 2017/18 and for those contracts due to expire to be able to proactively fulfil obligations to initiate competitive tenders where applicable.</p> | <p>Agreed. The Council has appointed an interim Procurement and Contracts Officer with significant knowledge and expertise as well as experience of working in procurement roles in a number of public sector organisations. He has been assigned a number of responsibilities including:</p> <ul style="list-style-type: none"> • Liaising with departments to ensure that appropriate arrangement are put in place in respect of contracts that have either expired or are due to expire shortly; • Ensuring that effective contract management arrangements are embedded across the organisation; and • Refreshing the Council’s Commissioning and Procurement Strategy. <p>The interim appointment commenced in May 2018 for an initial six month period whereupon consideration will be given to how the Council should proceed with ensuring that its procurement arrangements are effective and robust.</p> <p style="text-align: right;"><i>(continued overleaf)</i></p> |

Key issues and recommendations (cont.)

| No. | Risk | Issue & Recommendation | Management Response |
|-----|------|---|--|
| 1 | 1 | <p>Embedded procurement arrangements</p> <p>See previous page</p> | <p>Responsible Officer Head of Finance Services</p> <p>Implementation Deadline 31 December 2018</p> <p>Note: The Council has appointed an interim Procurement and Contracts Officer. Whilst there is a substantive Procurement and Contracts Officer post on the establishment, attempts to recruit to this were unsuccessful. The Council therefore has to approach a number of agencies and appoint an interim in order to address the backlog of work that has accumulated.</p> |
| 2 | 2 | <p>Financial sustainability challenge</p> <p>Looking ahead, the Authority's Medium Term Financial Strategy identified a potential shortfall in resources of £1.530m for the period 2018/19 to 2021/22, after including significant assumptions relating to achieving £1.0m of savings per annum and a vacancy savings of £0.3m.</p> <p>The Authority has achieved non recurrent savings in 2017/18 due to technical measures such as Minimum Revenue provision and should focus on recurrent savings opportunities.</p> <p>Recommendation</p> <p>The Authority should continue to track and monitor its progress in delivering the anticipated savings for 2018/19, and identify schemes to ensure that it can deliver the 2018/19 plan and beyond.</p> | <p>Agreed. The Council is on track to achieve the savings incorporated within the 2018/19 General Fund revenue budget with various initiatives presented to and approved by the Policy and Performance and the Finance and Resources Committees.</p> <p>The Council has a Business Strategy produced after consultation with senior managers that sets out a range of savings initiatives, ideas and proposals that will be evaluated before being presented to Members. An updated Business Strategy along with a refreshed Medium Term Financial Strategy (MTFS) will be presented to the Finance and Resources Committee on 11 October 2018.</p> <p>Responsible Officer Interim Deputy Chief Executive and Section 151 Officer</p> <p>Implementation Deadline 31 March 2019</p> |

Key issues and recommendations (cont.)

| No. | Risk | Issue & Recommendation | Management Response |
|-----|------|--|--|
| 3 | 2 | <p>Senior Officer management arrangements</p> <p>During 2017/18 the Authority’s Senior Management Team has comprised the substantive Chief Executive Officer with an Interim Deputy Chief Executive and Interim Strategic Director seconded from Rushcliffe Borough Council. In addition, the Authority has an Interim Monitoring Officer in post following a number of senior management and statutory officer departures.</p> <p>The Authority has achieved good performance outcomes in 2017/18, but should undertake an evaluation of its ongoing arrangements as interim arrangements risk being more costly to the Authority and potentially inhibit the development and execution of medium to long term strategies to maximise service delivery.</p> <p>Recommendation</p> <p>The Authority should evaluate its current arrangements and undertake appropriate steps to ensure a substantive structure is adopted.</p> | <p>Agreed. The length of time during which the present interim arrangements have been in place and the need to establish a substantive structure are both recognised and accepted.</p> <p>Upon completion of the work of the Ad Hoc Committee following the external investigation, proposals will be brought forward regarding the Council’s senior management structure for consideration by Members.</p> <p>Responsible Officer</p> <p>Chief Executive</p> <p>Implementation Deadline</p> <p>31 March 2019</p> |
| 4 | 3 | <p>Recoverability of Debtors</p> <p>We established that the Authority had aged debtors aged over 12 months of £223k, with one debtor aged 24 years although this was subject to an arrangement where payments were still being made. In total there were 139 transactions over 2 years old and 154 over 1 year old.</p> <p>There is a risk that the Authority does not recover monies due in a timely manner.</p> <p>Recommendation</p> <p>The Authority should develop its reporting of aged debt so the levels, age profile and type of debtor are clear and routinely actioned.</p> | <p>Agreed. The Council does have some notable aged debts although payment arrangements should be in place for the oldest of these.</p> <p>Whilst debts less than £1,200 can be written off by the Section 151 Officer, debts greater than £1,200 require the approval of the Finance and Resources Committee if they are to be written off. This used to be undertaken on an annual basis but, from July 2018, is now being done on a quarterly basis in order to ensure that the total value of debts more appropriately reflects the estimated level of recoverability.</p> <p>The Head of Revenues and Benefits is to examine arrangements for the reporting of aged debt (including the levels, age profile and type of debtor) and will report to the Deputy Chief Executive and Section 151 Officers with his findings. Any recommendations will be considered and implemented accordingly</p> <p>Responsible Officer</p> <p>Deputy Chief Executive and Section 151 Officer</p> <p>Implementation Deadline</p> <p>31 December 2018</p> |

Key issues and recommendations (cont.)

| No. | Risk | Issue & Recommendation | Management Response |
|-----|------|---|---|
| 5 | 2 | <p>Availability of audit evidence</p> <p>During the course of our 2017/18 audit we identified three areas where the Authority should seek to enhance its working papers and supporting materials for the 2018/19 audit. There are:</p> <ul style="list-style-type: none"> <p>Payroll to general ledger reconciliation</p> <p>In reviewing the reconciliation between the Authority’s general ledger and payroll systems some of the supporting information, which cannot be retrospectively extracted was not available to review.</p> <p>Invoice processing / efficiency</p> <p>We encountered some delays in our testing of non pay expenditure as the storage of invoices is fragmented across individual departments of the Authority. We understand that the Authority does not currently have a central system to consistently process, collate and store these but is moving towards the implementation of an intelligent scanning module to the Civica system.</p> <p>Beacon valuations</p> <p>The RICS Valuation – Professional Standards January 2014 requires that where a full valuation has been undertaken by an internal valuer, this is subject to review by an external valuer – using a representative sample sufficient to enable the external valuer to express an opinion on the overall accuracy of the valuation. The Authority currently utilises an internal valuer but does not utilise a review by an external valuer, instead work is reviewed by Internal Audit. The Authority is due to undertake a full valuation in 2018/19 and therefore should plan its compliance with this requirement.</p> <p>Recommendation</p> <p>The Finance team should:</p> <ul style="list-style-type: none"> enhance the payroll to general ledger reconciliation by maintaining the source reports as part of a robust audit trail at the time of undertaking the reconciliation so this is available to audit; roll out the Intelligent Scanning module to facilitate transparency of non pay expenditure; and plan for compliance with RICS valuation standards for the 2018/19 beacon valuation. | <p>Agreed. The source reports required to support the reconciliation between the payroll and the general ledger will be captured at the appropriate time by including this as a specific task within the final accounts process and assigning responsibility to a named individual. This will ensure that the reconciliation details are available to the external auditors.</p> <p>The way in which invoices are presently indexed within the Council’s document management system is sometimes inconsistent and not in accordance with best practice. This can result in difficulties in locating invoices when required. The Council has purchased Civica’s intelligent scanning module which, when rolled out in the next few months, should significantly reduce the administrative burden of processing creditor invoices and unlock significant efficiencies and savings in staff time. This should result in reduced paper and printing costs, save time in manually entering financial data into the creditors system, improve the accuracy of data, produce timely payments to suppliers and reduce errors in supplier payments such as overpayments and duplicated payments.</p> <p>As the next full revaluation of the Council’s housing stock of over 4.500 properties that takes place every 5 years is due on 31 March 2019, the opportunity will be taken to engage an external valuer to undertake this work for 2018/19. This, along with any other necessary measures, be will be taken to ensure full compliance with the RICS Valuation Professional Standards (otherwise known as the Red Book).</p> <p>Responsible Officer Head of Finance Services</p> <p>Implementation Deadline 31 March 2019</p> |

Appendix 2:

Follow-up of prior year recommendations

The Authority has not implemented all of the recommendations raised through our previous audit work.

We re-iterate the importance of the outstanding recommendations and recommend that these are implemented accordingly to enhance the Authority’s control environment.

This appendix summarises the progress made to implement the recommendations identified in our *ISA 260 Report 2016/17* and outstanding recommendations from previous audit years and re-iterates any recommendations still outstanding.

Number of recommendations that were

| | |
|---|---|
| Included in the original report | 9 |
| Implemented in year or superseded | 7 |
| Partially completed at the stage of our interim audit | 2 |

| No. | Risk | Issue & Recommendation | Management Response | Status as at July 2018 |
|-----|------|--|---|--|
| 1 | 1 | <p>Accounting for PPE There were a number of adjustments made in respect of capital transactions and accounting for Property Plant and Equipment. We also noted limitations in the Fixed Asset register including amounts taken to the CIES/revaluation reserve with respect to previous revaluation exercises.</p> <p>Recommendation The Authority should review its approach to capital accounting and to developing the Fixed Asset Register to ensure robust records are kept and support accurate accounting entries.</p> | <p>Agreed. The new structure for Finance Services agreed at the Policy and Performance Committee meeting on 4 July 2017 is designed to create additional capacity to enable the Authority to strengthen its capital accounting processes and reduce the level of manual input.</p> <p>Responsible Officer Head of Financial Services</p> <p>Implementation Deadline 31 March 2018</p> | <p>Implemented</p> <p>The Authority experienced a number of complicated transactions in 2016/17 in conjunction with the Beeston Square development. Testing in 2017/18 has not identified similar issues arising.</p> |

Follow-up of prior year recommendations (cont.)

| No. | Risk | Issue & Recommendation | Management Response | Status as at July 2018 |
|-----|------|---|--|--|
| 2 | 1 | <p>Accounts and working paper production and review</p> <p>The draft accounts were provided on 23 June 2017, however they were not complete. Key omissions were:</p> <ul style="list-style-type: none"> • notes detailing the nature of expenses including depreciation, amortisation, and employee benefit expense; and • the group accounts. <p>The Authority was not able to provide comprehensive working papers for the start of our audit. A substantial number of working papers were not provided on the first day of the audit, as previously agreed. This has caused significant delays to the audit process and resulted in additional work undertaken to understand incomplete working papers. Key issues include:</p> <ul style="list-style-type: none"> • The lack of audit trail, in particular, we had to undertake additional work to reconcile the trial balance to the draft accounts. We have also encountered difficulty in reconciling the accounts to the fixed asset register. • Breakdowns did not often agree to the figures in the draft accounts submitted for audit, for example, asset disposals. <p>Due to the delays faced in our on-site work in June 2017, we had to return for three further weeks to undertake audit work. This was above and beyond the initial two-week on site visit as agreed, planned, and budgeted with the Authority. We note that some key Finance officers were on annual leave at various times during our on-site audit period, which contributed to the delay.</p> <p style="text-align: right;"><i>Continued overleaf</i></p> | <p>Agreed. The demands of producing the draft accounts whilst two Senior Accountant posts were vacant placed significant pressure upon the Finance Services team. Having to implement appropriate financial systems for Liberty Leisure placed further requirements upon the team that had to be met within a defined timeframe. In addition, the timing of the interim external audit in the first two weeks of April (as opposed to mid February previously) diverted resources away from final accounts work. These factors resulted in compromises in certain areas and detailed review and checking of working papers did not receive the attention that they should. Furthermore, a final accounts protocol from the external auditors that was provided in previous years and assisted greatly was not made available for 2016/17. The KPMG Central facility used for transferring documents between the Authority and the external auditors at interim audit and operated effectively was not available for the final audit. Again, this would have been useful and reduced the amount of delays, The point about staff being on leave during the final audit work is noted. However, the pressures outlined above meant that it was imperative that staff were able to take leave that they had built up.</p> | <p style="text-align: center;">Implemented</p> <p>The Authority has successfully navigated the faster close process.</p> <p>A complete set of accounts was provided on 31 May 2018 in accordance with the deadline and was produced to a high quality, with minor typographical errors and limited omissions identified. Working papers were provided ahead of the audit and any additional requests during the course of the audit were addressed in a timely manner.</p> <p>The Authority has achieved this despite the departure of its Chief Accountant, managing this with the appointment of an Interim Chief Accountant and further substantive appointments.</p> <p>The Authority has evaluated the success of the utilisation of an Interim Chief Accountant and submitted a proposal to the Finance and Resources Committee on 12 July 2018 to continue these arrangements for 2018/19.</p> |

Follow-up of prior year recommendations (cont.)

| No. | Risk | Issue & Recommendation | Management Response | Status as at July 2018 |
|-----|------|---|---|-------------------------------|
| 2 | 1 | <p>Accounts and working paper production and review <i>(continued)</i></p> <p>The Authority is aware of the additional pressures which the earlier closedown in 2017/18 will bring. However the challenges mentioned above mean that additional work will be needed to prepare complete accounts and working papers to the tight timescales required for next year.</p> <p>Recommendation</p> <p>The Authority should develop a clear, resourced plan for the production of accounts and comprehensive working papers for the 2017/18 accounts. The working papers should be provided ahead of the on-site audit visits. Issues with the production of working papers or the understanding of our audit requirements should be notified early to ensure compliance.</p> <p>The overarching principle is that working papers should provide a clear and concise audit trail from the financial statements through to sufficient and appropriate evidence within supporting working papers. Working papers need to:</p> <ul style="list-style-type: none"> • be clear, with explanations if needed. The working papers need to be written from the view point of someone external to the organisation; • be supported by strong evidence, for example, third party documentation; and • agree to the financial statements provided for audit. <p>The Authority should ensure that key finance staff are available during the audit period.</p> | <p>Prior notification of the areas that external audit staff will be examining when they arrive at the Authority (eg. Payroll, creditors, fixed assets, banking arrangements etc) would assist with planning and ensure better utilisation of both external audit and Authority.</p> <p>Responsible Officer Head of Financial Services</p> <p>Implementation Deadline 31 March 2018</p> <p>Agreed. Work has already commenced to reconfigure the final accounts production timetable in anticipation of earlier closedown from 2017/18. Working papers are being reviewed to ensure that a clear and concise audit trail is maintained. Other process improvements have been identified (eg. Incorporating Bramcote Crematorium figures) and these should assist meeting these pressures. The Accounts team have been informed that no leave is to be granted in April and May (unless in exceptional circumstances)</p> <p>Responsible Officer Chief Accountant</p> <p>Implementation Deadline 31 May 2018</p> | <p>As documented overleaf</p> |

Appendix 2:

Follow-up of prior year recommendations (cont.)

| No. | Risk | Issue & Recommendation | Management Response | Status as at July 2018 |
|-----|------|--|--|--|
| 3 | 1 | <p>Three-way match control In our testing of the creditor payments systems we noted a number of exceptions in the 3 way match control. These included instances where the PO and GRN was not present, the wrong PO and GRN was attributed to the invoice, and where the invoice value did not agree to the PO or GRN. We deem the Authority's control ineffective and we were unable to place reliance on this control.</p> <p>Recommendation The Authority should review the exceptions to establish what improvements should be made to the operation of controls.</p> | <p>Partly agreed. The evidence collated by the external auditors will be requested and examined to determine the circumstances that resulted in these omissions and how these exceptions relate in percentage terms to the total number of transactions.</p> <p>The Authority maintains a devolved financial management system (including creditors) that places responsibility upon departments for the correct processing of ordering and creditor payments. The internal audit team have identified on previous occasions that the operation of these processes has not fulfilled requirements and reminders have been issued to departments. Further action (e.g. Additional reminders, extra training etc) will be taken if considered necessary.</p> <p>Responsible Officer Head of Financial Services</p> <p>Implementation Deadline 31 December 2017</p> | <p>Partially Implemented</p> <p>The Authority has taken steps to further remind teams of their responsibilities.</p> <p>Our audit strategy in 2017/18 did not place reliance on three way match controls as the Authority seeks to strengthen compliance in these areas with the adoption of new systems.</p> |
| 4 | 2 | <p>NNDR appeals provision Through our review of the NNDR appeals provision we noted that the approach used is based on a methodology that has been used across Nottinghamshire, but now some councils are developing more bespoke approaches. We also noted an error in the calculations made during the application of the model that indicated there is still a need for improvement in the working papers.</p> <p>Recommendation The Authority should consider whether the approach used to determine the provision could be enhanced as well as ensuring that the accuracy of the underlying working papers through additional review.</p> | <p>Agreed. The significance of the NNDR appeals provision requires a regular review of both the approach taken and the accuracy of the working papers. This will be factored into the closedown timetable 2017/18.</p> <p>Responsible Officer Chief Accountant</p> <p>Implementation Deadline 31 May 2018</p> | <p>Implemented</p> <p>No exceptions were identified from the working papers provided as part of our review.</p> |

Follow-up of prior year recommendations (cont.)

| No. | Risk | Issue & Recommendation | Management Response | Status as at July 2018 |
|-----|------|---|--|--|
| 5 | 2 | <p>Controls over journals During our journals testing we noted that there were instances of the journal being created and approved by the same person. We also noted that there were no journal posting authorisation limits set up on the system for users.</p> <p>Recommendation The Authority should review and address the issues we have raised.</p> | <p>Partly agreed. There are circumstances where it is less bureaucratic (and almost no risk) for an individual to create and approve a journal. However, these should be limited. The controls in respect of journals will be reviewed and any improvements identified will be implemented. The process will be documented and made available to the external audit team at their interim 2017/18 audit.</p> <p>Responsible Officer Chief Accountant</p> <p>Implementation Deadline 31 December 2017</p> | <p>Implemented</p> <p>The Authority documented its user groups and compensating controls to demonstrate where approval is required.</p> |
| 6 | 2 | <p>Pension fund disclosures We reported to Management that figures from the actuary's report were not correctly reflected within the Authority's draft financial statements. We found discrepancies in relation to the disclosures in the notes to the accounts which will be amended in the final version of the accounts. There were also some inaccuracies in the information sent to the actuary in relation to the split between Liberty Leisure and the Authority. We noted that there was no management review of the assumptions used by the actuary in order to confirm they were satisfied with the key variables impacting the figures in their final report (and therefore impacting the financial statements). There is a risk that the inappropriate assumptions were used by the actuary to calculate the Authority's pension liability, thus potentially resulting in an incorrect liability being recognised.</p> | <p>Agreed. A management review of the processes for ensuring pension disclosures are accurate along with the actuaries assumptions will be undertaken.</p> <p>Responsible Officer Head of Finance Services</p> <p>Implementation Deadline 31 March 2018</p> | <p>Implemented</p> |

Follow-up of prior year recommendations (cont.)

| No. | Risk | Issue & Recommendation | Management Response | Status as at July 2018 |
|-----|------|---|---|---|
| 6 | 2 | <p>Pension fund disclosures (continued)</p> <p>We have requested that Management retrospectively review and confirm that the assumptions used by the actuary are appropriate</p> <p>Recommendation</p> <p>The Authority should review and improve the process for ensuring pension disclosures are accurate and that actuary's assumptions are reviewed for appropriateness.</p> | | See overleaf |
| 7 | 2 | <p>Other system controls</p> <p>We have tested controls (including your general IT controls) and other parts of your key financial systems on which we rely as part of our audit. We have identified a number of improvement points in relation to the operation of controls, in particular:</p> <ul style="list-style-type: none"> We noted a weakness with the controls over GL access revocation. We found that although when the Finance team is notified of a leaver from the Authority, access is revoked on a timely basis, HR does not inform Finance of all leavers. There were therefore some leavers who did not have their access revoked despite having left the Authority several months previously; We noted a control account relating to debtor and creditor balances which when investigated and discussed with officers it was agreed that this needed further analysis and likely clearing down of some of the balances; The housing benefit system is reconciled to the General Ledger on a monthly basis, however our testing noted a number of issues including an error in one of the reconciliations tested; <p>(continued overleaf)</p> | <p>Agreed. Steps will be taken to review the controls in the areas identified to determine what improvements can be made. Plans for the implementation of these will then be brought into effect.</p> <p>Responsible Officer</p> <p>Head of Financial Services</p> <p>Implementation Deadline</p> <p>31 December 2017</p> | <p>Implemented</p> <p>There were no exceptions identified as part of our IT general controls work.</p> |

Follow-up of prior year recommendations (cont.)

| No. | Risk | Issue & Recommendation | Management Response | Status as at July 2018 |
|-----|------|---|---|--|
| 7 | 2 | <p>Other system controls (continued)</p> <ul style="list-style-type: none"> We noted minor issues with the bank reconciliation including an historic reconciling item and late review of one of the reconciliations. <p>Recommendation The Authority should review and address the issues identified.</p> | | See overleaf |
| 8 | 2 | <p>Related Party transactions We noted exceptions to the disclosures in the Related Party transactions note that needed correcting.</p> <p>Recommendation The Authority should review the exceptions to identify where improvements can be made in the procedures.</p> | <p>Agreed. Greater scrutiny of the related party returns will be undertaken to ensure that all relevant transactions are disclosed. Responsibility for this will be allocated to a named individual in the final accounts timetable.</p> <p>Responsible Officer Chief Accountant</p> <p>Implementation Deadline 31 May 2018</p> | Implemented |
| 9 | 3 | <p>Medium Term General Fund Financial Strategy As part of our work we reviewed the assumptions underpinning the Medium Term General Fund Financial Strategy and the programmes and projects in place to deliver sustainable financial position over the next few years. The Authority has continued to deliver on its financial plans. We note, however, the limited analysis and documentation supporting some of the assumptions underpinning the Strategy and recommend that there is more detailed supporting analysis going forward to provide confidence in the robustness of plans, particularly as the financial environment continues to get more challenging.</p> <p>Recommendation The Authority should develop the granularity and evidence base for the assumptions underpinning the Strategy going forward.</p> | <p>Agreed. The process of refreshing the MTFFS is to be updated to gain greater input from other staff to ensure that assumptions are robustly tested and all relevant issues are captured and properly reflected.</p> <p>Responsible Officer Interim Deputy Chief Executive and S.151 Officer</p> <p>Implementation Deadline</p> | <p>Partially Implemented</p> <p>The Authority is on track to present an updated Business Strategy along with a revised Medium Term Financial Strategy to the Finance and Resources Committee on the 11 October 2018.</p> <p>The Authority has presented detailed variance analysis of the 2017/18 outturn to Members. There have been a number of changes to budget, some based on 2017/18 outturn uplifts, which have been presented to Members.</p> |

Audit differences

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee).

We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Presentational adjustments

We identified a number of presentational adjustments required to ensure that the Authority’s financial statements for the year ending 31 March 2018 are fully compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ('the Code').

Whilst the majority of these adjustments were not significant, we identified a limited number of adjustments of a more significant nature and details of these are provided in the following table.

Table 1: Presentational adjustments

| No. | Basis of audit difference |
|-----|---|
| 1 | Pension lump sum - The Authority took advantage of the opportunity offered by the Pension Fund to pay the lump sum element for the years from 2017/18 to 2019/20 in a single payment of £2.013m in April 2017 rather than the total £2.122m due over the three year period. The Authority initially recognised this as a prepayment in its accounts which is not consistent with the guidance proposed by the Pension Fund. |
| 2 | CIES - Measurement of Net Defined Benefit Liability and Revaluation of AFS – Prior to the commencement of the on site audit, the Authority identified that there was a transposition error between the two lines of £6.1m. |
| 3 | Disposals – The disposal of Dwellings had not taken into account the EUV-SH basis. |
| 4 | Exit packages – We identified a small number of omissions of exit packages which the Authority has subsequently included within its Financial Statements |
| 5 | Debtors – The debtors note did not consistently present the allowance made for doubtful debtors netting off each individual category of debtor. |

Materiality and reporting of audit differences

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.

We used the same planning materiality reported in our *External Audit Plan 2017/18*, presented to you in March 2018.

Materiality for the Authority's accounts was set at £1 million which equates to around 1.8 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit Committee

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 Audit Committee 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.

An individual difference is considered to be clearly trivial if it is less than £50k 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 Audit Committee to assist it in fulfilling its governance responsibilities.

Appendix 5:

Required communications with the Audit Committee

We have provided below at-a-glance summary of the information we are required to report to you in writing by International Accounting Standards.

| Required Communication | Commentary |
|---|---|
| Our draft management representation letter | We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 December 2018. |
| Adjusted audit differences | We have set out our adjusted audit differences on page 34. |
| Unadjusted audit differences | There are no unadjusted audit differences. |
| Related parties | There were no significant matters that arose during the audit in connection with the entity's related parties. |
| Other matters warranting attention by the Audit Committee | There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process. |
| Control deficiencies | We have set out our assessment of the Authority's internal control environment, including details of significant deficiencies identified, in Section one of this report and raised recommendations on pages 23-26. |
| Actual or suspected fraud, noncompliance with laws or regulations or illegal acts | We identified no actual or suspected fraud involving the Authority's Member or officers with significant roles in internal control, or where the fraud resulted in a material misstatement in the financial statements. |
| Significant difficulties | No significant difficulties were encountered during the audit. |
| Modifications to auditor's report | There are no modifications to our audit report. |
| Disagreements with management or scope limitations | The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit. |

Appendix 5:

Required communications with the Audit Committee (cont.)

| Required Communication | Commentary |
|--|--|
| Other information | <p>No material inconsistencies were identified related to other information in the Narrative Report or Annual Governance Statement.</p> <p>These reports were found to be fair, balanced and comprehensive, and compliant with applicable requirements.</p> |
| Our declaration of independence and any breaches of independence | <p>No matters to report.</p> <p>The engagement team have complied with relevant ethical requirements regarding independence.</p> <p>See Appendix 6 for further details.</p> |
| Accounting practices | <p>Over the course of our audit, we have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.</p> <p>We have set out our view of the assumptions used in valuing pension assets and liabilities in section two.</p> |
| Significant matters discussed or subject to correspondence with | <p>There were no significant matters arising from the audit which were discussed, or subject to correspondence, with management.</p> |



Declaration of independence

ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF BROXTOWE BOROUGH COUNCIL

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Limited's ('PSAA's') Terms of Appointment relating to independence, the requirements of the FRC Ethical Standard and the requirements of Auditor Guidance Note 1 - General Guidance Supporting Local Audit (AGN01) issued by the National Audit Office ('NAO') on behalf of the Comptroller and Auditor General.

This Statement is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

Declaration of independence (cont.)

Independence and objectivity considerations relating to the provision of non-audit services

Summary of fees

We have considered the fees charged by us to the Authority and its controlled entities for professional services provided by us during the reporting period. We have detailed the fees charged by us to the Authority and its controlled entities for significant professional services provided by us during the reporting period in Appendix 7, as well as the amounts of any future services which have been contracted or where a written proposal has been submitted. Total fees charged by us for the period ended 31 March 2018 can be analysed as follows:

| | 2017/18 £ | 2016/17 £ |
|----------------------------------|---------------|---------------|
| Audit of the Authority | 46,503 | 86,269 |
| Total audit services | 46,503 | 86,269 |
| Audit related assurance services | 3,600 | 3,500 |
| Mandatory assurance services | 9,670 | 10,125 |
| Total Non Audit Services | 13,270 | 13,625 |

We are required by AGN 01 to limit the proportion of fees charged for non-audit services (excluding mandatory assurance services) to 70% of the total fee for all audit work carried out in respect of the Authority under the Code of Audit Practice for the year. The ratio of non-audit fees to audit fees for the year was 0.08:1. We do not consider that the total of non-audit fees creates a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out table on the following page.

Appendix 6:

Declaration of independence (cont.)

Analysis of Non-audit services for the year ended 31 March 2018

| Description of scope of services | Principal threats to independence and Safeguards applied | Basis of fee | Value of services delivered in the year ended 31 March 2018 £ | Value of services committed but not yet delivered £ |
|--|--|--------------|--|--|
| Audit-related assurance services | | | | |
| Grant Certification – Pooling of Housing Capital Receipts Return | The nature of these audit-related services is to provide independent assurance on each of these returns. As such we do not consider them to create any independence threats. | Fixed Fee | - | 3,600 |
| Mandatory assurance services | | | | |
| Grant Certification – Housing Benefit Subsidy Return | The nature of this mandatory assurance service is to provide independent assurance on each of the returns. As such we do not consider it to create any independence threats. | Fixed Fee | - | 9,670 |

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the Authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.



KPMG LLP

Appendix 7:

Audit fees

As communicated to you in our *External Audit Plan 2017/18*, our scale fee for the audit is £46,503 plus VAT (£46,503 in 2016/17), which is consistent with the prior year.

Our work on the certification of the Authority's Housing Benefit Subsidy return is planned for completion in September 2018. The planned scale fee for this is £9,670 plus VAT (£10,125 in 2016/17). Planned fees for other grants and claims which do not fall under the PSAA arrangements amount to £3,500 plus VAT (£3,500 in 2016/17), see further details below.

| Component of the audit | 2017/18 Planned Fee £ | 2016/17 Actual Fee £ |
|---|-----------------------------|----------------------------|
| Accounts opinion and value for money work | | |
| PSAA Scale fee | 46,503 | 46,503 |
| Audit work in relation to the purchase of leasehold interest in Beeston Square | - | 2,319 |
| Additional fee in relation to production of Group accounts and other delays incurred in resolving issues during the course of the 2016/17 audit | - | 37,447 |
| Total audit services | 46,503 | 86,269 |
| Mandatory assurance services | | |
| Housing Benefits Certification (completion planned for September) | 9,670 | 10,125 |
| Total mandatory assurance services | 9,670 | 10,125 |
| Audit-related assurance services | | |
| Pooling of Housing Capital Receipts (work planned for September) | 3,600 | 3,500 |
| Total audit-related assurance services | 3,600 | 3,500 |
| Total non-audit services | 13,270 | 13,625 |
| Grand total fees for the Authority | 59,773 | 99,894 |

All fees quoted are exclusive of VAT.





The key contacts in relation to our audit are:

Andrew Cardoza
Director

T: +44 (0) 121 232 3869
E: andrew.cardoza@kpmg.co.uk

Robert Chidlow
Senior Manager

T: +44 (0) 121 232 3074
E: robert.chidlow@kpmg.co.uk

Louise Bostock
Assistant Manager

T: +44 (0) 115 936 3649
E: louise.bostock@kpmg.co.uk

kpmg.com/uk



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. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, 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 Cardoza, 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, Andrew Sayers, by email to Andrew.Sayers@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.

© 2018 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

CREATE: CRT086281A

This page is intentionally left blank

Mr Z. Darr
3232
zulfiqar.darr@broxtowe.gov.uk

ZD/PA
23 July 2018

Mr A. Cardoza
Director
KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Dear Andrew

This representation letter is provided in connection with your audit of the financial statements of Broxtowe Borough Council (“the Authority”), for the year ended 31 March 2018, 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 2018 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 2017/18.

These financial statements comprise the Expenditure and Funding Analysis, 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, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes (including the Expenditure and Funding Analysis).

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:

Deputy Chief Executive – Z Darr
Head of Finance Services – P Adcock
Deputy Chief Executive’s Department
Council Offices, Foster Avenue, Beeston, Nottingham NG9 1AB
t: 0115 917 7777 **typetalk:** 18001 0115 917 7777
e: finance@broxtowe.gov.uk
e: env@broxtowe.gov.uk
w: www.broxtowe.gov.uk

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, 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 2018 and of the Authority's and the Group's expenditure and income for the year then ended;
 - ii. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

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. A list of the uncorrected misstatements is attached to this representation letter.

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:

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.

8. 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.

9. 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.

10. 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.

11. 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*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

12. 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.

13. 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 Governance, Audit and Standards Committee on 23 July 2018.

Yours faithfully,

Chair of the Governance, Audit and Standards Committee

Interim Deputy Chief Executive and Section 151 Officer

cc: Governance, Audit and Standards Committee

Appendix to the Authority Representation Letter of Broxtowe 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; and
- Notes, comprising a summary of significant accounting policies and other explanatory information and the Expenditure and Funding Analysis.

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 2017/18.

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).
- viii. The entity or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting 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.

Uncorrected Misstatements in 2017/18 Financial Statements

There are no uncorrected misstatements in the 2017/18 financial statements.

BROXTOWE BOROUGH COUNCIL ANNUAL STATEMENT OF ACCOUNTS 2017/18

CONTENTS

| | Page |
|---|-------------|
| Narrative Statement by the Chief Finance Officer | 2 |
| Annual Governance Statement | 19 |
| <u>STATUTORY ACCOUNTING DOCUMENTS</u> | |
| Statement of Responsibilities for the Statement of Accounts | 31 |
| Expenditure and Funding Analysis | 32 |
| CORE FINANCIAL STATEMENTS: | |
| Comprehensive Income and Expenditure Statement | 33 |
| Movement in Reserves Statement | 34 |
| Balance Sheet | 35 |
| Cash Flow Statement | 36 |
| Notes to the Accounts | 37 |
| Housing Revenue Account | 94 |
| Collection Fund | 99 |
| Group Accounts | 102 |
| Auditor's Report | |
| Glossary of Terms | 117 |

NARRATIVE STATEMENT BY THE CHIEF FINANCE OFFICER

1. Introduction - the shape of Broxtowe

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

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

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



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

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



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

Our priorities



Our objectives are:



Housing

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



Business Growth

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



Community Safety

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



Health

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



Environment

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

Key developments during the year affecting these intended outcomes included:

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

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

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

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

2. Governance – The Changing Shape of the Council

Governance Structures

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

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

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

Liberty Leisure



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

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

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

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

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

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

Jointly-Owned Operation

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

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

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

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

Pensions

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

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

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

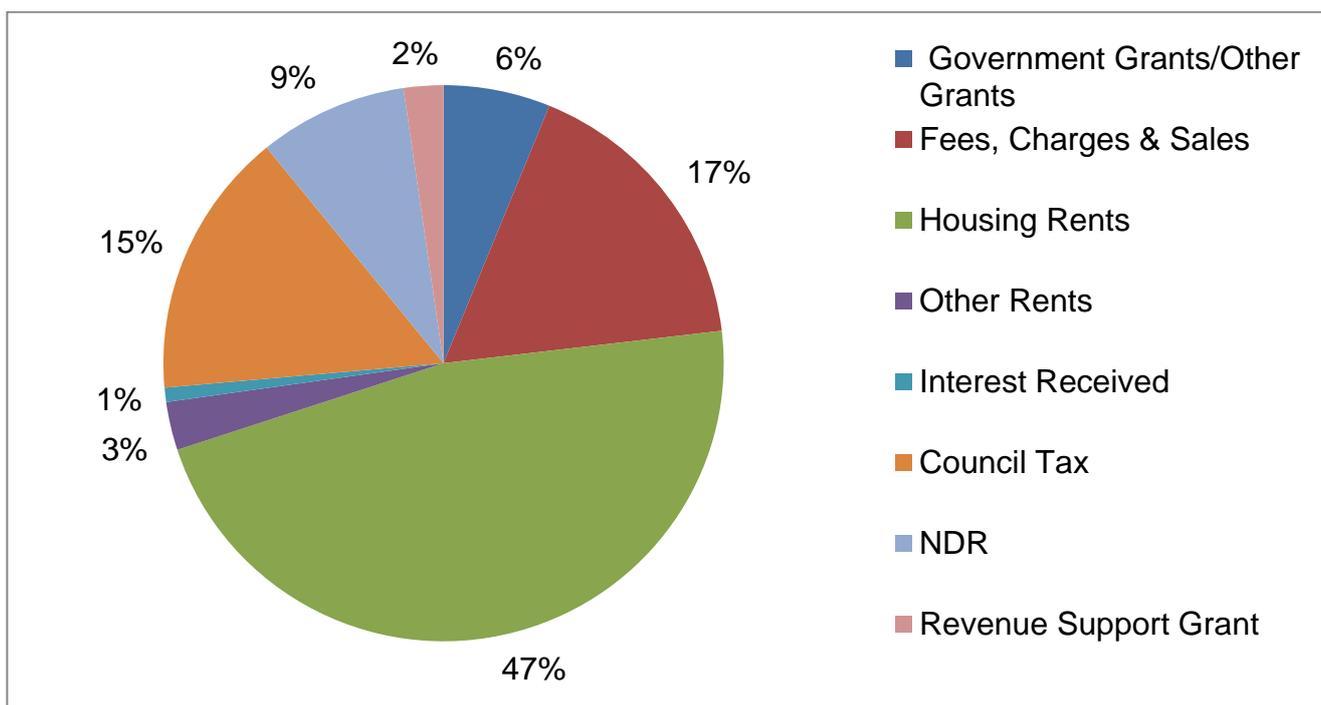
3. Spending and performance

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

Income and Expenditure on Services

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

Figure 1: Sources of income 2017/18



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

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

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

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

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

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

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

Financial Performance

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

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

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

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

Table 2 – General Fund financial performance 2017/18

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

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

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

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

These were partly offset by:

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

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

Table 3: Housing Revenue Account financial performance 2017/18

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

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

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

These were more than offset by

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

Business performance

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

Some performance highlights for 2017/18 were:

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

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

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

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

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

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

4. Spending on assets in 2017/18

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

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

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

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

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

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

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

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

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

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

5. Outlook

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6. The Statement of Accounts

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

The financial statements consist of:

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

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

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

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

7. Further Information

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

ANNUAL GOVERNANCE STATEMENT

Corporate Values

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

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

Competency Framework and Employee Performance Appraisal

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

The Constitution, Standing Orders and Delegated Authority

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

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

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

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

Corporate Plan and Business Plans

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

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

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

- 1. Housing 'A good quality affordable home for all residents of Broxtowe'**
 - *Increase the rate of house building on brownfield sites*
 - *Become an excellent housing provider*
 - *Improve the quality and availability of the private sector housing stock to meet local housing need*

- 2. Environment 'The environment in Broxtowe will be protected and enhanced for future generations'**
 - *Reduce litter and fly tipping to make Broxtowe cleaner*
 - *Maintain and improve the green infrastructure of Broxtowe*
 - *Increase recycling, composting, renewables and energy efficiency projects as resources allow and reduce residual waste*

- 3. Community Safety 'Broxtowe will be a place where people feel safe and secure in their communities'**
 - *Reduce domestic violence in Broxtowe*
 - *Reduce the amount of anti-social behavior in Broxtowe*

- 4. Business Growth 'New and growing businesses providing more jobs for people in Broxtowe and improved town centres'**
 - *Increase the number of new businesses starting in Broxtowe*
 - *Help our town centres to compete and attract new visitors*
 - *Complete the regeneration of Beeston Town Centre and seek opportunities to regenerate town centres throughout Broxtowe.*

- 5. Health 'People in Broxtowe enjoy longer active and healthy lives'**
 - *Increase the number of people who have active lifestyles*
 - *Work with partners to improve the health of the local population*
 - *Reduce alcohol related harm in Broxtowe*

Strategy and Policy Framework

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

Decision-making Structures

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

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

Role of the Governance, Audit and Standards Committee

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

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

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

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

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

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

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

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

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

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

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

Strategies, Policies and Business Plans

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

Electoral Arrangements

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

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

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

Statutory Officers

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

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

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

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

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

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

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

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

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

Audit and Control

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

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

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

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

External Audit

The external auditor reviews the Council's arrangements for:

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

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

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

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

Fraud and Corruption

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

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

Partnerships

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

Implementation of Previous Action Plan

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

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

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

Significant Governance Issues – Action Plan

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

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

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

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

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

R Hyde
Chief Executive
Broxtowe Borough Council
23 July 2018

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The authority is required:

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

The Deputy Chief Executive's Responsibilities

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

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

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

The Deputy Chief Executive has also:

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

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

Z Darr
Interim Deputy Chief Executive
23 July 2018

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

EXPENDITURE AND FUNDING ANALYSIS

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

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

CORE FINANCIAL STATEMENTS 2017/2018

COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

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

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

MOVEMENT IN RESERVES STATEMENT

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

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

BALANCE SHEET

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

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

CASH FLOW STATEMENT

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

1 Accounting Policies

(i) General Principles

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

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

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

(ii) Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. A minimum value of £500 is applied to all such debtor and creditor accruals. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

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

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

(iii) Acquisitions and Discontinued Operations

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

(iv) Cash and Cash Equivalents

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

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

(v) Exceptional Items

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

(vi) Prior Year Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effects of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. See note 2 for more details.

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

(vii) Charges to Revenue for Non-Current Assets

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

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

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

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

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

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

made in 2017/18.

(viii) Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the "Non-Distributed Costs" line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or making an offer to encourage voluntary redundancy.

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

Post Employment Benefits

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

The Local Government Pension Scheme

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

- The liabilities of the Nottinghamshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate that reflects the time value of money and the characteristics of the liability.
- The assets of the Nottinghamshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value

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

- Service cost comprising:
 - Current service cost – the increase in liabilities as a result of years of service earned this year (allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked).
 - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years (debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Resources).
 - Net interest on the net defined benefit liability or asset (i.e. the net interest expense for the Council) – the change during the period in the net defined liability or asset that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement). This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability or asset at the beginning of the period after taking into account any changes in the net defined benefit liability or asset during the period as a result of

- contribution and benefit payments.
- Re-measurements comprising:
 - The return on plan assets (excluding amounts included in net interest on the net defined benefit liability or asset) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Actuarial gains and losses (changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Nottinghamshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities (not accounted for as an expense).

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

Discretionary Benefits

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

(ix) Events after the Balance Sheet Date

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

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

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

(x) Financial Instruments

Financial Liabilities

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

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

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement or the Housing Revenue Account, regulations allow the impact on the General Fund and Housing Revenue Account Balance respectively to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement or the Housing Revenue Account to the net charge required against the General Fund or Housing Revenue Account Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

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

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

Available for Sale Assets

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

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

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

(xi) Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

Community Infrastructure Levy

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

(xii) Heritage Assets

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

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

(xiii) Intangible Assets

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

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

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

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

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

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

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

(xiv) Interests in Companies and Other Entities

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

(xv) Inventories and Long Term Contracts

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

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

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

(xvi) Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment income and expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

(xvii) Jointly Controlled Operations and Jointly Controlled Assets

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

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

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

(xviii) Leases

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

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

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

The Council as Lessee

(i) Finance Leases

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

(ii) Operating Leases

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

The Council as Lessor

(i) Finance Leases

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

(ii) Operating Leases

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

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

(xix) Overhead and Support Services

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

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

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

(xx) Property, Plant and Equipment

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

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

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

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

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

(xxi) Private Finance Initiative and Similar Contracts

The Council has no such contracts in existence.

(xxii) Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. Further details can be found in note 44 to the accounts.

Contingent Assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential. Further details can be found in note 45 to the accounts.

(xxiii) Reserves

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

(xxiv) Revenue Expenditure Funded from Capital under Statute

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

(xxv) VAT

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

(xxvi) Collection Fund

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

Non Domestic Rates

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

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

Council Tax

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

2 Accounting Standards that have been Issued but not yet Adopted

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

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

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

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

3 Critical judgements in applying Accounting Policies

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

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

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

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

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

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

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

5 Material Items of Income and Expense

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

6 Prior Period Adjustment

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

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

7 Events After the Reporting Period

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

8 Note to the Expenditure and Funding Analysis

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

Note A

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

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

Note B

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

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

Note C

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

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

9 Expenditure and Income Analysed by Nature

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

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

10 Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

General Fund Balance

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

Earmarked General Fund Reserves

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Bramcote Bereavement Services

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

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

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

11 Transfer to/from Earmarked Reserves

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

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

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

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

s\11 - Transfers to Earmarked Reserves

12 Other Operating Expenditure

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

13 Financing and Investment Income and Expenditure

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

14 Taxation and Non Specific Grant Income

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

15 Property, Plant and Equipment

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

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

Depreciation

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

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

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

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

Capital Commitments

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

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

Effects of Changes in Estimates

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

Revaluations and other changes

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

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

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

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

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

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

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

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

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

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

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

16 Heritage Assets

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

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

DH Lawrence Birthplace Museum

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

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

Painting

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

17 Investment Properties

The Council currently has no investment properties.

18 Intangible Assets

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

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

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

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

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

19 Financial Instruments

Categories of financial instruments

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

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

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

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

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

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

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

Financial Instruments - Gains and Losses

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

Financial Instruments - Fair Values

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

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

The fair values calculated are as follows:

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

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

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

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

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

20 Inventories

| 2016/17 £'000 | | 2017/18 £'000 |
|------------------|----------------|------------------|
| 182 | Central Stores | 186 |
| 182 | Total | 186 |

21 DebtorsShort-Term Debtors

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

Long-Term Debtors

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

22 Cash and Cash Equivalents

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

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

23 Assets Held for Sale

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

24 CreditorsShort-Term Creditors

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

25 ProvisionsShort-Term Provisions

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

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

Long-Term Provisions

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

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

26 Usable Reserves

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

Usable Capital Receipts Reserve

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

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

27 Unusable Reserves

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

Revaluation Reserve

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

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

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

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

Capital Adjustment Account

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

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

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

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

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

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

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

Financial Instruments Adjustment Account

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

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

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.

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

Collection Fund Adjustment Account

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

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

Available for Sale Financial Instruments

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

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

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

28 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

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

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

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

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

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

29 Cash Flow Statement - Investing Activities

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

30 Cash Flow Statement - Financing Activities

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

31 Acquired and Discontinued OperationsCash Offices

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

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

32 Trading Operations

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

33 Agency Services

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

34 Members Allowances

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

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

35 Officers Remuneration

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

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

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

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

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

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

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

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

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

36 External Audit Costs

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

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

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

37 Grant Income

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

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

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

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

38 Related Parties

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

Central Government

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

Members

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

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

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

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

Officers

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

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

Other Public Bodies

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

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

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

39 Capital Expenditure and Capital Financing

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

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

40 Leases

Authority as Lessee

Finance Leases

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

Operating Leases

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

Authority as Lessor

Finance Leases

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

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

Operating Leases

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

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

41 Impairment Losses

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

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

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

42 Termination Benefits

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

43 Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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

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

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

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

Transactions Relating to Post-Employment Benefits

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

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

Pension Assets and Liabilities Recognised in the Balance Sheet

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

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

Reconciliation of the Movement in the Fair Value of Scheme Assets

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

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

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

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

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

Local Government Pension Scheme Assets

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

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

Basis for Estimating Assets and Liabilities

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

The principle assumptions used by the actuary have been:

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

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

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

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

Impact on the Council's Cash Flows

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

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

44 Contingent Liabilities

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

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

45 Contingent Assets

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

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

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

46 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit Risk

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

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

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

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

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

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

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

Liquidity Risk

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

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

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

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

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

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

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

Market Risk

(i) Interest Rate Risk

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

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the

Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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

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

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

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

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

(ii) Price Risk

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

(iii) Foreign Exchange Risk

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

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

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

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

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

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

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

NOTES TO THE HOUSING REVENUE ACCOUNT

1 Housing Stock

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

| | |
|--------------|--------------|
| Houses | 1,615 |
| Flats | 2,154 |
| Bungalows | 688 |
| Other | 1 |
| Total | 4,458 |

The change in stock can be summarised as follows:

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

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

2 Value of the Housing Stock

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

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

3 Contributions towards Expenditure

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

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

4 Major Repairs Reserve

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

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

5 Capital Expenditure and Capital Receipts

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

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

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

6 Depreciation

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

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

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

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

7 Impairment and Revenue Expenditure Funded from Capital under Statute

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

8 Rent Arrears

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

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

9 Contribution from Pensions Reserve

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

10 Interest Payable

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

COLLECTION FUND

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

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

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

NOTES TO THE COLLECTION FUND

1 The Collection Fund

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

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

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

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

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

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

3 Council Tax Base 2017/18

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

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

GROUP ACCOUNTS

Introduction

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

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

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

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

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

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

Accounting Policies

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

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

GROUP EXPENDITURE AND FUNDING ANALYSIS

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

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

GROUP COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

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

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

GROUP MOVEMENT IN RESERVES STATEMENT

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

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

GROUP BALANCE SHEET

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

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

GROUP CASH FLOW STATEMENT

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

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

GROUP ACCOUNT NOTESIntroduction

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

1 Inter Company Transactions

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

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

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

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

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

3 Note to the Expenditure and Funding Analysis

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

Note A

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

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

Note B

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

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

Note C

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

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

4 Inventories

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

5 Short Term Debtors

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

6 Cash and Cash Equivalents

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

7 Short Term Creditors

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

8 Retirement Benefits

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

9 Cash Flow Statement

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

This page has been intentionally left blank

GLOSSARY OF TERMS

ACCOUNTING POLICIES

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

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

Accounting policies do not include estimation techniques.

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

ACCRUALS

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

ADMINISTRATIVE BUILDINGS

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

AMORTISATION

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

ASSET REGISTER

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

BALANCES

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

BALANCE SHEET

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

BILLING AUTHORITIES

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

BUDGET

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

BUSINESS PLANS

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

BUDGET REQUIREMENT

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

CAPITAL ADJUSTMENT ACCOUNT

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

CAPITAL CHARGES

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

CAPITAL EXPENDITURE

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

CAPITAL PROGRAMME

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

CAPITAL RECEIPTS

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

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

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

COLLECTION FUND

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

COMMUNITY ASSETS

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

CONTINGENCY

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

CONTINGENT LIABILITIES

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

CORPORATE AND DEMOCRATIC CORE (CDC)

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

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

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

COUNCIL TAX

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

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

Council Tax Bands

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

COUNCIL TAX DISCOUNTS AND EXEMPTIONS

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

COUNCIL TAX BASE

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

DEFERRED CAPITAL RECEIPTS

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

DEPRECIATION

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

DIRECT REVENUE FINANCING

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

EARMARKED RESERVES

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

EMOLUMENTS

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

EXTERNAL AUDIT

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

FEES AND CHARGES

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

FINANCE LEASE

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

FINANCIAL INSTRUMENT

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

FINANCIAL INSTRUMENT ADJUSTMENT ACCOUNT

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

FINANCIAL REGULATIONS

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

FINANCIAL REPORTING STANDARD

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

FINANCIAL YEAR

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

FIXED ASSET

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

FORMULA GRANT

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

F.T.E

Full-time equivalent - relates to employee numbers.

GENERAL FUND

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

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

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

GOVERNMENT GRANTS

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

GROSS EXPENDITURE

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

HEREDITAMENT

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

HERITAGE ASSETS

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

HOUSING BENEFIT

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

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

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

HOUSING REVENUE ACCOUNT (HRA)

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

HOUSING STRATEGY

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

HOUSING REVENUE ACCOUNT (HRA) BUSINESS PLAN

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

IMPAIRMENT

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

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

INTERNAL AUDIT

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

INVESTMENT PROPERTY

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

INVESTMENTS

Deposits with approved institutions.

JOINT COMMITTEE

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

LEASING

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

LONG TERM DEBTORS

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

MEDIUM TERM FINANCIAL STRATEGY

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

MINIMUM REVENUE PROVISION

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

NET EXPENDITURE

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

NON-DOMESTIC RATES (NDR)

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

NON-OPERATIONAL ASSETS

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

OPERATIONAL ASSETS

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

OPERATIONAL LEASE

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

OUT-TURN

Actual income and expenditure.

PENSION FUND

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

PRECEPT

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

PROVISIONS

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

PRUDENTIAL CODE

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

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

PUBLIC WORKS LOANS BOARD

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

RATEABLE VALUE

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

REGISTERED SOCIAL LANDLORD (RSL)

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

RENT REBATES

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

REPAIRS AND RENEWALS RESERVE

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

REVALUATION RESERVE

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

REVENUE EXPENDITURE

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

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

SPECIFIC GRANTS

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

STANDING ORDERS

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

SUPPORTING PEOPLE

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

TRANSFERRED DEBT

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

UNUSABLE RESERVES

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

USABLE RESERVES

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

VIREMENT

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

VOIDS

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

This page is intentionally left blank